



THE MARKET

Just 10 years ago, if you had heard of someone “logging on,” you might have thought they were involved in a lumberjack competition. Now more than half of the U.S. population is online. That’s about 150 million Americans. And it’s not just chit-chat and checking out ball scores; Internet usage is expected to fuel an estimated 40 percent of the world’s gross national product.

That blinding advancement in technology has come thanks in large measure to a dynamic telecommunications industry — one fueled by extraordinary competition and one constantly reinventing itself.

In the midst of this revolution, SBC Communications Inc. (SBC) and its family of companies has transformed itself from the smallest of the “Baby Bells” into one of the world’s largest and most technologically advanced companies in the telecommunications market. As America’s preeminent provider of DSL Internet service and one of the nation’s leading Internet service providers (ISPs), SBC is now shaping the future of the industry with its state-of-the-art broadband infrastructure.

ACHIEVEMENTS

Talk about your ringing endorsements. For six straight years, SBC has been named the World’s Most Admired telecommunications company in *Fortune* magazine’s annual report card. In fact, SBC ranked first in its industry in all nine categories of corporate reputation: quality of management, quality of products, innovation, long-term investment value, financial soundness, employee talent, social responsibility, globalness, and use of corporate assets.

What’s more, when *CIO* magazine went searching for 100 companies that were achieving “customer service nirvana,” SBC was on its list — joining an elite group identified as having mastered the customer connection.

Among its accomplishments, SBC played a pioneering role at two critical stages of Internet development — making contributions that helped spur the Net’s rapid growth and commercialization. First, SBC companies contributed to the



development and deployment of “packet technologies” that laid the foundation for the Internet. Then, in 1994, SBC companies were awarded two of the original four Internet Access Points (NAPs) granted by the National Science Foundation. The creation of the NAPs, which became operational in 1995, signified a fundamental change in the architecture of the modern public Internet. It was now accessible, reliable, and scalable — not to mention fun.

The next wave has already begun. SBC is the nation’s leading provider of DSL broadband Internet access, with more than 2 million customers. Through a \$6 billion network transformation, SBC plans to bring high-speed DSL Internet access to as many Americans as possible by the end of 2003.

A recent report showed that widespread use of high-speed Internet services could contribute as much as \$500 billion annually to the U.S. economy — with consumers benefiting from online home shopping, entertainment, health services, and reduced commuting.

HISTORY

Reliable . . . trusted . . . committed . . . all of these words are grounded in SBC’s rich heritage, which spans some 100 years. The company is a familiar name and a recognized business leader, innovator, and community neighbor. Alexander Graham Bell is the patriarch of the SBC family tree. The company’s ancestry goes back to the Bell Telephone Co., one of the companies founded between 1877 and 1880 to leverage Mr. Bell’s patent rights — and the only one to remain in business when those patents expired during the 1890s. SBC’s predecessor company was Southwestern Bell, which was formed in 1917.

The breakup of the Bell System came in 1984, making possible the formation of SBC as a separate company, independent of AT&T and the other regional Bell companies. Divestiture in 1984 forever altered the telecom landscape and allowed SBC to expand its presence beyond its traditional five-state territory of Texas, Missouri, Kansas, Oklahoma, and Arkansas.

SBC’s 1987 eye-catching purchase of Metro-media’s wireless telephone properties made it the first Bell operating company to buy wireless operations outside its traditional territory — laying the groundwork for SBC’s growth into one of the leading wireless communications providers in the United States.

When the Federal Telecommunications Act of 1996 was signed into law, SBC was the first to outline a strategy for becoming an integrated,

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Reliable. Trustworthy. Always There. 

national competitor. In 1997, SBC completed the first merger of two major telecommunications companies when it acquired Pacific Telesis Group. In 1998, SBC acquired Southern New England Telephone in Connecticut and in 1999 took another major step with its landmark merger with Ameritech Corporation — thus becoming the first major telecom company to aggressively expand competition for services to businesses and residential customers on a nationwide scale.

THE PRODUCT

The need for speed has never been greater. SBC has responded with laserlike focus, expanding its fiber-rich broadband network to more and more neighborhoods and businesses nationwide. The company already provides DSL Internet access to more than 28 million customer locations, with plans to reach millions more by the end of 2003.

Speed is only part of the equation. SBC is creating the content-rich, broadband-enabled applications that will travel over its next-generation network to provide products and services that will forever change the way people live and work — delivering the full promise of the Internet: conveniences such as distance learning, videos on demand, home security, online games, and much more.

SBC has become a communications powerhouse, offering local and long distance service, voice and data services, wireless services, e-business services, network integration, Web site and application hosting, messaging, and directory advertising. SBC also owns 60 percent of Cingular, the second-largest wireless company in the United States and a leader in providing wireless data services.

The second-largest local service provider in the United States, SBC's service area spans approximately one-third of the U.S. population and is home to nearly half of the Fortune 500



company headquarters, and it continues to grow. SBC meets its customers' data and voice communications needs through nearly 58 million access lines nationwide.

RECENT DEVELOPMENTS

In mid-2002, SBC and Yahoo! launched a landmark strategic alliance to provide broadband access to millions of consumers — two great brands pairing the strengths of the number-one global Internet destination with one of the largest Internet service providers to offer a cobranded, premium DSL Internet and dial-up service.

But don't blink. SBC is widely deploying optical technologies throughout its metropolitan networks. These networks use Dense Wave Division Multiplexing (DWDM), channeling data over multiple colors of light to deliver nearly limitless bandwidth — up to 160 Gigabits per second on a fiber pair.

SBC has also entered the long-distance business with force, capturing nearly 6 million access lines in less than three years and becoming the first of the original Bell operating companies to begin selling



long-distance solutions in its original region, which includes Texas, Arkansas, Oklahoma, Kansas, and Missouri. Today, SBC Long Distance service is also available in Connecticut and California as well as 30 markets outside its traditional service area. The company seized the next logical step — entry into the national data and IP services market, an estimated \$30 billion market to which SBC previously had little access because of regulatory restrictions. By mid-2003, SBC will complete its data and IP backbone networks, enabling the company to serve customers in the nation's 50 largest markets. SBC also is enhancing its portfolio of business offerings to deliver managed service options, which enable customers to take advantage of the cost savings and efficiencies of outsourcing their communications network design, delivery, and ongoing management.

PROMOTION

Already sporting an excellent reputation, SBC recently set out to raise the profile of its brand.

Through an aggressive advertising campaign and a newly branded visual mark, SBC has streamlined its family of brands, moving to a single national brand and taking full advantage of its value. Building upon the strengths of SBC's traditional regional brands — Southwestern Bell, Ameritech, Pacific Bell, Nevada Bell, and SNET — the move provides a more unified presence and helps customers recognize SBC as a national data communications provider and industry leader.

The message: SBC is a reliable, dynamic, forward-thinking, data-driven, customer-oriented company. The new brand represents the best of what SBC has to offer:

- Strong telecommunications heritage
- Commitment to delivering innovative, quality products and services
- Commitment to supporting communities
- A company built for the 21st century
- A best-in-class workforce
- National presence

BRAND VALUES

The SBC brand represents trust, reliability, character, and strength, grounded in more than 100 years of unwavering commitment — to its employees, customers, and communities.

SBC has a long tradition of providing reliable, high-quality products and services, and meeting customers' communications needs. In fact, SBC's network is reliable 99.999 percent of the time — a track record unsurpassed in the industry.

In today's ever-changing technology environment, the SBC brand also stands for responsibility. SBC's advancements in communications technology have always been in step with its commitment to enhancing the quality of life in the communities it serves, through generous corporate giving and active involvement. As a community partner, SBC is committed to supporting projects that, through

technology, improve education, economic development, and the quality of life — building stronger communities nationwide.

THINGS YOU DIDN'T KNOW ABOUT SBC

- SBC recently received the Ron Brown Award for Corporate Leadership, the only presidential award given to recognize outstanding corporate citizenship. The award recognized SBC's leadership in supporting community development through its supplier diversity program.
- Since 2000, SBC also has been recognized as one of America's Top 10 Companies for Minorities by *Fortune*, as one of America's Top 25 Companies for Executive Women by *Working Women*, as America's Top Company for Latinas by *Latina Style*, and as Corporation of the Year by the American Society on Aging.
- SBC's Pioneers, the country's largest company-sponsored volunteer organization — comprising 215,000 active employees and retirees — contributed 7.6 million hours of community service in 2002, or more than \$100 million worth of sweat equity toward building stronger communities.
- Through corporate and SBC Foundation giving, SBC contributes millions annually to communities nationwide and is consistently ranked among the nation's top-five corporate foundations.
- SBC contributed \$10 million to establish the creation of The Women's Museum: An Institute for the Future, the nation's first comprehensive museum dedicated to chronicling the accomplishments of women. This corporate gift was the single largest ever made to a women's organization in the United States.
- SBC has deployed more than 2 million miles of fiber optic strand across its 13-state region, enough to circle the earth at the equator more than 85 times if each strand were placed end to end.