

---

# **Value Creation Through Synergies**

---

**Steve Burke**  
**President**  
**Comcast Cable**

## Value Creation Through Synergies

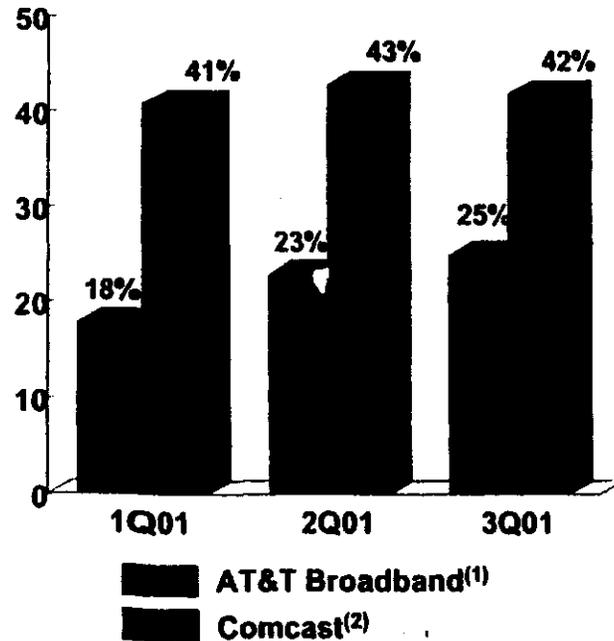
Annual synergies approaching \$2B

	<u>Annual EBITDA Impact (\$M)</u>	<u>Timing</u>
Programming Cost Savings	\$250-450	1-3 years
Continued Operating Efficiencies	\$200-300	1-3 years
National Advertising Platform	\$100-200	1-3 years
New Products	\$100-200	3 years
Comcast Telephony	<u>\$600-800</u>	5 years
<b>Total</b>	<b>\$1,250-1,950</b>	
Net Present Value	\$13,500	

# Value Creation Through Synergies

**Substantial EBITDA margin improvement opportunity in addition to synergies**

(EBITDA Margins)



Comcast Margin	42%
AT&T Broadband Margin	25%
<b>Difference</b>	<b>17%</b>

AT&T Broadband '01 Revenue <sup>(3)</sup> x \$9.6B	
<b>Potential Margin Improvement</b>	<b>\$1.6B</b>

**Projected EBITDA growth approaching 20%**

COMCAST-FCC-H.3-H.5 0000102

Source: Company Reports

Notes: (1) AT&T Broadband margins exclude restructuring and other changes.

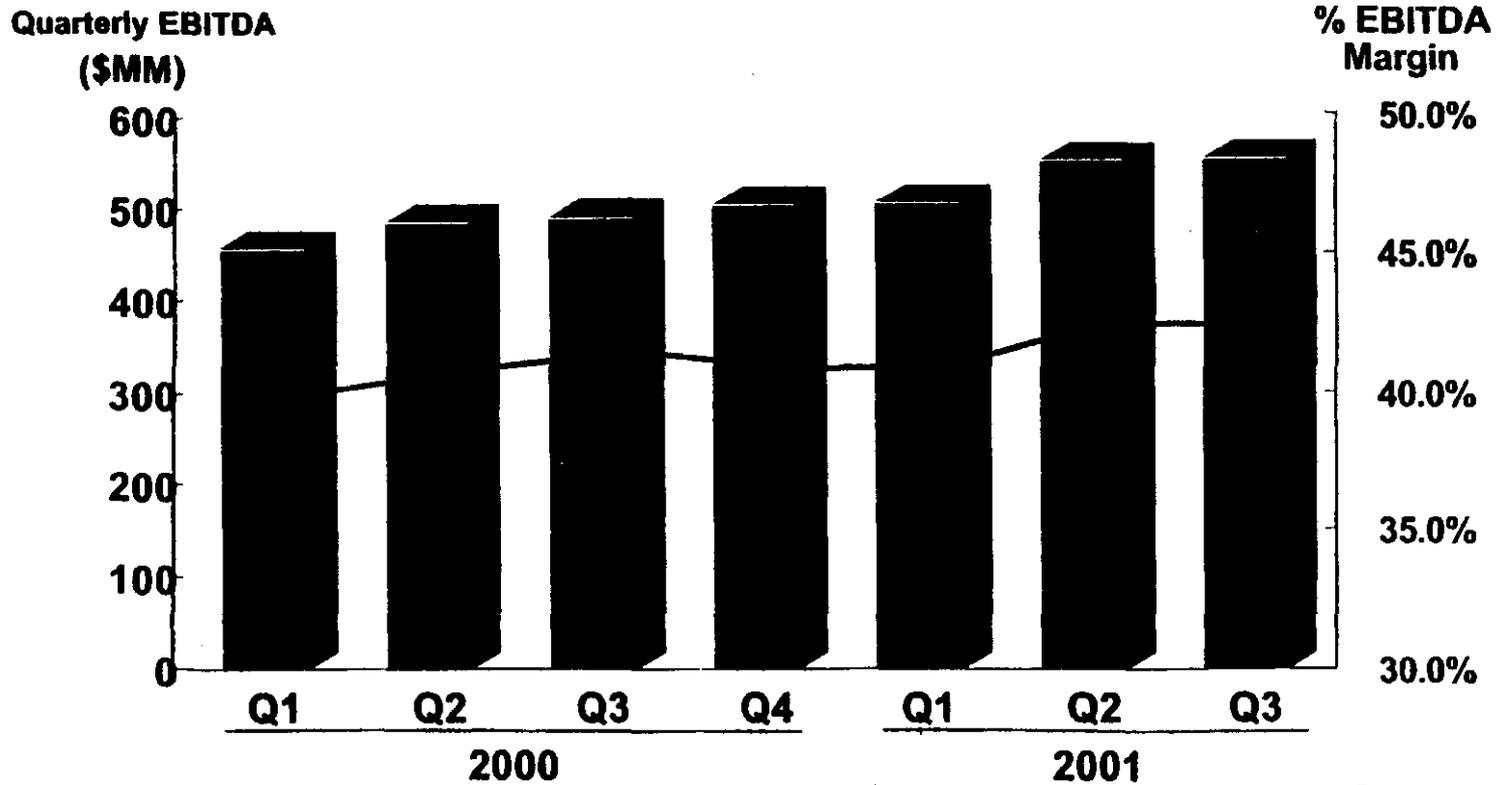
(2) Margins include 75% corporate overhead allocation.

(3) Annualized 3Q01 AT&T Broadband revenues.

# Value Creation Through Synergies

**Comcast's strong EBITDA margins maintained even as lower margin systems are integrated**

- Comcast integrated 1.7 million subscribers in 2000 and 1.9 million subscribers in the first two quarters of 2001



COMCAST-FCCH-3-H-5 0000103

Note: Margins include 75% corporate overhead allocation. Includes all system sales and swaps.



# Value Creation Through Synergies

---

**\$5B + value content creation opportunity**

- Scale enables cost-effective and profitable content creation
  - 22 million subscribers
  - Reduced risk in start-up phase
  - Access to quality programming
  - More attractive to advertising sponsors
- Leverages Comcast's success in content development to date
- Launch of additional channels will create significant value

---

# **Financial Review**

---

**Chuck Noski**  
**Chief Financial Officer**  
**AT&T**

## Financially Powerful Combination with Strong Credit Position

- Estimated pro forma EBITDA of \$4.6B
- Retains maximum financial and strategic flexibility
- Accelerating free cash flow provides additional debt capacity
- Focus on continued deleveraging activities
- Anticipate investment grade credit ratings

**AT&T Comcast Corp will be financially strong and positioned for growth**

Note: Financial data for AT&T Broadband based on 9 months annualized as of September 30, 2001. Financial data for Comcast represents 2001 estimate. EBITDA excludes other income, pretax equity earnings (losses), and asset impairment charges.

## Pro Forma Financial Results

---

(\$ in Billions)	<u>AT&amp;T Broadband</u>	<u>Comcast</u>	<u>AT&amp;T Comcast Corp</u>
Revenue <sup>(1)</sup>	\$9.0B	\$9.0B	\$18.0B
EBITDA <sup>(1)</sup>	\$1.9B	\$2.7B	\$4.6B
EBITDA Margin	20.8%	30.3%	25.6%
Net Debt <sup>(2)</sup>	\$17.3B	\$9.7B	\$27B

**Target debt rating of strong BBB**

(1) Financial data for AT&T Broadband based on 9 months annualized as of September 30, 2001. Financial data for Comcast represents LTM as of September 30, 2001. EBITDA excludes other income, pretax equity earnings (losses), and asset impairment charges.

(2) Net debt excluding QUIPS (Face amount \$5 billion) and other liabilities.

# AT&T Communications Services: Deleveraging Progress

## AT&T Consolidated Net Debt <sup>(1)</sup>

(Dollars in Billions)

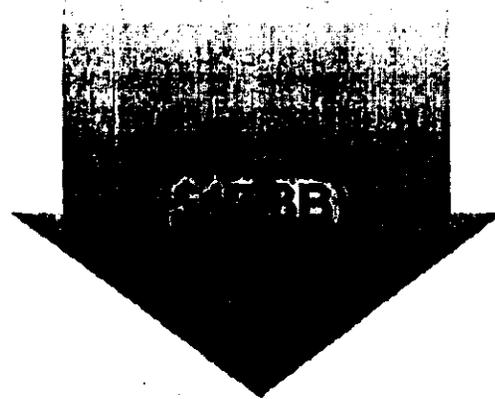
**YE00<sup>(2)</sup>**

**\$56.2B**

**Today**

**\$35.6B**

**Debt Assumed by  
AT&T Comcast Corp**



**+ \$5B of Microsoft QUIPS Exchanged**

### Key Drivers

- NTT DoCoMo (\$9.8B)
- Japan Telecom (\$1.3B)
- Non-core Cable Assets (\$5.0B)
- AWE Split (\$0.7B)
- AWE Debt-Equity Swap (\$1.6B)
- AWE Residual Interest (\$1.2B)
- Cablevision / RMG (\$2.0B)
- Global Bond Offering / Refinance

**AT&T Communications Services will remain in a strong capital position as the result of this transaction**

(1) Net of monetizations and cash.

(2) Includes debt from discontinued operations.

# Strength of AT&T Communications Services

## AT&T Business

**Revenue: \$28.3B**

**EBITDA: \$9.1B**

## AT&T Consumer

**Revenue: \$15.9B**

**EBITDA: \$5.6B**

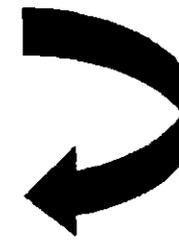


## AT&T Communications Services

**Revenue: \$44.2B**

**EBITDA: \$14.7B**

**Net Debt: ~\$18B**



Note: Revenue and EBITDA shows LTM data as of September 30, 2001. EBITDA excludes other income, pretax equity earnings (losses), and asset impairment charges. Net debt expected for year-end 2001.

## AT&T's Restructuring - Future

---

### Activity

- Deleveraging
- Proxy Filing
- Shareholder Vote
- Consumer Tracker Distribution
- AT&T Comcast Corp Closing

### Estimated Timing

- On-going
- First Quarter 2002
- Mid 2002
- 2<sup>nd</sup> Half 2002
- Approximately 1 Year

## Realization of the Broadband Vision

---



**Revenues: \$18.0B**

**EBITDA: \$4.6B**

- 38M homes passed, with 22M subscribers
- Potential for scaling new and innovative products and services to consumers
- Best value proposition to the consumer
- Experienced management and employees
- Projected EBITDA growth approaching 20%
- Financial strength and flexibility

**Merger creates the leading entertainment, communications and information company**

Note: Financial data for AT&T Broadband based on 9 months annualized as of September 30, 2001. Financial data for Comcast represents LTM as of September 30, 2001. EBITDA excludes other income, pretax equity earnings (losses), and asset impairment charges.

**CONFIDENTIAL INFORMATION –  
SUBJECT TO PROTECTIVE ORDER  
IN MB DOCKET NO. 02-70**

**PAGES LABELED COMCAST-FCC-H.3-H.5 0000112  
THROUGH COMCAST-FCC-H.3-H.5 0000115  
REDACTED IN FULL –  
FOR PUBLIC INSPECTION**

**COPYING PROHIBITED**