# Consolidated Statements of Income

Ameritech Corporation and Subsidiaries

| (dollars in millions, except per share amounts) | For the year ended December 31 1998 | 1997 | 1996 |
|---|---|---|---|
| Revenues | | | |
| Local service | $ 7,020 | $ 6,572 | $ 6,175 |
| Interstate network access | 2,481 | 2,485 | 2,365 |
| Intrastate network access | 551 | 619 | 573 |
| Long-distance service | 1,408 | 1,384 | 1,491 |
| Cellular, directory and other | 5,694 | 4,938 | 4,313 |
| | 17,154 | 15,998 | 14,917 |
| Operating expenses | | | |
| Employee-related expenses | 4,169 | 3,959 | 3,711 |
| Depreciation and amortization | 2,717 | 2,521 | 2,365 |
| Other operating expenses | 5,370 | 5,140 | 4,743 |
| Restructuring | 104 | — | — |
| Taxes other than income taxes | 601 | 579 | 593 |
| | 12,961 | 12,199 | 11,412 |
| Operating income | 4,193 | 3,799 | 3,505 |
| Interest expense | 611 | 505 | 514 |
| Other income, net | 2,055 | 390 | 326 |
| Income before income taxes | 5,637 | 3,684 | 3,317 |
| Income taxes | 2,031 | 1,388 | 1,183 |
| Net income | $ 3,606 | $ 2,296 | $ 2,134 |
| Earnings per common share | | | |
| Basic | $ 3.27 | $ 2.09 | $ 1.93 |
| Diluted | $ 3.25 | $ 2.08 | $ 1.92 |
| Average common shares outstanding (millions) | 1,101.6 | 1,098.7 | 1,103.8 |

The accompanying notes are an integral part of the financial statements.

# Consolidated Balance Sheets

Ameritech Corporation and Subsidiaries

| (dollars in millions) | As of December 31 1998 | 1997 |
|---|---|---|
| **Assets** | | |
| Current assets | | |
| Cash and temporary cash investments | $ 139 | $ 239 |
| Receivables, less allowance for uncollectibles of $338 and $308, respectively | 3,052 | 3,078 |
| Installment receivable from TCNZ share sale | 940 | — |
| Material and supplies | 345 | 290 |
| Prepaid and other | 654 | 942 |
| | 5,130 | 4,549 |
| Property, plant and equipment | | |
| In service | 35,859 | 34,020 |
| Under construction | 485 | 371 |
| | 36,344 | 34,391 |
| Less, accumulated depreciation | 22,039 | 20,518 |
| | 14,305 | 13,873 |
| Investments, primarily international | 4,938 | 1,751 |
| Other assets and deferred charges | 5,926 | 5,166 |
| Total assets | $30,299 | $25,339 |
| **Liabilities and shareowners' equity** | | |
| Current liabilities | | |
| Debt maturing within one year | $ 2,619 | $ 3,036 |
| Accounts payable | 1,905 | 1,955 |
| Other | 3,476 | 2,250 |
| | 8,000 | 7,241 |
| Long-term debt | 5,557 | 4,610 |
| Deferred credits and other long-term liabilities | | |
| Accumulated deferred income taxes | 1,502 | 1,150 |
| Unamortized investment tax credits | 115 | 140 |
| Postretirement benefits other than pensions | 2,918 | 2,965 |
| Other | 1,310 | 925 |
| | 5,845 | 5,180 |
| Shareowners' equity | | |
| Common stock, par value $1; 2.4 billion shares authorized; 1,177 million issued in 1998 and 1997 | 1,177 | 1,177 |
| Proceeds in excess of par value | 5,493 | 5,313 |
| Reinvested earnings | 6,455 | 4,190 |
| Treasury stock, at cost (78 million shares in 1998 and 79 million shares in 1997) | (1,923) | (1,645) |
| Deferred compensation | (114) | (190) |
| Accumulated other comprehensive income | (191) | (537) |
| | 10,897 | 8,308 |
| Total liabilities and shareowners' equity | $30,299 | $25,339 |

The accompanying notes are an integral part of the financial statements.

# Consolidated Statements of Shareowners' Equity

Ameritech Corporation and Subsidiaries

| (dollars in millions, except per share amounts) | Total | Common Stock | Proceeds in Excess of Par Value | Reinvested Earnings | Treasury Stock | Deferred Compensation | Accumulated Other Comprehensive Income | Common Shares Issued (millions) | Treasury Common Shares (millions) |
|---|---|---|---|---|---|---|---|---|---|
| | Shareowners' Equity | | | | | | | | |
| Balances, December 31, 1995 | $ 7,015 | $ 1,175 | $ 5,026 | $ 2,209 | $ (986) | $ (329) | $ (80) | 1,175 | 67 |
| Comprehensive income | | | | | | | | | |
| Net income | 2,134 | | | 2,134 | | | | | |
| Unrealized gain (loss) on securities, net of reclassifications | (1) | | | | | | (1) | | |
| Foreign currency translation adjustments | (103) | | | | | | (103) | | |
| Comprehensive income | 2,030 | | | | | | | | |
| Dividends ($1.078 per share) | (1,189) | | | (1,189) | | | | | |
| Stock issued to employees | 29 | 1 | 28 | | | | | 1 | |
| Treasury stock activity | | | | | | | | | |
| Purchases | (492) | | | | (492) | | | | 17 |
| Issuances | 200 | | 66 | | 134 | | | | (8) |
| Reduction of LESOP debt | 70 | | | | | 70 | | | |
| Other | 24 | | 24 | | | | | | |
| Balances, December 31, 1996 | 7,687 | 1,176 | 5,144 | 3,154 | (1,344) | (259) | (184) | 1,176 | 76 |
| Comprehensive income | | | | | | | | | |
| Net income | 2,296 | | | 2,296 | | | | | |
| Unrealized gain (loss) on securities, net of reclassifications | (3) | | | | | | (3) | | |
| Foreign currency translation adjustments | (350) | | | | | | (350) | | |
| Comprehensive income | 1,943 | | | | | | | | |
| Dividends ($1.148 per share) | (1,260) | | | (1,260) | | | | | |
| Stock issued to employees | 12 | 1 | 11 | | | | | 1 | |
| Treasury stock activity | | | | | | | | | |
| Purchases | (602) | | | | (602) | | | | 19 |
| Issuances | 318 | | 72 | | 246 | | | | (13) |
| Acquisitions of businesses | 98 | | 43 | | 55 | | | | (3) |
| Reduction of LESOP debt | 69 | | | | | 69 | | | |
| Other | 43 | | 43 | | | | | | |
| Balances, December 31, 1997 | 8,308 | 1,177 | 5,313 | 4,190 | (1,645) | (190) | (537) | 1,177 | 79 |
| Comprehensive income | | | | | | | | | |
| Net income | 3,606 | | | 3,606 | | | | | |
| Unrealized gain (loss) on securities, net of reclassifications | 9 | | | | | | 9 | | |
| Foreign currency translation adjustments | 337 | | | | | | 337 | | |
| Comprehensive income | 3,952 | | | | | | | | |
| Dividends ($1.218 per share) | (1,341) | | | (1,341) | | | | | |
| Treasury stock activity | | | | | | | | | |
| Purchases | (500) | | | | (500) | | | | 10 |
| Issuances | 345 | | 123 | | 222 | | | | (11) |
| Reduction of LESOP debt | 76 | | | | | 76 | | | |
| Other | 57 | | 57 | | | | | | |
| Balances, December 31, 1998 | $10,897 | $ 1,177 | $ 5,493 | $ 6,455 | $(1,923) | $ (114) | $ (191) | 1,177 | 78 |

The accompanying notes are an integral part of the financial statements.

# Consolidated Statements of Cash Flows

Ameritech Corporation and Subsidiaries

| (dollars in millions) | 1998 | 1997 | 1996 |
|---|---|---|---|
| | For the year ended December 31 | | |
| **Cash flows from operating activities** | | | |
| Net income | $ 3,606 | $ 2,296 | $ 2,134 |
| Adjustments to net income | | | |
| Restructuring, net of tax | 64 | — | — |
| Depreciation and amortization | 2,717 | 2,521 | 2,365 |
| Deferred income taxes, net | 305 | 235 | 122 |
| Investment tax credits, net | (25) | (32) | (36) |
| Capitalized interest | (27) | (25) | (28) |
| Change in accounts receivable, net | 26 | (8) | (296) |
| Change in material and supplies | (95) | (97) | (61) |
| Change in other current assets | (213) | (116) | (11) |
| Change in accounts payable | (50) | 119 | 44 |
| Change in certain other current liabilities | 1,322 | 391 | 86 |
| Change in certain noncurrent assets and liabilities | (959) | (622) | (482) |
| Gain on sale of TCNZ shares | (1,543) | — | — |
| Gain on sale of assets to Century Telephone Enterprises, Inc. | (170) | — | — |
| Gain on sale of shares in MATÁV | — | (43) | — |
| Gain on sale of Bellcore | — | (42) | — |
| Gain on sale of Sky Network Television of New Zealand | — | (52) | — |
| Other operating activities, net | (148) | (15) | (94) |
| Net cash from operating activities | 4,810 | 4,510 | 3,743 |
| **Cash flows from investing activities** | | | |
| Capital expenditures, net | (2,954) | (2,641) | (2,440) |
| Additional investments, including acquisition of new companies | (3,261) | (1,074) | (922) |
| Proceeds from sale of TCNZ shares | 1,078 | — | — |
| Proceeds from sale of assets to Century Telephone Enterprises, Inc. | 221 | — | — |
| Proceeds from repayment of GEIS note | 473 | — | — |
| Proceeds from TCNZ share repurchase | — | 152 | — |
| Proceeds from sale of shares in MATÁV | — | 146 | — |
| Proceeds from sale of Bellcore | — | 64 | — |
| Proceeds from sale of Sky Network Television of New Zealand | — | 52 | — |
| Other investing activities, net | 3 | (14) | 51 |
| Net cash from investing activities | (4,440) | (3,315) | (3,311) |
| **Cash flows from financing activities** | | | |
| Net change in short-term debt | (221) | (195) | 815 |
| Issuance of long-term debt | 2,500 | 650 | 273 |
| Retirement of long-term debt | (1,672) | (320) | (92) |
| Dividend payments | (1,323) | (1,242) | (1,171) |
| Repurchase of common stock | (500) | (602) | (492) |
| Proceeds from reissuance of treasury stock | 401 | 330 | 196 |
| Issuance of preferred stock in subsidiaries | 322 | 250 | — |
| Other financing activities, net | 23 | 28 | 53 |
| Net cash from financing activities | (470) | (1,101) | (418) |
| Net increase (decrease) in cash and temporary cash investments | (100) | 94 | 14 |
| Cash and temporary cash investments, beginning of year | 239 | 145 | 131 |
| Cash and temporary cash investments, end of year | $ 139 | $ 239 | $ 145 |

The accompanying notes are an integral part of the financial statements.

# Notes to Consolidated Financial Statements

(dollars in millions, except per share amounts)

## 1. Significant accounting policies

**NATURE OF OPERATIONS** Ameritech Corporation is one of the world's largest communications companies, providing a wide array of local phone, data, directory and other services to more than 12 million customers (primarily in Illinois, Indiana, Michigan, Ohio and Wisconsin).

We serve more than 3.5 million cellular customers, more than 1.5 million paging customers and approximately 1.2 million security services customers. The security services business is conducted throughout the United States and Canada. We have cellular interests in Norway as well as interests in communications companies in Belgium, Denmark and Hungary. We also publish business directories in Germany and other European countries.

See our discussion of regulatory matters and competitive environment in Other Matters in Management's Discussion and Analysis of Results of Operations and Financial Condition (MD&A) on pages 30 to 36. See also the discussion of our pending merger in Note 16 on page 53.

**CONSOLIDATION** The consolidated financial statements include all of our majority-owned subsidiaries. We have eliminated all significant intercompany transactions.

**BASIS OF ACCOUNTING** We have prepared the consolidated financial statements in accordance with U.S. generally accepted accounting principles (GAAP). We have made certain reclassifications to the 1997 and 1996 balances to correspond to the 1998 presentation.

**USE OF ESTIMATES** The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**MATERIAL AND SUPPLIES** We have stated inventories of new and reusable material and supplies at the lower of cost or market, with cost generally determined on an average-cost basis.

**INCOME TAXES** We file a consolidated federal income tax return. At the end of each period, we determine deferred tax assets and liabilities based on differences between the financial statement bases of assets and liabilities and the tax bases of those same assets and liabilities, using the currently enacted statutory tax rates. We measure deferred income tax expense as the change in the net deferred income tax asset or liability during the year. We also recognize deferred income taxes on undistributed equity earnings from foreign investments when we do not control the dividend flow back to the United States.

**PROPERTY, PLANT AND EQUIPMENT** We have stated property, plant and equipment primarily at original cost. The provision for depreciation is based principally on straight-line remaining life and straight-line equal life group methods of depreciation applied to individual categories of plant with like characteristics.

We use average plant lives, generally ranging from three to 30 years depending upon the type of asset. In general, the lives used for certain communications assets and office equipment have shortened due to the use of newer technologies.

Generally, when depreciable assets are retired, the amount at which such assets are carried in property, plant and equipment is charged to accumulated depreciation. The cost of maintenance and repair of assets is charged to expense.

Most of our property, plant and equipment is located in Illinois, Indiana, Michigan, Ohio and Wisconsin.

**TEMPORARY CASH INVESTMENTS** We have stated temporary cash investments at cost, which approximates market value. We consider all highly liquid, short-term investments with an original maturity of three months or less to be cash equivalents.

**DERIVATIVE FINANCIAL INSTRUMENTS** We occasionally enter into forward contracts and swap agreements to hedge exposures to foreign currency exchange and interest rate risks. We include gains and losses on foreign currency forward contracts used for hedging purposes in net income in the period in which the gain or loss arises. We record gains and losses that hedge an investment in a foreign company as a component of accumulated other comprehensive income until such time as we reduce our interest in the company. Gains and losses on interest rate swaps or interest rate "locks" are recorded as adjustments to interest expense.

We use derivatives in a limited way for the following purposes:

- to manage financial risk;
- to hedge assets and obligations that we already hold; and,
- to protect our cash flows.

We do not use derivatives to generate income or engage in speculative activity, and we never use leveraged derivatives.

**ADVERTISING COSTS** We charge advertising costs to expense as incurred.

**SOFTWARE COSTS** We have historically expensed most software and related license fees as incurred. Beginning in 1999, we are required, because of a change in GAAP, to capitalize a significant portion of software developed or obtained for our internal use. See our discussion of new accounting pronouncements in Other Matters in MD&A on page 36.

**COMPREHENSIVE INCOME** In 1998, we adopted Statement of Financial Accounting Standards (FAS) 130, "Reporting Comprehensive Income," issued by the Financial Accounting Standards Board (FASB). We report accumulated other comprehensive income as a separate component of shareowners' equity. The deferred tax effects of the unrealized gain or loss on available-for-sale securities were a $5 million benefit in 1998 and expense of $2 million in 1997 and $1 million in 1996. We do not recognize deferred income taxes on foreign currency translation adjustments.

**Earnings per share** We compute basic earnings per common share by dividing net income by the weighted average number of common shares outstanding during the period.

Diluted earnings per share are calculated by including all dilutive potential common shares such as stock options. Dilutive potential common shares were 9,319,370 in 1998, 5,375,302 in 1997 and 4,448,568 in 1996. No adjustment to reported net income is required when computing diluted earnings per share.

**Stock options** We account for our stock option plans in accordance with Accounting Principles Board (APB) Opinion 25, under which no compensation expense is recognized in the financial statements unless the plan is determined to be variable in nature.

**Revenue recognition** We generally recognize revenues as we provide services or deliver products to customers. We bill certain local telephone and wireless and security service revenues in advance, resulting in deferred revenues. We account for our directory advertising revenues generally as billed over the term of the related directory (usually one year) and amortize production costs, which are deferred when incurred, to match the related revenues.

**Intangibles** We amortize intangibles, including goodwill arising from business combinations, on a straight-line basis over the anticipated period of benefit, not to exceed 40 years. We periodically review amounts recorded as intangible assets for impairment using expected undiscounted future cash flows.

**Translation adjustments** We translate the assets and liabilities relating to our share of significant foreign operations to U.S. dollars at year-end exchange rates. We translate revenues and expenses to U.S. dollars using average exchange rates for the year. Translation adjustments are accumulated and recorded as a separate component of accumulated other comprehensive income.

## 2. Investments

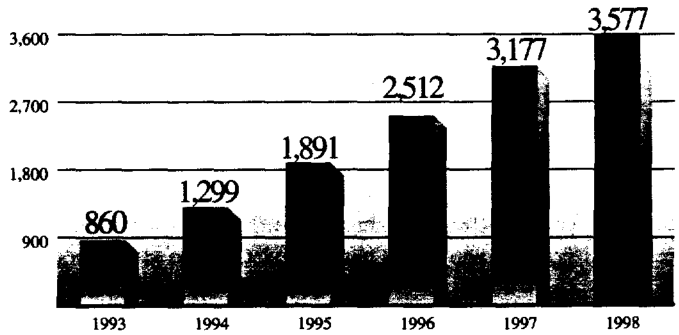
We account for our investments in Tele Danmark, Belgacom and MATÁV using the equity method of accounting.

**Tele Danmark** In January 1998, we purchased a 34% interest in Tele Danmark A/S, the national communications provider in Denmark, from the Kingdom of Denmark for approximately $3.1 billion. As part of our investment agreement, Tele Danmark repurchased and retired all remaining shares owned by the Danish government, effectively increasing our equity ownership to 41.6% of Tele Danmark.

Based on the year-end closing price of individual Tele Danmark shares, the aggregate market value of our investment was $6.1 billion as of December 31, 1998. We are amortizing goodwill of approximately $1,453 million from this investment over a period of 40 years.

**Belgacom** In March 1996, a consortium led by Ameritech finalized its agreement to acquire an interest in Belgacom S.A., the national communications provider in Belgium. The consortium purchased from the Belgian government a 49.9% stake in Belgacom. The consortium's purchase price was approximately 74 billion Belgian francs, or $2.5 billion. We have invested approximately $865 million for our 35% allocable consortium share, which results in about a 17.5% investment in Belgacom.

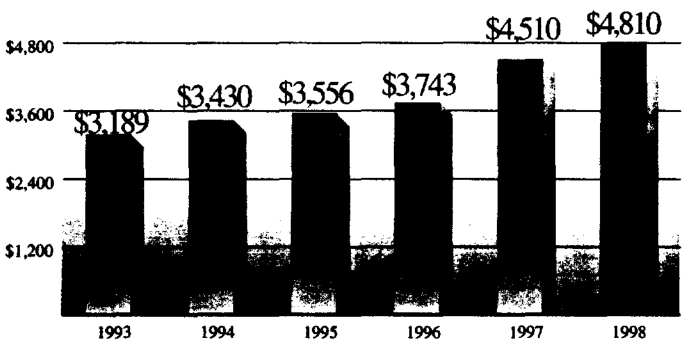
After giving effect to Belgacom's unfunded pension obligation and other adjustments to conform to U.S. GAAP, our share of goodwill from this investment is approximately $845 million, which we are amortizing on a straight-line basis over a period of 40 years.




Wireless Growth
(wireless customers in thousands)
Ameritech has a strong growth record in wireless. In 1998, we added 400,000 cellular customers, an increase of 13%.

**MATÁV** We invested a total of $843 million in MATÁV, the national communications provider in Hungary. On November 14, 1997, MATÁV completed an initial public offering (IPO) of its shares. We sold 11.5% of our shares in the IPO and realized cash proceeds of $146 million. We recorded a pretax gain of $43 million on the share sale and currently hold 309,029,700 shares, or approximately 30% of MATÁV. Based on the year-end closing price of individual MATÁV shares, the aggregate value of our remaining shares is approximately $1.8 billion. We are amortizing goodwill of approximately $385 million, adjusted for the share sale, over a period of 40 years.

**Telecom Corporation of New Zealand Limited** In April 1998, we sold substantially all of our remaining 24.95% interest in Telecom Corporation of New Zealand Limited (New Zealand Telecom or TCNZ) in a global stock offering. The first of two installment payments was received in April 1998 with the second payment due by March 31, 1999. At the time of the first installment payment, we irrevocably transferred our shares to a trustee, which is holding the shares in trust for the purchasers until the final installment is paid. We retained a security interest in the shares, and each purchaser remains personally liable until the final installment payment is received. The purchasers will receive all ordinary dividends in the interim period. The trustee will have one vote for each share and will vote the shares based on instructions from the purchasers.




Cash Flow Growth
(cash flow from operations in millions)
Cash flow from operations increased to $4.8 billion in 1998, up 51% over the past five years.

In accordance with FAS 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," we accounted for this transaction as a sale and recorded an after-tax gain of approximately $1.0 billion. Because the receivable from the second installment payment does not have a stated interest rate, we are imputing interest at 9%. Net proceeds from the initial installment were approximately $1.1 billion, and we expect to receive total net proceeds of approximately $2.1 billion from this transaction. We have hedged substantially all foreign exchange risk associated with the final installment. Until April 1998, we used the equity method of accounting for this investment.

**Summary of nonconsolidated investments** A summary of our investments, which have not been consolidated, follows:

| | 1998 | 1997 |
|---|---|---|
| Tele Danmark | $ 3,401 | $ — |
| Belgacom | 892 | 742 |
| MATÁV | 534 | 506 |
| New Zealand Telecom | — | 417 |
| Other international investments | 4 | 4 |
| Total international investments | 4,831 | 1,669 |
| Domestic investments | 107 | 82 |
| Total investments | $ 4,938 | $ 1,751 |

In accordance with the equity method of accounting, we increase our recorded investment for our allocable share of earnings (adhering to purchase accounting and U.S. GAAP), reduce the investment for distributions (dividends) received and give effect to any currency translation adjustments. We received dividends on such investments of $171 million in 1998, $164 million in 1997 and $152 million in 1996.

The following tables present summarized financial information of significant investments accounted for using the equity method of accounting after taking into account all adjustments necessary to conform to U.S. GAAP, but excluding Ameritech's purchase adjustments including goodwill:

| Year ended December 31 | 1998 | 1997 | 1996 |
|---|---|---|---|
| Revenues | $ 11,344 | $ 8,199 | $ 7,400 |
| Operating income | 2,803 | 1,918 | 1,918 |
| Net income | 1,751 | 723 | 1,002 |
| Weighted average owned by Ameritech* | 27.8% | 22.2% | 23.3% |

* Represents Ameritech's weighted average share of revenues.

| As of December 31 | 1998 | 1997 |
|---|---|---|
| Current assets | $ 4,145 | $ 2,421 |
| Noncurrent assets | 13,826 | 10,851 |
| Current liabilities | 5,165 | 4,565 |
| Noncurrent liabilities | 6,864 | 6,500 |
| Minority interest | 69 | 91 |

**Other investments** In addition to acquiring our Tele Danmark investment in 1998, we made several smaller investments for approximately $100 million in cash and assumed debt of approximately $40 million. At various times in 1997, we acquired assets of several companies engaged in security services through our wholly owned subsidiary, SecurityLink from Ameritech, Inc., for approximately $1 billion in cash and stock.

We accounted for these transactions using the purchase method of accounting. We allocated our purchase price to individual assets and liabilities based on estimates of fair value. Revenues of all of the above-mentioned security businesses in 1996, prior to our asset acquisitions, were approximately $195 million.

## 3. Property, plant and equipment

The components of property, plant and equipment were as follows as of December 31:

| | 1998 | 1997 |
|---|---|---|
| Land | $ 148 | $ 152 |
| Buildings | 3,308 | 3,123 |
| Central office equipment | 14,658 | 13,335 |
| Cable, wiring and conduit | 14,605 | 13,960 |
| Other | 3,140 | 3,450 |
| | 35,859 | 34,020 |
| Under construction | 485 | 371 |
| | 36,344 | 34,391 |
| Less, accumulated depreciation | 22,039 | 20,518 |
| Total property, net | $ 14,305 | $ 13,873 |

Depreciation expense on property, plant and equipment was $2,475 million in 1998, $2,317 million in 1997 and $2,216 million in 1996.

## 4. Income taxes

The components of income tax expense follow:

| | 1998 | 1997 | 1996 |
|---|---|---|---|
| Federal | | | |
| Current | $ 1,568 | $ 994 | $ 959 |
| Deferred, net | 213 | 217 | 115 |
| Investment tax credits, net | (25) | (32) | (36) |
| Total | 1,756 | 1,179 | 1,038 |
| State, local and foreign | | | |
| Current | 223 | 191 | 138 |
| Deferred, net | 52 | 18 | 7 |
| Total | 275 | 209 | 145 |
| Total income tax expense | $ 2,031 | $ 1,388 | $ 1,183 |

Total income taxes paid were $956 million in 1998, $1,151 million in 1997 and $1,075 million in 1996.

The following is a reconciliation of the statutory federal income tax rate for each of the past three years to our effective tax rate (computed by dividing total income tax expense by income before income taxes):

| | 1998 | 1997 | 1996 |
|---|---|---|---|
| Statutory tax rate | 35.0% | 35.0% | 35.0% |
| State income taxes, net of federal benefit | 3.1 | 2.9 | 2.8 |
| Amortization of investment tax credits | (0.3) | (0.6) | (0.7) |
| Other, net | (1.8) | 0.4 | (1.4) |
| Effective tax rate | 36.0% | 37.7% | 35.7% |

Income tax expense was reduced by $12 million in 1996 as a result of a portion of the beginning-of-year valuation allowances no longer being required.

As of December 31, 1998 and 1997, the components of long-term accumulated deferred income taxes were as follows:

| | 1998 | 1997 |
|---|---|---|
| Deferred tax assets | | |
| Postretirement and postemployment benefits | $ 1,110 | $ 1,127 |
| Other | 330 | 291 |
| | 1,440 | 1,418 |
| Deferred tax liabilities | | |
| Accelerated depreciation and amortization | 1,903 | 1,737 |
| Prepaid pension cost | 627 | 530 |
| Undistributed equity earnings from foreign investments | 80 | 44 |
| Other | 332 | 257 |
| | 2,942 | 2,568 |
| Net deferred tax liability | $ 1,502 | $ 1,150 |

As of December 31, we had valuation allowances against certain deferred tax assets aggregating $107 million in 1998 and $72 million in 1997. We do not separately report deferred income taxes in current assets and liabilities, as they are not significant.

## 5. Debt maturing within one year

We include debt maturing within one year as debt in the computation of debt ratios. Debt maturing within one year consisted of the following as of December 31:

| | 1998 | 1997 |
|---|---|---|
| Notes payable | | |
| Commercial paper | $ 2,368 | $ 2,584 |
| Bank loans | 4 | 9 |
| Other | 12 | 38 |
| Long-term debt maturing within one year | 235 | 405 |
| Total | $ 2,619 | $ 3,036 |
| Weighted average interest rate on notes payable, year-end | 5.4% | 5.8% |

We have a committed revolving credit facility of $2.0 billion. The fee for this facility is 0.035% per annum. No amounts were outstanding under this facility as of December 31, 1998. In addition, we have entered into uncommitted agreements with a number of banks for lines of credit totaling $1.8 billion. We had $1 million outstanding under these agreements as of December 31, 1998, and did not use the agreements during 1997 or 1996. The interest rates on these lines are negotiable at the time of borrowing. There are no significant commitment fees or material compensating balance requirements associated with any of these lines of credit. These lines, as well as the revolving credit facility, are available for support of commercial paper borrowing and to meet short-term cash needs.

(dollars in millions, except per share amounts)

## 6. Long-term financing

Long-term debt consists principally of debt issued by our landline communications subsidiaries and our financing subsidiary, Ameritech Capital Funding Corporation (ACF). The following table sets forth interest rates and other information on long-term debt outstanding as of December 31:

| Interest Rates | Maturities | 1998 | 1997 |
|---|---|---|---|
| 4.375%–6.0% | 2000–2007* | $ 1,890 | $ 640 |
| 6.125%–8.0% | 2001–2028 | 3,517 | 3,462 |
| 8.125%–9.0% | 2000–2005 | 45 | 326 |
| 9.1%–10.0% | 2006–2016 | 96 | 96 |
| | | 5,548 | 4,524 |
| LESOP (Note 8) | | 37 | 114 |
| Capital lease obligations | | 6 | 9 |
| Other | | 2 | 1 |
| Unamortized discount, net | | (36) | (38) |
| Total | | $ 5,557 | $ 4,610 |

* Includes $250 million ACF 5.9% debentures maturing in 2038 with a put option by holder in 2005.

Scheduled maturities of long-term debt, including principal payments on LESOP debt (see Note 8), are $235 million due in 1999, $147 million due in 2000, $606 million due in 2001, $127 million due in 2002 and $977 million due in 2003.

In December 1998, we redeemed approximately $1.3 billion of long-term debt, including mortgage bonds, issued by our landline communications subsidiaries. We called this debt in anticipation of refinancing at more favorable interest rates in 1999. Interest rates on the extinguished debt ranged from 6.25% to 8.5% and maturities ranged from 2004 to 2026.

In January 1998, we issued $1.75 billion of long-term debt in five separate tranches through ACF. The notes and debentures bear interest at annual rates ranging from 5.65% to 6.55% and mature between 2001 and 2038. In February 1998 we issued $750 million of 5.88% unsecured Eurodollar notes, due February 19, 2003, through ACF. We used proceeds from these borrowings primarily to fund our investment in Tele Danmark.

As of December 31, 1998, we had available for issuance through our landline communications subsidiaries and ACF $1.2 billion in unsecured debt securities through shelf registration statements with the Securities and Exchange Commission (SEC).

**Preferred stock issuances by subsidiaries** In April 1998, an Ameritech subsidiary issued through a private placement 3,250 shares of stated rate auction preferred stock (STRAPS) in four separate series. Net proceeds from these issuances totaled $322 million. Dividends accrue on the STRAPS at varying rates, which are adjusted periodically through separate auctions on each series. Dividends are cumulative from the date of issuance. The dividend rates for each series ranged from 4.15% to 4.35% as of December 31, 1998.

In June 1997, one of our wholly owned subsidiaries issued $250 million of preferred stock in a private placement. The holders of the preferred stock may require our subsidiary to redeem the shares at any time after May 20, 2004. Holders receive quarterly dividends based on a rolling three-month London Interbank Offer Rate (LIBOR). The dividend rate for the December 31, 1998, payment was 6.05%.

As of December 31, 1998, another wholly owned subsidiary has outstanding $85 million of Series A Preferred Stock (7.04%, subject to mandatory redemption in 2001) and $60 million of Series B Preferred Stock (variable rate, 4.4% as of December 31, 1998, not subject to mandatory redemption).

All preferred stock issued by subsidiaries is included in Other long-term liabilities on the consolidated balance sheet.

## 7. Other assets and deferred charges

The components of other assets and deferred charges are as follows:

| | 1998 | 1997 |
|---|---|---|
| Goodwill | $ 1,077 | $ 980 |
| Acquired security services customers | 453 | 512 |
| Other intangibles | 544 | 538 |
| Total intangibles, net | 2,074 | 2,030 |
| Prepaid pension asset | 1,651 | 1,394 |
| Other | 2,201 | 1,742 |
| | $ 5,926 | $ 5,166 |

Costs of acquiring security services customers generally are being amortized over 10 years, the expected life when acquired from a third party. Our goodwill generally is amortized over 40 years. Accumulated amortization of intangibles was $366 million in 1998 and $273 million in 1997.

## 8. Employee benefit plans

**Pension and retiree health and life plans** We maintain noncontributory defined benefit pension plans for substantially all employees, as well as postretirement health care and life insurance plans for substantially all retirees and their dependents.

The components of pension cost (credits) are as follows:

| | Pension Benefits | | |
|---|---|---|---|
| | 1998 | 1997 | 1996 |
| Benefits earned during the year | $ 210 | $ 183 | $ 167 |
| Interest cost on projected benefit obligation | 551 | 556 | 493 |
| Expected return on plan assets | (886) | (822) | (765) |
| Net amortization and deferral | | | |
| Transition obligation | (110) | (110) | (112) |
| Other | 10 | 19 | 22 |
| Net pension credits | $ (225) | $ (174) | $ (195) |

The components of postretirement benefit cost are as follows:

| | Retiree Health and Life Benefits | | |
|---|---|---|---|
| | 1998 | 1997 | 1996 |
| Benefits earned during the year | $ 84 | $ 80 | $ 88 |
| Interest cost on accumulated benefit obligation | 367 | 360 | 345 |
| Expected return on plan assets | (150) | (127) | (110) |
| Net (gain) or loss amortization | 10 | — | 16 |
| Total postretirement benefit cost | $ 311 | $ 313 | $ 339 |

The following tables set forth pension and postretirement obligations and plan assets as of December 31:

| | Pension Benefits | | Retiree Health and Life | |
|---|---|---|---|---|
| | 1998 | 1997 | 1998 | 1997 |
| Change in benefit obligation: | | | | |
| Benefit obligation as of January 1 | $ 7,994 | $ 7,622 | $ 5,454 | $ 5,057 |
| Service cost | 210 | 183 | 84 | 80 |
| Interest cost | 551 | 556 | 367 | 360 |
| Plan amendment | (30) | — | — | — |
| Effect of settlements | (34) | (35) | — | — |
| Actuarial loss (gain) | 760 | 416 | 190 | 228 |
| Benefits paid | (766) | (748) | (293) | (271) |
| Benefit obligation as of December 31 | $ 8,685 | $ 7,994 | $ 5,802 | $ 5,454 |
| Change in plan assets: | | | | |
| Fair value as of January 1 | $13,611 | $12,121 | $ 1,755 | $ 1,491 |
| Actual return | 1,946 | 2,268 | 247 | 205 |
| Company contribution | — | — | 89 | 83 |
| Effect of settlements | (37) | (39) | — | — |
| Benefits paid | (758) | (739) | (23) | (24) |
| Fair value as of December 31 | $14,762 | $13,611 | $ 2,068 | $ 1,755 |
| Funded status: | | | | |
| As of December 31 | $ 6,077 | $ 5,617 | $ (3,734) | $ (3,699) |
| Unrecognized cost: | | | | |
| Actuarial and investment (gains) losses, net | (4,246) | (3,996) | 814 | 732 |
| Prior service cost | 366 | 431 | 2 | 2 |
| Transition obligation | (546) | (658) | — | — |
| Prepaid (accrued) benefit cost | $ 1,651 | $ 1,394 | $ (2,918) | $ (2,965) |

Assumptions as of December 31:

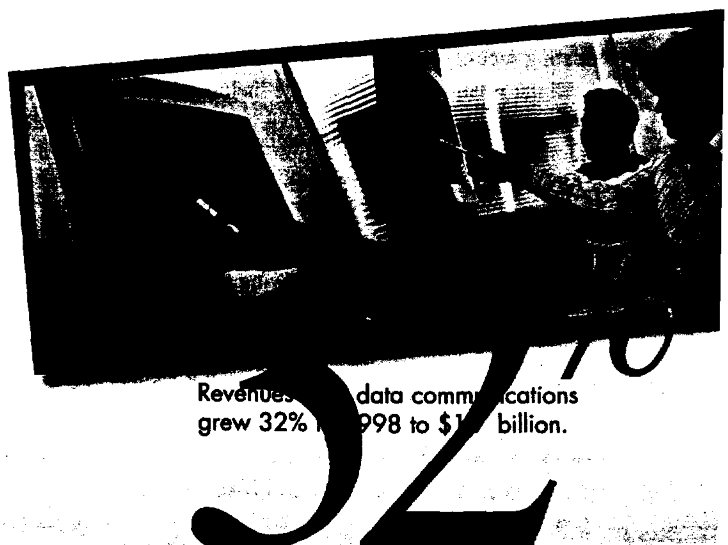
| | Pension Benefits | | Retiree Health and Life | |
|---|---|---|---|---|
| | 1998 | 1997 | 1998 | 1997 |
| Discount rate | 6.75% | 7.0% | 6.75% | 7.0% |
| Expected return | 8.4% | 8.4% | 8.4% | 8.4% |
| Compensation increase rate | 4.1% | 4.1% | 4.1% | 4.1% |

Effective December 31, 1996, we gave effect to increases in future benefits under the nonmanagement pension plan. The assumed health care cost trend rate was 7.6% for 1998 and 8.0% for 1997 and is assumed to decrease by 0.4% per year to 4.0% in 2007 and remain at that level. A one percentage-point change in the assumed health care cost trend rate would have the following effects:

| | One Percentage-Point Increase | One Percentage-Point Decrease |
|---|---|---|
| Effect on total of service and interest cost components | $ 65 | $ (52) |
| Effect on postretirement benefit obligation | $ 706 | $ (580) |

**Leveraged employee stock ownership plans** In 1989, we created leveraged employee stock ownership plans (LESOPs) within our existing employee savings plans. To fund the LESOPs, the trustee for the savings plans issued $665 million of debt, at 8.03% interest, payable in semiannual installments through 2001, which we guaranteed. The trustee used the proceeds to purchase at fair market value 45,132,552 shares of Ameritech common stock from our treasury. These shares are considered to be outstanding for earnings per share purposes. The trustee repays the notes, including interest, with funds from our contributions to the savings plans, from dividends paid on the shares of our common stock held by the trustee and with new loans from Ameritech.

As a result of our unconditional guarantee, we have recorded the notes of the trusts as long-term debt and as deferred compensation in the accompanying consolidated balance sheets. Deferred compensation represents a reduction of shareowners' equity.



(dollars in millions, except per share amounts)

Debt and deferred compensation decrease as the trustee makes principal payments. As of December 31, 1998, we had $37 million included in long-term debt and $77 million included in long-term debt maturing within one year with respect to the LESOPs.

We maintain savings plans that cover substantially all of our employees. Under these plans, we match a certain percentage of eligible contributions made by the employees to the plans. The LESOP provisions of the savings plans became effective January 1, 1990. Under these provisions, our matching contributions are allocated to employees in company stock from the LESOP trusts. We release Ameritech stock for allocation to employees in the proportion that principal and interest paid in a year bears to the total principal and interest due over the life of debt outstanding in the trusts.

We record our matching contributions to the plans as compensation expense. Any change in the required contribution as a result of leveraging this obligation is recorded as a gain or loss in other income. The amount expensed and contributed to the LESOPs totaled $31 million in 1998, $29 million in 1997 and $34 million in 1996. Interest expense incurred by the savings plans was $9 million in 1998, $15 million in 1997 and $21 million in 1996. Dividends paid on shares of stock held by the trustee used to partially satisfy debt repayment requirements were $42 million for 1998 and $41 million for both 1997 and 1996. As of December 31, 1998, we had allocated or committed 35,256,838 shares to employee accounts, leaving 9,875,714 shares unallocated. As of December 31, 1997, we had allocated or committed 32,154,838 shares to employee accounts, leaving 12,977,714 shares unallocated.

We have entered into agreements to lend up to $123 million to one of the trusts through December 1, 2004. As of December 31, 1998, the trustee borrowed $94 million from Ameritech at rates ranging from 6.1% to 8.4%. The trustee borrowed an additional $20 million in January 1999 at 5.6%.

**Restructuring** In March 1998, we announced plans to significantly reduce future operating expenses by the end of 2002. As part of this cost containment program, we recorded a pretax restructuring charge of $104 million ($64 million after-tax, or $0.06 per share) in March 1998 principally to cover the costs of consolidating security monitoring centers and closing 53 company-owned cellular retail stores. The charge includes employee-related costs (principally severance) of approximately $54 million for the termination of the employment of approximately 5,000 employees, as well as other costs of approximately $50 million related to lease terminations and asset write-downs. We accounted for the employee costs of the restructuring charge in accordance with our existing severance plans and following FAS 112, "Employers' Accounting for Postemployment Benefits." We accounted for the other restructuring costs in accordance with existing accounting literature for restructurings. The charge does not include approximately 550 employees identified for employment termination when we acquired certain security services assets in 1997. We included the cost of terminating the employment of these employees in our purchase price.

Employee reductions under the March 1998 restructuring program were 1,478 in 1998. Termination costs related to these employees were approximately $15 million. We also incurred nonemployee costs of approximately $13 million in 1998 related to this restructuring, resulting in an accrual balance of approximately $76 million as of December 31, 1998. Settlement gains of approximately $3 million associated with this restructuring were recorded in 1998.

**Management work force reductions** Effective January 1, 1995, management employees who are asked to leave the company under certain conditions will receive a severance payment under the Management Separation Benefit Plan (MSBP). We account for this benefit in accordance with FAS 112, "Employers' Accounting for Postemployment Benefits," accruing the separation cost when incurred. The number of employees leaving Ameritech under the MSBP, other than those leaving as part of the March 1998 restructuring discussed above, was 249 in 1998, 273 in 1997 and 618 in 1996.

Settlement gains result from the payment of lump-sum distributions from the pension plans to former employees and are recorded as a credit to other operating expense. Settlement gains, net of termination costs, under the plans were $18 million in 1998, $20 million in 1997 and $33 million in 1996. We fund the involuntary plans from our operations and made cash payments of $4 million in 1998, $5 million in 1997 and $17 million in 1996.

## 9. Commitments

We lease certain facilities and equipment used in our operations under both operating and capital leases. Rental expense under operating leases was $243 million in 1998, $220 million in 1997 and $219 million in 1996. As of December 31, 1998, the aggregate minimum rental commitments under noncancelable leases were as follows:

| Years | Operating | Capital |
|---|---|---|
| 1999 | $ 94 | $ 3 |
| 2000 | 82 | 2 |
| 2001 | 70 | 3 |
| 2002 | 56 | 1 |
| 2003 | 51 | 1 |
| Thereafter | 201 | 1 |
| Total minimum rental commitments | $ 554 | 11 |
| Less: executory costs | | 1 |
| interest costs | | 2 |
| Present value of minimum lease payments | | $ 8 |

We commenced a 10-year agreement in 1996 with IBM Global Services (IBM), to perform certain information technology services we previously performed. IBM also is responsible for the consolidation of our data centers. The terms of the agreement and subsequent amendments specify payments to IBM that do not exceed about $200 million in any year. Actual charges from IBM may increase or decrease based in part on usage, growth or other data processing requirements. We may terminate the entire agreement upon payment of a predetermined fee, which varies based on the reason for termination and the year terminated.

## 10. Financial instruments and derivatives

The following table presents the estimated fair value of our financial instruments as of December 31:

| | 1998 | | 1997 | |
|---|---|---|---|---|
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| Cash and temporary cash investments | $ 139 | $ 139 | $ 239 | $ 239 |
| Debt | 8,327 | 8,644 | 7,749 | 8,037 |
| Other assets | 1,434 | 1,421 | 907 | 888 |
| Other liabilities | 760 | 789 | 476 | 509 |

We used the following methods and assumptions to estimate the fair value of financial instruments:

**CASH AND TEMPORARY CASH INVESTMENTS** The carrying value approximates fair value because of the short-term maturity of these instruments.

**DEBT** The carrying amount (including accrued interest) of our debt maturing within one year approximates fair value because of the short-term maturities involved. We estimated the fair value of our long-term debt based on the year-end quoted market price for the same or similar issues.

**OTHER ASSETS AND LIABILITIES** These financial instruments consist primarily of long-term receivables, other investments, financial contracts, customer deposits and preferred stock of subsidiaries. We based the fair values of these items on expected cash flows, available market prices or market comparables. Fair value of other liabilities includes the effect of interest rate swaps and forwards discussed below.

**FINANCIAL CONTRACTS, INCLUDING DERIVATIVES** We occasionally enter into foreign currency forward contracts to hedge exposure to adverse exchange risk. Also, we use interest rate swaps to manage interest rate exposure. Related gains and losses are reflected in net income. As of December 31, 1998, we had contracts giving us the right to deliver foreign currency valued at approximately $1.0 billion ($3.0 billion in 1997). As of December 31, we also had entered into interest rate swap agreements to change the interest rate on notional amounts of $395 million in 1998 and $527 million in 1997. We adjust interest expense to give effect to obligations under the swaps. We are exposed to credit risk in the unlikely event of nonperformance by counterparties and the fair value of the swaps exceeds their carrying value. As of December 31, 1998, the fair value of these interest rate swaps was $25 million less than carrying value. As of December 31, 1997, the fair value of the interest rate swaps was $15 million less than carrying value.

## 11. Other income, net

The components of other income, net are as follows:

| Income (expense) | 1998 | 1997 | 1996 |
|---|---|---|---|
| Equity earnings of affiliates* | $ 382 | $ 206 | $ 236 |
| Interest on company-owned life insurance and related programs | 40 | 46 | 55 |
| Gain on LESOP | 52 | 44 | 35 |
| Gain on sale of TCNZ shares | 1,543 | — | — |
| Charge for early redemption of long-term debt | (38) | — | — |
| Gain on sale of assets to Century Telephone | 170 | — | — |
| Gain on sale of Sky Network Television of New Zealand | — | 52 | — |
| Gain on sale of shares in MATÁV | — | 43 | — |
| Gain on sale of Bellcore | — | 42 | — |
| Loss on forward contracts related to Tele Danmark acquisition | (54) | (16) | — |
| Other, net | (40) | (27) | — |
| Total | $ 2,055 | $ 390 | $ 326 |

* Primarily Tele Danmark, Belgacom and MATÁV in 1998 and TCNZ, Belgacom and MATÁV in 1997 and 1996. Results in 1997 include an $87 million restructuring charge at Belgacom.

## 12. Shareowners' equity

**STOCK INFORMATION** Our certificate of incorporation authorizes 2.4 billion common shares. The certificate also allows 30 million shares of preferred stock (par value $1 per share) and 30 million shares of preference stock (par value $1 per share).

As of December 31, 1998, we have registered 14,279,340 shares of our common stock with the SEC for future issuance. We may issue these shares from time to time for the completion of acquisitions, for the payment of dividends or for other corporate purposes.

**STOCK PLANS** In April 1997, shareowners approved a long-term stock incentive plan. Through our 1989 and 1997 plans, we grant incentive compensation to our officers and other employees in the form of stock options, stock appreciation rights, restricted stock and performance awards. The incentives granted are based upon terms and conditions and are subject to certain limitations, determined by a committee of the board of directors, which administers the plans. The plans authorize the issuance of up to 120,000,000 shares of common stock over a 10-year period. All future grants will be made under the 1997 plan.

We may grant stock options under the 1997 plan as either incentive stock options or nonqualified stock options. We have not granted any options at less than fair market value as of the date

(dollars in millions, except per share amounts)

of grant. Under the 1997 plan, stock options and stock appreciation rights may not be granted at less than the fair market value on the date of grant except in the case of awards to newly hired or promoted employees when the fair market value on the date of hire or promotion may be used. Additionally, under the 1997 plan, the per share exercise price may not be repriced or surrendered as consideration in exchange for a new award with a lower per share exercise price. The options have a maximum life of 10 years and one day from the date of grant. We may grant stock appreciation rights independently or together with stock options. Stock appreciation rights permit the optionee to receive stock, cash or a combination thereof equal to the amount by which the fair market value on the exercise date exceeds the option price. Substantially all stock options granted on or following December 16, 1987, are exercisable after one year in equal increments over the following three years. Beginning in 1994, we awarded grants of nonqualified stock options with dividend equivalents to certain employees.

Information regarding options granted under a long-term incentive plan, which expired in 1994 and under the 1989 and 1997 plans, is as follows:

| | Incentive Stock Options | | Nonqualified Stock Options | |
|---|---|---|---|---|
| | Shares | Price* | Shares | Price* |
| December 31, 1995 | 11,336 | $10.29 | 27,951,434 | $19.03 |
| Granted | — | — | 13,760,832 | $29.15 |
| Exercised | (11,336) | $10.29 | (4,393,874) | $18.08 |
| Canceled or expired | — | — | (1,666,368) | $24.99 |
| December 31, 1996 | — | — | 35,652,024 | $22.78 |
| Granted | — | — | 17,226,368 | $30.15 |
| Exercised | — | — | (7,859,530) | $19.83 |
| Canceled or expired | — | — | (4,369,148) | $27.53 |
| December 31, 1997 | — | — | 40,649,714 | $25.96 |
| Granted | — | — | 9,697,193 | $45.09 |
| Exercised | — | — | (6,773,262) | $23.36 |
| Canceled or expired | — | — | (1,638,244) | $35.78 |
| December 31, 1998 | — | — | 41,935,401 | $30.42 |

* Weighted average

The above stock options have the following characteristics as of December 31, 1998:

| Grant Year | Shares Outstanding | Price* | Remaining Life (in years)* | Shares Exercisable |
|---|---|---|---|---|
| 1989-93 | 2,150,083 | $16.28 | 2.4 | 2,150,083 |
| 1994 | 3,307,615 | 19.28 | 5.1 | 3,307,615 |
| 1995 | 5,576,324 | 20.84 | 6.1 | 5,576,324 |
| 1996 | 8,361,187 | 29.13 | 7.1 | 4,816,787 |
| 1997 | 13,477,031 | 30.30 | 8.1 | 3,671,271 |
| 1998 | 9,063,161 | 45.09 | 9.3 | 2,111 |
| | 41,935,401 | | | 19,524,191 |

* Weighted average

As of December 31, additional shares available under stock options with dividend equivalents were 1,144,092 in 1998, 1,006,992 in 1997 and 713,820 in 1996.

All stock appreciation rights granted under the plans have been issued in tandem with nonqualified stock options. The exercise of a nonqualified option or a stock appreciation right cancels the related right or option. We have not issued any stock appreciation rights after December 31, 1990.

As of December 31, 1998, 22,333 shares of nonperformance-based restricted stock are outstanding under the plans. Shareowners' equity reflects deferred compensation for the unvested stock awarded. This amount is reduced and charged against operations (together with any change in market price) as the employees vest in the stock.

In 1995, the FASB issued FAS 123, "Accounting for Stock-Based Compensation." This pronouncement requires us to calculate the value of stock options at the date of grant using an option pricing model. We have elected the "pro forma, disclosure only" option permitted under FAS 123, instead of recording a charge to operations, as shown below:

| | | 1998 | 1997 | 1996 |
|---|---|---|---|---|
| Net income | As reported | $ 3,606 | $ 2,296 | $ 2,134 |
| | Pro forma | 3,581 | 2,262 | 2,107 |
| Earnings per share | As reported basic | 3.27 | 2.09 | 1.93 |
| | As reported diluted | 3.25 | 2.08 | 1.92 |
| | Pro forma basic | 3.25 | 2.06 | 1.91 |
| | Pro forma diluted | 3.21 | 2.05 | 1.91 |

Because the FAS 123 method of accounting has not been applied to options granted prior to January 1, 1995, the resulting pro forma compensation cost may not be representative of that to be expected in future years. We adjusted pro forma net income for dividend equivalents expensed as a variable plan.

Our weighted-average assumptions used in the pricing model and resulting fair values were as follows:

| | 1998 | 1997 | 1996 |
|---|---|---|---|
| Risk-free rate | 5.63% | 6.22% | 5.37% |
| Expected dividend yield* | 2.67% | 3.74% | 3.50% |
| Expected option life (in years) (without dividend equivalents) | 4.20 | 3.25 | 3.25 |
| Expected option life (in years) (with dividend equivalents) | 5.40 | 5.00 | 5.00 |
| Expected stock price volatility | 24.43% | 23.67% | 20.74% |
| Grant date value (without dividend equivalents) | $10.07 | $ 5.49 | $ 4.48 |
| Grant date value (with dividend equivalents) | $15.95 | $10.31 | $ 8.99 |

* The options granted with dividend equivalents (about 27% of total options granted in 1998, 24% in 1997 and 28% in 1996) were priced assuming the dividends would accrue to the optionee over the expected life of the option.

## 13. Additional financial information

| | December 31 | |
|---|---|---|
| | 1998 | 1997 |
| Other current liabilities | | |
| Accrued payroll | $ 165 | $ 284 |
| Accrued taxes | 1,405 | 478 |
| Advance billings and customer deposits | 370 | 378 |
| Dividends payable | 351 | 330 |
| Accrued interest | 183 | 127 |
| Other | 1,002 | 653 |
| Total | $ 3,476 | $ 2,250 |

Interest paid was $555 million in 1998, $534 million in 1997 and $544 million in 1996. Advertising expense was $283 million in 1998, $354 million in 1997 and $270 million in 1996.

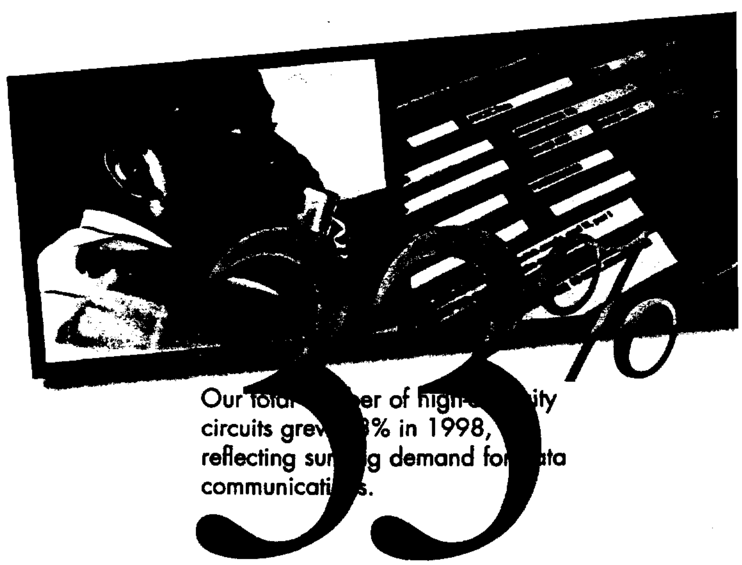
Net income was reduced by $56 million in 1998 and $24 million in 1997 as a result of reclassification of currency translation adjustments from other comprehensive income. This resulted from the sale of our TCNZ and MATÁV shares previously discussed. Reclassifications from other comprehensive income as a result of sales of securities did not exceed $10 million in any year.

## 14. Segment Information

We have three reportable segments as defined by FAS 131, "Disclosures About Segments of an Enterprise and Related Information." They are communications, information and entertainment, and international. The communications segment provides telecommunications services such as landline telephone service, cellular telephone and paging services, and call management and data services to business and residential customers primarily in the states of Illinois, Indiana, Michigan, Ohio and Wisconsin. Communications services also include network access and interconnection services for interexchange carriers and competitive providers of local telephone service. The information and entertainment segment provides printed and online directories for business and residential users, security and alarm monitoring services for homes and businesses, and cable TV services. The international segment manages our investments in foreign ventures, which we account for using the equity method of accounting. In addition to these reportable segments, we derive revenues from other nonreportable segments, including lease financing services.

Our reportable segments are strategic business units or aggregations of strategic business units that offer different products or services. They are managed separately based on differences in customer base, strategic objectives or regulatory environment. With the exception of the international segment, management evaluates segment performance based upon direct margin, which represents total revenues less direct expenses attributable to that segment. Results are normalized for one-time items. Management does not allocate corporate overhead, centralized information technology (IT) costs, interest income, interest expense, other nonoperating items or income taxes when measuring segment results. Corporate overhead and IT costs are shown as a reconciling item in the reconciliation of segment profit to consolidated operating income below. The international segment is evaluated based on income from equity-method investees before one-time items. The accounting policies of the segments are generally the same as those described in Note 1. Following is a summary of information about segment profits, assets and capital expenditures (including business acquisitions).

| Communications | 1998 | 1997 | 1996 |
|---|---|---|---|
| Revenues from external customers | $ 15,121 | $ 14,208 | $ 13,207 |
| Intersegment revenues | 148 | 154 | 183 |
| Depreciation and amortization | 2,398 | 2,276 | 2,207 |
| Net income in equity-method investees | 4 | 4 | 3 |
| Segment profit | 6,066 | 5,561 | 4,811 |
| Segment assets | 19,899 | 19,053 | 18,014 |
| Expenditures for segment assets | 2,702 | 2,795 | 2,181 |



(dollars in millions, except per share amounts)

Information and entertainment

| | 1998 | 1997 | 1996 |
|---|---|---|---|
| Revenues from external customers | $ 1,993 | $ 1,581 | $ 1,415 |
| Intersegment revenues | 9 | 2 | 2 |
| Depreciation and amortization | 177 | 124 | 74 |
| Segment profit | 527 | 488 | 521 |
| Segment assets | 2,868 | 2,472 | 1,168 |
| Expenditures for segment assets | 186 | 1,086 | 149 |

International

| | 1998 | 1997 | 1996 |
|---|---|---|---|
| Income from equity-method investees | $ 378 | $ 289 | $ 233 |
| Segment assets | 7,438 | 2,328 | 2,562 |
| Expenditures for segment assets | 3,143 | — | 898 |

Other business activities

| | 1998 | 1997 | 1996 |
|---|---|---|---|
| Revenues from external customers | $ 156 | $ 134 | $ 109 |
| Revenues from operating segments | 92 | 72 | 36 |
| Depreciation and amortization | 130 | 109 | 69 |
| Profit | 90 | 77 | 64 |
| Assets | 1,479 | 1,192 | 953 |
| Expenditures for long-lived assets | 139 | 103 | 87 |

Following are reconciliations of reportable segment information to financial statement amounts:

Revenues

| | 1998 | 1997 | 1996 |
|---|---|---|---|
| Total revenues from reportable segments | $ 17,271 | $ 15,945 | $ 14,807 |
| Other operating revenues | 248 | 206 | 145 |
| Corporate revenues and eliminations | (365) | (153) | (35) |
| Total consolidated revenues | $ 17,154 | $ 15,998 | $ 14,917 |

Profit

| | 1998 | 1997 | 1996 |
|---|---|---|---|
| Communications and information and entertainment margins | $ 6,593 | $ 6,049 | $ 5,332 |
| Margin from other business activities | 90 | 77 | 64 |
| Corporate and eliminations | (2,386) | (2,258) | (1,891) |
| Operating income before one-time items | 4,297 | 3,868 | 3,505 |
| One-time items in operating income | (104) | (69) | — |
| Operating income | 4,193 | 3,799 | 3,505 |
| Interest expense | 611 | 505 | 514 |
| Income from international equity-method investees | 378 | 289 | 233 |
| Other income (expense) | 56 | 67 | 75 |
| Other one-time items | 1,621 | 34 | 18 |
| Pretax income | $ 5,637 | $ 3,684 | $ 3,317 |

Assets

| | 1998 | 1997 | 1996 |
|---|---|---|---|
| Total assets for reportable segments | $ 30,205 | $ 23,853 | $ 21,744 |
| Other assets | 1,479 | 1,192 | 953 |
| Corporate assets and eliminations | (1,385) | 294 | 1,010 |
| Total consolidated assets | $ 30,299 | $ 25,339 | $ 23,707 |

**Geographic information** We hold investments in entities or conduct operations in a number of countries outside the United States. Substantially all of our overseas ventures are accounted for using the equity method of accounting, under which we do not record the revenues and expenses of the ventures in our operating results (see Note 2). Specifically, less than 1% of consolidated revenues for all years presented are from outside the United States. A summary of our long-lived assets by country is as follows:

Long-lived assets

| | 1998 | 1997 | 1996 |
|---|---|---|---|
| United States | $ 20,309 | $ 19,093 | $ 17,658 |
| Belgium | 892 | 742 | 890 |
| Denmark | 3,401 | — | — |
| Hungary | 534 | 506 | 655 |
| New Zealand | — | 417 | 670 |
| Other countries | 33 | 32 | 35 |
| Total | $ 25,169 | $ 20,790 | $ 19,908 |

**Product information** Most of our revenues are derived from the provisioning of landline telephone service and supporting products. Products or services that contributed more than 5% of our consolidated revenues other than those of our landline telephone business are as follows:

| | 1998 | 1997 | 1996 |
|---|---|---|---|
| Cellular and paging | 11% | 11% | 9% |
| Directory advertising | 8% | 8% | 8% |

## 15. Quarterly financial information (unaudited)

| | Revenues | Operating Income | Net Income | Diluted Earnings per Share |
|---|---|---|---|---|
| 1998 | | | | |
| 1st Quarter | $ 4,133 | $ 905 | $ 492 | $ 0.44 |
| 2nd Quarter | 4,289 | 1,164 | 1,707 | 1.54 |
| 3rd Quarter | 4,290 | 1,063 | 645 | 0.58 |
| 4th Quarter | 4,442 | 1,061 | 762 | 0.68 |
| Total | $ 17,154 | $ 4,193 | $ 3,606 | $ 3.25 |
| 1997 | | | | |
| 1st Quarter | $ 3,859 | $ 912 | $ 536 | $ 0.48 |
| 2nd Quarter | 3,986 | 1,041 | 537 | 0.49 |
| 3rd Quarter | 4,006 | 962 | 613 | 0.56 |
| 4th Quarter | 4,147 | 884 | 610 | 0.55 |
| Total | $ 15,998 | $ 3,799 | $ 2,296 | $ 2.08 |

The first quarter of 1998 includes a one-time pretax charge of $104 million ($64 million after-tax) for restructuring related to a cost containment program, as well as a one-time pretax charge of $54 million ($34 million after-tax) for a currency-related fair value adjustment in conjunction with our Tele Danmark investment. The second quarter of 1998 includes a one-time pretax gain of $1.5 billion ($1.0 billion after-tax) related to the sale of substantially all of our TCNZ shares. The fourth quarter of 1998 includes a one-time pretax charge of $38 million ($24 million after-tax) for the costs of early redemption of long-term debt, as well as a pretax gain of $170 million ($102 million after-tax) from the sale of certain telephone and directory assets to Century Telephone Enterprises, Inc.

The second quarter of 1997 includes a one-time after-tax charge of $87 million related to our share of the costs of a work force restructuring at Belgacom. The third quarter of 1997 includes a one-time pretax gain of $52 million ($37 million after-tax) resulting from the sale of our interest in Sky Network Television of New Zealand. Several other significant income and expense items were reported in the fourth quarter of 1997. However, the net result was not material to results for the quarter or year.

We calculated earnings per share on a quarter-by-quarter basis in accordance with GAAP. Quarterly EPS figures may not total EPS for the year due to fluctuations in the number of shares outstanding.

We have included all adjustments necessary for a fair statement of results for each period.

## 16. Merger Agreement

On May 11, 1998, we jointly announced with SBC Communications Inc. (SBC) a definitive agreement to merge an SBC subsidiary with Ameritech in a transaction in which each outstanding share of Ameritech common stock (other than shares owned by Ameritech, SBC or their respective subsidiaries) will be converted into and exchanged for 1.316 shares of SBC common stock. After the merger, Ameritech will be a wholly owned subsidiary of SBC. The transaction has been approved by the board of directors and shareowners of each company. It is intended to be accounted for as a pooling of interests and will qualify for federal income tax purposes as a tax-free reorganization. The merger is subject to the satisfaction of certain conditions and regulatory approvals.

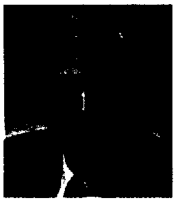
The transaction, if approved by regulators and completed, will constitute a change in control of the company. Stock options granted to employees prior to initiation of the merger vest fully upon the change in control, and certain change in control agreements and employee severance plans become operative. These agreements and plans have been described in our most recent proxy statement.

We have capitalized direct merger-related costs aggregating approximately $22 million as of December 31, 1998, pending completion of the merger.

# Ameritech Leadership

## Board of Directors

Richard C. Notebaert
51, chairman and chief executive officer of Ameritech since 1994; president and chief operating officer 1993–1994; vice chairman 1993; president of Indiana Bell 1989–1992; various operations positions 1969–1989. Director, Aon Corporation, Sears, Roebuck and Co. Ameritech director since 1993.



Donald C. Clark
67, chairman emeritus of Household International, Inc. since 1996; chairman 1984–1996; chief executive officer 1982–1994. Director, Armstrong World Industries, Inc., The PMI Group, Inc., Scotsman Industries, Inc.,Warner-Lambert Company. Ameritech director since 1989.

Melvin R. Goodes
63, chairman and chief executive officer of Warner-Lambert Company since 1991; president and chief operating officer 1985–1991. Director, Warner-Lambert Company, The Chase Manhattan Corporation, Unisys Corporation. Ameritech director since 1994.

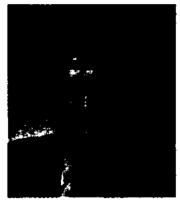
Hanna Holborn Gray, Ph.D.
68, president emeritus and Harry Pratt Judson distinguished service professor of history, University of Chicago since 1993; president and professor of history 1978–1993. Director, Cummins Engine Company, Inc., J.P. Morgan & Co. Incorporated. Ameritech director since 1983.

James A. Henderson
64, chairman since 1995 and chief executive officer since 1994 of Cummins Engine Company, Inc.; president and chief operating officer 1977–1994. Director, Cummins Engine Company, Inc., International Paper Company, Ryerson Tull, Inc., Rohm and Haas Company. Ameritech director since 1983.

Sheldon B. Lubar
69, founder and chairman of Lubar & Co. since 1977 and chairman and chief executive officer of Christiana Companies, Inc. since 1987. Director, Christiana Companies, Inc., Firstar Corporation, Jefferies Group, Inc., Massachusetts Mutual Life Insurance Company, MGIC Investment Corporation, Weatherford International, Inc. Ameritech director since 1993.

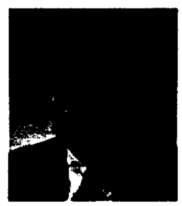
Lynn M. Martin
59, chair of the Deloitte & Touche LLP Council for the Advancement of Women and advisor to the firm since 1993; Davee chair, Kellogg School of Management, Northwestern University since 1993; U.S. Secretary of Labor 1991–1993. Director, Harcourt General, Inc., Ryder System, Inc., The Procter & Gamble Company, TRW Inc., various Dreyfus Funds. Ameritech director since 1993.

Arthur C. Martinez
59, chairman and chief executive officer of Sears, Roebuck and Co. since 1995; chairman and chief executive officer of Sears Merchandise Group 1992–1995. Director, Sears, Roebuck and Co., Federal Reserve Bank of Chicago. Ameritech director since 1995.



John B. McCoy
55, president and chief executive officer of BANK ONE CORPORATION since 1998; chairman and chief executive officer of BANC ONE CORPORATION 1987–1998. Director, BANK ONE CORPORATION, Cardinal Health, Inc., Federal Home Loan Mortgage Corporation, Paymentech, Inc. Ameritech director since 1991.

John D. Ong
65, chairman emeritus of The BFGoodrich Company since 1997; chairman 1979–1997; chief executive officer 1979–1996. Director, ASARCO Incorporated, Cooper Industries, Inc., The Geon Company, Marsh & McLennan Companies, Inc., TRW Inc. Ameritech director since 1983.



A. Barry Rand
54, executive vice president – operations of Xerox Corporation 1992-1998; president of Xerox U.S. Marketing Group 1987–1992. Director, Abbott Laboratories, Honeywell Inc. Ameritech director since 1993.

Laura D'Andrea Tyson
51, dean, Haas School of Business, University of California at Berkeley since 1998 and professor 1996–1998; national economic adviser to President of United States, 1995–1996; chair, White House Council of Economic Advisers 1993–1995. Director, Eastman Kodak Company, Human Genome Sciences, Inc., Morgan Stanley Dean Witter & Co. Ameritech director since 1997.

James A. Unruh
57, founding principal of Alerion Capital Group, L.L.C. since 1998; chairman and chief executive officer of Unisys Corporation 1990–1997; president and chief operating officer 1989–1990. Director, The Prudential Insurance Company of America. Ameritech director since 1995.

## Management Committee

Richard C. Notebaert
51, chairman and chief executive officer since 1994. President and chief operating officer 1993–1994; vice chairman 1993; president of Indiana Bell 1989–1992; various operations positions 1969-1989. M.B.A., 1983, and B.A., Political Science, 1969, University of Wisconsin.

Barry K. Allen
50, executive vice president – regulatory and wholesale operations since 1997. Executive vice president – communications and information products sector 1995–1997. M.B.A., 1974, Boston University; B.S., Business Administration, 1970, University of Kentucky.

W. Patrick Campbell
52, executive vice president – corporate strategy and business development since 1994. President and chief executive officer of Columbia TriStar Home Video 1989–1994; positions at Norelco, SCM Corporation and McGraw Edison 1968–1989. B.A., Political Science, 1968, La Salle University.

Walter M. Oliver
53, senior vice president – human resources since 1994. Vice president – human resources at Johnson Controls, Inc. 1989–1994; positions at Johnson Controls and other companies 1973–1989. M.S., Human Resource Management, 1977, Gonzaga University; B.A., Psychology, 1967, Whitworth College.

Thomas E. Richards
44, executive vice president – communications and information products since 1997. President, Ameritech network services 1995–1997; vice president of network operations at Bell Atlantic Corporation 1991–1995. M.S., Management, 1991, MIT; B.A., Economics, 1976, University of Pittsburgh.

Oren G. Shaffer
56, executive vice president and chief financial officer since 1994. President, Virgo Cap Inc. 1992–1994; chief financial officer at The Goodyear Tire & Rubber Company 1987–1992. M.S., Management, 1985, MIT; B.S., Business Administration, 1968, University of California, Berkeley.

Joan H. Walker
51, senior vice president – corporate communications since 1996. President and chief executive officer, Bozell Public Relations, New York 1993–1996; managing director of marketing communications, NYNEX Corporation 1990–1993. M.A., Sociology, 1973, Rutgers University; B.A., 1968, Douglass College.

Kelly R. Welsh
46, executive vice president and general counsel since 1996. Vice president and associate general counsel 1993–1996; Corporation Counsel, City of Chicago 1989–1993. J.D., 1978, Harvard Law School; M.A., Intellectual History, 1975, Sussex University; A.B., Government, 1974, Harvard College.

## Corporate Officers

Deidra D. Gold
Secretary

Barbara A. Klein
Vice President
and Comptroller

Gary R. Lytle
Vice President
Federal Relations

Sari L. Macrie
Vice President
Investor Relations

Richard W. Pehlke
Vice President
and Treasurer

## State Presidents

Robert N. Cooper
President
Ameritech Michigan

Ellen M. Gardner
President
Ameritech Wisconsin

Kent A. Lebherz
President
Ameritech Indiana

Douglas L. Whitley
President
Ameritech Illinois

Jacqueline F. Woods
President
Ameritech Ohio

## Business Unit Presidents

Ronald L. Blake
President
General Business Services

Gregory Q. Brown
President
Custom Business Services

Walter S. Catlow
President
Ameritech Cellular Services

Timothy J. Cawley
President
Ameritech International

Neil E. Cox
President
SecurityLink from Ameritech

Patrick J. Earley
President
Ameritech
Communications, Inc.

Donald V. Goens
President
Pay Phone Services

R. Scott Horsley
President
Ameritech Capital Services

Deborah L. Lenart
President
Ameritech New Media, Inc.

Peter J. McDonald
President
Ameritech Advertising Services

Diane I. Primo
President
Product Management

Wharton B. "Zie" Rivers Jr.
President
Network Services

John E. Rooney
President
Consumer Services

Mary E. Tudela
President
Long Distance
Industry Services

Karen S. Vessely
President
Information Industry Services

# Glossary

**Access charge** A fee that local phone companies charge long-distance carriers for connecting long-distance calls to customers on the local network.

**Access line** A line for voice, data or video reaching from a local phone company to a home or business.

**ADSL (Asymmetric Digital Subscriber Line)** A technology that uses the existing copper phone wiring that serves virtually all homes and businesses to provide customers network access to the Internet and other popular multimedia and data services at speeds 50 times faster than an ordinary phone line.

**ATM (Asynchronous Transfer Mode)** A technology that transmits data, voice and video at high speeds. ATM breaks customers' data into fixed-length cells and transmits them in bursts in order to provide efficient use of network capacity.

**Broadband** A transmission facility that has a capacity or "bandwidth" greater than a voice-grade phone line. Broadband facilities — fiber optics and coaxial cable, for example — may carry numerous voice, data and video channels at the same time.

**Call management services** Services that add value and convenience for phone customers — such as Call Waiting, Call Forwarding and Caller ID. These services are sold to customers individually and in packages.

**Customer premises equipment (CPE)** Communications equipment owned by customers, including telephones, faxes and switches.

**Data communications** Digital transmissions through wired or wireless networks, usually linking computers.

**Digital** An alternative to traditional analog communications, digital systems transport information in the 1s and 0s of computer code for improved clarity and quality.

**Federal Communications Commission (FCC)** The U.S. federal agency responsible for regulating the interstate aspects of telecommunications activities.

**Financial Accounting Standards Board (FASB)** The independent body responsible for setting accounting and financial reporting standards to be followed by U.S. business enterprises.

**High-capacity lines** Lines sold to customers that have large-volume data communications needs — such as long-distance carriers, Internet access providers and large companies.

**Interconnection** Allowing a competitive local service provider to use the local phone company's network, or elements of the network, to provide service to its customers.

**Interexchange carriers (IXCs)** Those companies primarily involved in providing long-distance voice and data transmission services — such as AT&T, MCI WorldCom and Sprint.

**Internet** The global web of networks that connects computers around the world, providing rapid access to information from multiple sources.

**Intrastate revenues** The portion of revenues regulated by state rather than federal authorities.

**ISDN (Integrated Services Digital Network)** A service that carries voice, data and video at the same time. Offers several times the capacity of a conventional phone line.

**Landline** Refers to conventional (wired) phone service.

**Local access** The local completion of long-distance calls.

**Local access and transport area (LATA)** The boundary within which a local company may provide phone service. A LATA usually is centered around a city or other identifiable community of interest.

**Local exchange carrier (LEC)** One of the companies primarily involved in providing local phone service and access to the local phone network, including Ameritech in Illinois, Indiana, Michigan, Ohio and Wisconsin. A competitive local exchange carrier, or CLEC, is a company that provides such services in competition with the established local provider.

**Long-distance** Voice, data and video communications to locations beyond local service areas. Ameritech currently is prohibited from carrying certain landline long-distance communications beyond local areas.

**Managed services** Services that give business customers one point of contact for all communications and computing needs including phones, personal computers, videoconferencing, local area networks, PBXs and more.

**Personal communications services (PCS)** Wireless services, such as cellular-like phone service and two-way paging, that use radio frequencies auctioned by the FCC.

**Privatization** A government sale of part or all of a national company to private firms and investors.

**Security services** Services that help secure people and property at home and at work — such as burglar and fire alarm systems, closed-circuit cameras (CCTV) and electronic card access.

**SONET** The North American fiber-optic transmission standard used to offer high-speed transport of digital information — voice, data and video. SONET enables connection with networks and equipment from multiple vendors.

**Switched minutes of use** The measure of time used to bill long-distance companies for access to the local phone network.

**Total return** Stock price appreciation plus reinvested dividends.

**Voice grade equivalent** A channel or other portion of a high-capacity access line that can be used to transmit voice or data traffic.

**Voice mail** A service that automatically answers calls and distributes messages.

**Wireless** Voice, data and video communications that use radio frequencies rather than wires for transmission. Includes cellular, paging and personal communications services (PCS).

# Information for Our Investors

**We're here to help you** Please call 800 233-1342 for inquiries on stock-related matters — including dividend payments, direct deposit of dividends, stock transfers, dividend reinvestments, odd-lot sales, lost certificates and address changes. To hear or receive information regarding our latest dividends and earnings, please call 800 984-0248.

**Direct deposit of dividends** This service gives you access to your money on the day it is issued with no cost to you. Direct deposit of dividends is the safest, most confidential way to get your money into your checking or savings account. To receive an enrollment form, just call 800 233-1342.

**The Ameritech Direct Services Investment Plan (ADSIP)** This plan offers many innovative features to give investors greater convenience and flexibility to invest in Ameritech. For more information or a prospectus, call 800 233-1342.

**Safekeeping** Convert your certificate shares to book entry so you'll never have to worry about theft, loss or destruction of your Ameritech stock certificate(s). For information, call 800 233-1342.

**Semiannual report and quarterly results** A semiannual report for all registered and street-name shareowners is scheduled for August. Shareowners can call 800 984-0248 for financial and other news delivered by phone, fax or mail.

**Requests for additional information** Additional financial information is available without charge. To request a copy of the Ameritech Fact Book, Annual Report on Form 10-K, the Ameritech Report to the Community or an audiocassette version of this annual report, contact:

Sari L. Macrie
Vice President of Investor Relations
Ameritech Corporation
30 S. Wacker Drive, 35th Floor
Chicago, IL 60606
312 750-5353

**How to contact Ameritech**

| | |
|---|---|
| In the United States | 800 233-1342 |
| Outside the United States, call collect | 201 324-0308 |
| TDD/TTY Teletypewriter | 888 403-9700 |
| Internet | www.ameritech.com/investor |
| E-mail | share.owners@ameritech.com |

**Write to us at:**
Ameritech Shareowner Services
c/o First Chicago Trust Division of EquiServe
P.O. Box 2558
Jersey City, NJ 07303-2558

**For information about Ameritech services and products**

| | |
|---|---|
| Consumer Services | 800 709-5465 |
| General Business Services | 800 776-3487 |
| Cellular Services | 800 221-0994 |
| Team Data | 800 832-6328 |
| SecurityLink from Ameritech | 888 393-5465 |
| Global Calling Services | 888 988-8977 |
| All other | 800 327-9346 |

**Annual meeting** The 1999 annual meeting of shareowners will be held at 9:30 a.m. Central Time on Wednesday, April 21, 1999, at McCormick Place South, Grand Ballroom, Level 1, 2301 S. Martin Luther King Jr. Drive, Chicago, Illinois.

**Electronic voting** As an added convenience, we offer shareowners the opportunity to vote their proxy via the Internet or by telephone. Registered shareowners can find us at http://www.vote-by-net.com, or you may call toll free, 800 652-8683, 24 hours a day, seven days a week. Street-name shareowners can find us at http://proxyvote.com, or you may call the toll-free number on the voting instruction form 24 hours a day, seven days a week.

**Trading and dividend information**
(restated to reflect stock split effective December 31, 1997)

| | High | Low | Close | Dividends Declared |
|---|---|---|---|---|
| **1998** | | | | |
| 1st Quarter | $ 49.88 | $ 38.75 | $ 49.44 | $ .30 |
| 2nd Quarter | 50.25 | 41.50 | 44.88 | .30 |
| 3rd Quarter | 52.13 | 43.38 | 47.50 | .30 |
| 4th Quarter | 64.25 | 47.38 | 63.38 | .3175 |
| **1997** | | | | |
| 1st Quarter | $ 32.50 | $ 28.31 | $ 30.63 | $ .2825 |
| 2nd Quarter | 35.88 | 27.63 | 33.97 | .2825 |
| 3rd Quarter | 35.31 | 30.66 | 33.25 | .2825 |
| 4th Quarter | 43.13 | 30.13 | 40.25 | .30 |

**Stock trading information** Ameritech stock is traded in the United States on the New York, Boston, Chicago, Pacific and Philadelphia stock exchanges. It also is listed on the London, Tokyo and Amsterdam stock exchanges and on the Swiss stock exchanges of Basel, Geneva and Zurich.

**Key dividend dates***

| | Record Date | Payment Date |
|---|---|---|
| 1st Quarter | April 10, 1999 | May 3, 1999 |
| 2nd Quarter | July 10, 1999 | August 2, 1999 |
| 3rd Quarter | October 10, 1999 | November 1, 1999 |
| 4th Quarter | January 10, 2000 | February 1, 2000 |

* Subject to discretion of the Ameritech board of directors.

**Ameritech stock Ticker symbol — AIT (NYSE)**
**Newspaper stock table listing — Ameritech or Amrtch**

# Our Vision

Ameritech will be the world's premier provider of full-service communications for people at work, at home or on the move. Our goal is to improve the quality of life for individuals and to increase the competitive effectiveness of the businesses we serve. As we move and manage information for our customers, we set standards for value and quality. Ameritech's competence reaches worldwide, building on our strength in America's vibrant Upper Midwest. Customers can be assured that we will assume only those tasks we can do exceedingly well.

Ameritech®

Ameritech, 30 S. Wacker Drive, Chicago, Illinois 60606 800 257-0902 www.ameritech.com

Attachment A

DOCUMENT OFF-LINE

This page has been substituted for one of the following:

- An oversize page or document (such as a map) which was too large to be scanned into the ECFS system.

- Microfilm, microform, certain photographs or videotape.

- Other materials which, for one reason or another, could not be scanned into the ECFS system.

The actual document, page(s) or materials may be reviewed by contacting an Information Technician. Please note the applicable docket or rulemaking number, document type and any other relevant information about the document in order to ensure speedy retrieval by the Information Technician.

One copy of Annual Report for 1998.