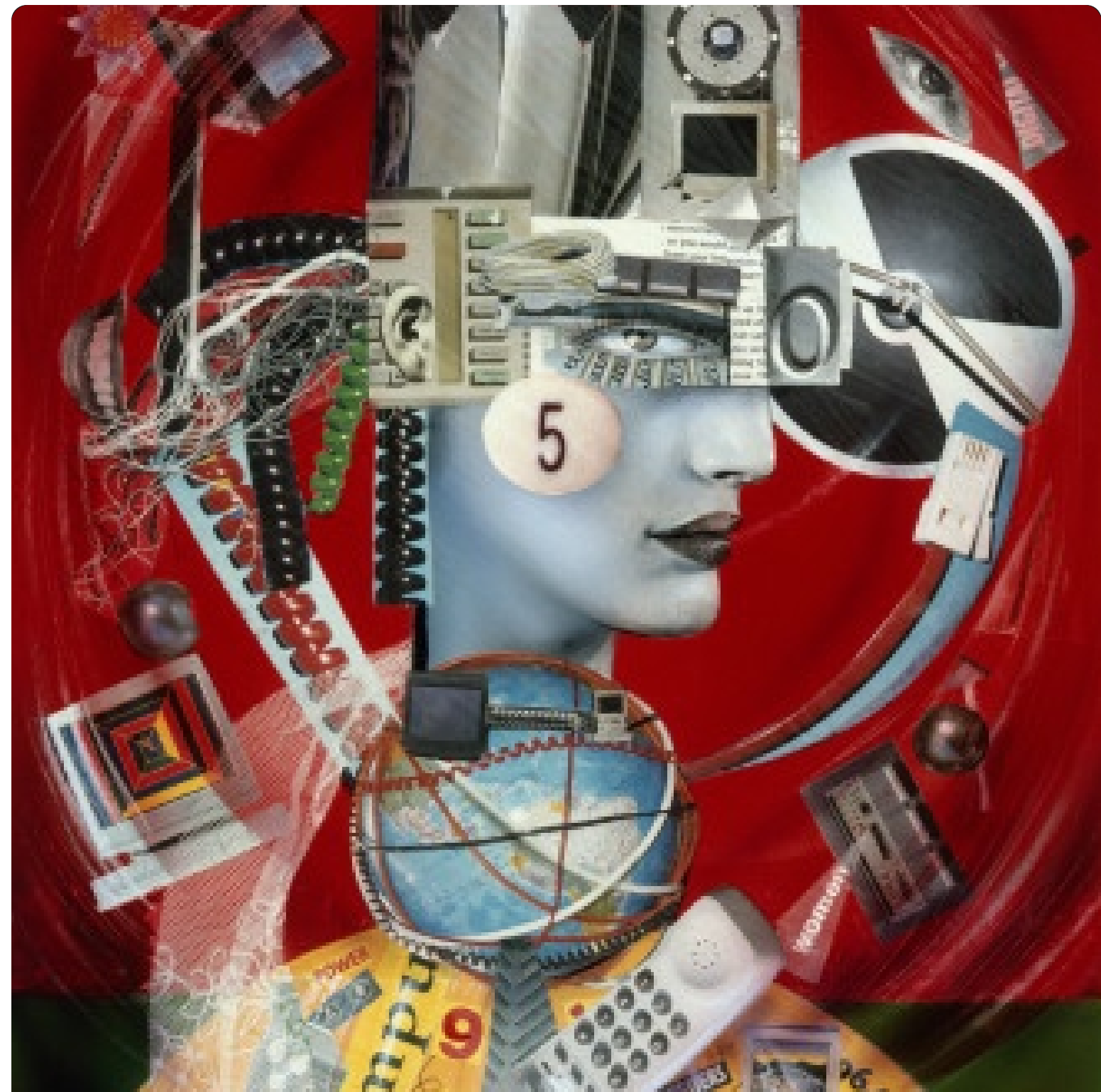




January 2005



The Future of **Advanced Communications** and **Entertainment Services**

EDWARD E. WHITACRE JR., SBC COMMUNICATIONS INC. CHAIRMAN AND CEO
ADDRESS AT THE 2005 INTERNATIONAL CONSUMER ELECTRONICS SHOW (CES)

On Jan. 6, 2005, SBC Chairman and CEO Edward E. Whitacre Jr. provided an Industry Insider address at the 2005 International Consumer Electronics Show. He gave the attendees an early glimpse of the SBC U-verseSM experience, as well as an overview of the many **advanced communications and entertainment services** that the company will deliver to consumers in 2005. Following are excerpts from his remarks.

SBC believes that communications should be simple, reliable and capable of meeting a customer's needs.

To meet that goal, we are rapidly transforming our company and networks. We are harnessing the power and the promise of the Internet in order to provide simple, reliable and complete communications and entertainment services by fully and seamlessly integrating networks, services and equipment.

We are investing \$4 billion in Project Lightspeed to upgrade our wireline network, increasing the available bandwidth to provide consumers with the next generation of high-speed data, voice and video services.

We will deploy an additional 40,000 miles of fiber in our networks — in some cases taking the fiber directly to the premises — enabling a full range of IP services and features. This will deliver bandwidth of 20 to 25 megabits ... more than four times as fast as our fastest broadband speeds today.

That's more than enough to provide high-definition IPTV, superfast broadband and video on demand — and just about any other application you can think of.

Within three years, about 18 million SBC households will have access to this network. That makes CES the ideal venue for unveiling a new service that captures the universe of choices and options available, putting **you** at the center. That's why we call it SBC U-verse.

U-verse ensures that the entire universe of communications and entertainment works for — and around — you.

U-verse marks a new beginning for SBC and millions of American consumers. We are using the power of the Internet to finally achieve the convergence of voice, data and video that consumers deserve, and we are taking the confusion out of communications with easy-to-understand choices. U-verse delivers the simplicity of bundling communications and entertainment services that fit each customer's needs.

U-verse and the complete suite of IP-based services that it enables will be introduced toward the end of this year.

Using the IP platform, U-verse will integrate communications and entertainment services across home video and stereo

systems, PCs, Wi-Fi hot spots, wireless phones and PDAs, and consumers will have anywhere, anytime access to the information they want.

We are excited and confident about delivering SBC U-verse, because we are deeply immersed in the world of broadband and IP.

Our Unified Communications service, which we launched in late 2004, combines a customer's messages, that is, wireline and wireless voice mail, e-mail, faxes, into one place, letting that customer check messages on just about any device from just about any location. And it is IP-based.

SBC Adds Video Content Expert for IP-Based Entertainment Services

SBC Communications Inc. has a vision for IPTV (Internet Protocol Television), the next-generation digital TV service that provides channel packages, video on demand, instant channel changing and enhanced digital videorecording — services and products that our customers expect — as well as many other innovative services, which will surprise them, such as integrated Caller ID and customizable channel lineups.

To help SBC Communications deliver this richer video-on-demand experience to its customers, the company recently added Dan York, an 18-year veteran of the video-entertainment industry, to its entertainment services team. York is responsible for leading the company's video-content strategy and acquisition for SBC entertainment services.

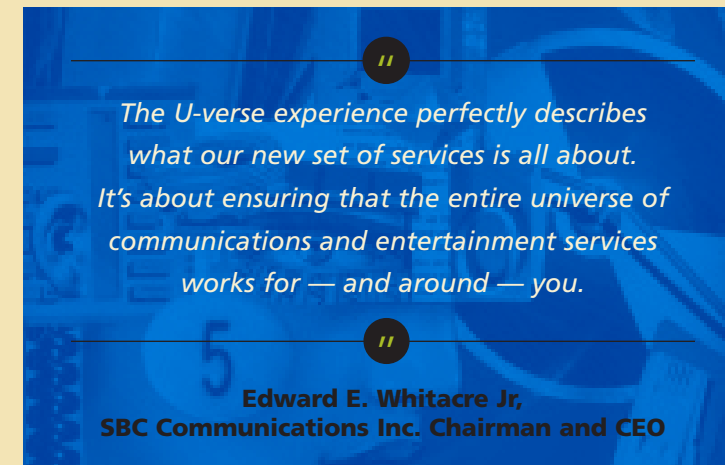
York comes from iN DEMAND Networks, LLC, the world's leading video-on-demand and pay-per-view company. As the senior vice president of programming and development, he was responsible for the company's programming relationships with the Hollywood studios, cable networks and major-event and specials providers, such as Home Box Office and Showtime.

Before that, York spent 13 years at Home Box Office, most recently as the vice president and general manager of HBO Pay-Per-View/Time Warner Sports. There, he had responsibility for programming operations, distribution, marketing, sponsorship and content acquisition.

U-verse requires a strong broadband platform. SBC Communications has already invested \$6 billion in building an expansive broadband DSL network. At the end of the year, we surpassed our goal of acquiring 5 million DSL subscribers, extending our leadership even further.

We also worked to make our broadband experience portable. With our Wi-Fi service, SBC *FreedomLink*, our customers can take their broadband experience with them.

We are moving aggressively to integrate the wireless/wireline experience. Through Cingular Wireless, our customers have access to seamless communications virtually anywhere, anytime and with any device.



Cingular's recent acquisition of AT&T Wireless solidified our position. Cingular is the largest wireless company in the United States and has the strongest spectrum position of any other company and a presence in the top 100 markets.

Spectrum enables us to create powerful new services ... in particular IP-based data services ... for our customers.

Cingular has also announced a major upgrade of its networks, deploying high-speed wireless network, the fastest in the country, bringing broadband speeds to wireless communications.

By integrating Wi-Fi and wireless, our customers benefit from automatic network selection and seamless sessions that cross networks, making the wireless experience more affordable and easier to navigate.

In one more step toward integrating wireline and wireless networks, we are building on our SBC Yahoo! alliance beyond the PC ... to home television and audio systems, Cingular wireless phones, *FreedomLink* Wi-Fi and SBC home-networking equipment.

This will enable consumers to simplify their lives by allowing them to access personalized entertainment and communications content from almost anywhere.

Of course, the service that is getting the most attention and that has the greatest potential is IPTV.

IP changes the way you experience TV. Up to now, video has been about hardware. With IPTV, it's not only about hardware but also software and the services. And for SBC Communications, it is about how we combine all of those elements into our U-verse service offerings.

The IPTV generation will be much different from what you have today. You will be able to choose the shows you want to watch, and you will be able to watch them whenever you want to.

You will be able to edit shows, choose camera angles during athletic events, use interactive features, and pull up information from the Internet — and much more — all while you are watching a program.

IP software is being field-tested and deployed. It is already operational outside the United States. Platforms are being developed for a new generation of IP services.

Finally, the rules and regulations that govern the communications industry encourage companies to invest in new networks that will make all of this possible. Last year, when it became apparent that we, and other telephone companies, could invest in our networks and that we have a chance to earn a fair return on that investment, we announced Project Lightspeed.

Later, when the rules became clearer on fiber investment, we accelerated Project Lightspeed's deployment schedule. We cut our rollout time down to three years from five.

Deployment is under way. We expect that the first homes will be IP-enabled with our new high-speed network by later this year.

IPTV is just one part of the SBC two-prong strategy for extending home-entertainment video services to customers through either high-speed fiber, or DSL. The second part of our video strategy is a partnership with EchoStar. Through that partnership, we will offer our co-branded SBC | DISH satellite video service.

Even though we have offered this service for less than a year, our early results have been strong, reaffirming our belief that our customers are eager to receive their TV service from SBC Communications.

We took that offer further by announcing a joint venture with 2Wire in order to deliver an unprecedented home-entertainment service. This will be the first service to combine content delivered by broadband and satellite into one easy-to-use package.

The service will include a satellite TV receiver, DVR, and storage for digital photos and music. Customers will use 2Wire's MediaPortal technology, which will provide fully integrated SBC Yahoo! DSL, and SBC | DISH Network satellite TV and home-networking services.

This home-entertainment service offers many of the same features that IPTV does (including TV programming, video on demand and Internet content), but it offers it in such a way that competitors and cable TV will find hard to match.

We see this as a great complement to our IPTV services and expect it to be available by midyear. Video is an exciting aspect of the SBC U-verse, but it is only one part of a fully integrated suite of services. **And it's just the beginning.**