Cingular Wireless LLC

Report Date: June 12, 2003
Press Released: June 12, 2003
Previous Report: March 4, 2002

Rory Buchalter / Chris Diceman, CFA
416-593-5577 x2268/x2242
rbuchalter@dbrs.com

RATING

No rating assigned. Reference report only.

UPDATE

Cingular Wireless LLC ("Cingular" or the "Company") completed its second full year of operations in 2002 after being created through the combination of SBC Communications Inc.'s ("SBC") and BellSouth Corporation's ("BellSouth") wireless assets in October 2000. The Company is the second largest provider of wireless services in the U.S., with 22.1 million subscribers as at March 31, 2003. During 2002, Cingular's net subscriber additions declined to 360,000, down from nearly two million in 2001. Cingular had to contend with the centralization of its sales, marketing and billing operations during 2002, a transition that did not lend well to bundling its services with its parent's offerings. As a result, the Company experienced only a 4.4% revenue growth rate in 2002. This was also affected by continued ARPU pressure as a result of: (1) intense competition from six national carriers in most major markets; and (2) the continued adoption of all-inclusive one rate plans that reduced long distance charges and incoming fees. Cingular reacted to these changes by implementing more cost saving initiatives that included: (1) the reorganization of its sales unit and other functional areas, resulting in the elimination of 1,600 positions during the last six months; and (2) lower indirect sales commissions helped by change in product mix that resulted in a decline in the average cost of gross customer additions. Cingular has begun to focus on more regional initiatives that include wireline bundling. Therefore, the Company was able to drive some improvement in cash flow from operations, which DBRS calculates at $3.1 billion for the latest 12 months. Capex and investments in equity affiliates remained flat at just under $3.5 billion for the latest 12 months, with the majority of the expenditures related to the (1) the GSM/GPRS/EDGE overlay; and (2) the upgrading of the existing TDMA network to expand coverage. This resulted in the Company generating negative free cash flow of $415 million for the latest 12 months. Capital expenditures and affiliated investments in 2003 are projected to be between $3.4 billion and $3.8 billion, with cash flow from operations not likely to grow sufficiently in the near term to cover this. Therefore, a free cash flow deficit is expected in 2003 similar to 2002. Additionally, the Company may purchase further wireless spectrum that could cost up to $1.5 billion. With $1.36 billion in cash on its balance sheet as at March 2003, Cingular may finance its funding needs through (1) further senior note issuances; or (2) utilizing its CP program. Free cash flow should benefit from reduced capital expenditures in 2004, with 90% of the GSM overlay to be completed in 2003. However, the Company may face increased pressure on its cash flow from operations growth, especially in an environment where penetration levels have hit near 50% with slower net subscriber growth. Cingular's churn rate also remains high at 2.6% per month, albeit down from previous levels of close to 3%. This improving trend could be potentially reversed by the expected introduction of wireless local number portability in November 2003. This may also raise the costs of gross customer addition and thus pressure cash flow from operations going forward. Industry consolidation may also play a factor in Cingular's future, with its ownership potentially reduced in the mid-term to one incumbent telco, helping to facilitate further simplifications of its operating structure.

CONSIDERATIONS

Strengths:

- Financial and operational support of BellSouth Corporation ("BellSouth") and SBC Communications Inc. ("SBC")
- Established network with strong market coverage
- Large size provides economies of scale
- Cash flow capable of funding most of network upgrades

Challenges:

- Centralized structure has negatively affected operations
- Subscriber growth has slowed versus major peers
- ARPU remains under pressure due to competition
- Churn rate remains high at 2.6%

FINANCIAL INFORMATION

	12 mos.	For the year-ended December 31			
(US$ millions)	Mar. 2003 (2)	2002	2001 (3)	2000 (3)	1999 (3)
Revenues	14,774.0	14,726.9	14,108.0	12,644.0	10,970.0
EBITDA	4,609.0	4,521.9	4,469.0	3,924.0	3,328.0
Net interest expense	911.0	911.0	822.0	866.0	876.0
Core net income (1)	1,176.5	1,144.6	1,121.9	774.2	369.9
% debt in the capital structure	59.6%	60.8%	66.4%	68.9%	-
EBITDA interest coverage	5.06	4.96	5.44	4.53	3.80
Cash flow to total debt (1)	0.24	0.24	0.24	0.23	-
Net debt to EBITDA	2.44	2.58	2.68	2.85	-
Total subscribers (thousands)	22,114	21,925	21,596	19,681	16,599
ARPU (2)(3)	50.0	51.5	51.9	53.2	53.7
Monthly churn (2)(3)	2.6%	2.8%	2.9%	2.7%	2.5%

(1) Assumes a 35% tax rate on joint venture earnings before tax. (2) Three months ended March 2003 for ARPU and churn.
(3) DBRS estimates for churn in 1999, 2000, and ARPU in 1999. Pro forma ARPU information for 2000 and 2001.

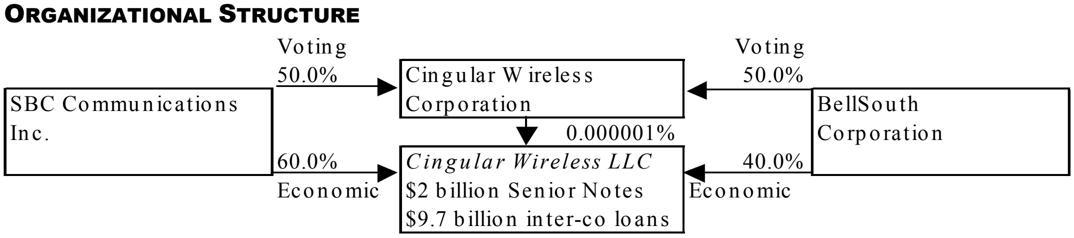
THE COMPANY

Cingular Wireless LLC is the second largest wireless operator in the U.S. with 22.1 million subscribers as at March 31, 2003. Cingular was formed in October 2000 through the combination of SBC's and BellSouth's wireless operations. The Company is 60%-owned by SBC and 40% by BellSouth.

CONSIDERATIONS

Strengths: (1) Cingular has the benefit of having two strong parents in BellSouth and SBC, which have the financial resources to support Cingular with its growth initiatives. In addition, current senior management at Cingular have primarily come from BellSouth and SBC.
(2) The Company's network covers a population of 235 million people, or approximately 81% of the U.S. population with licensed coverage in 45 of the 50 largest U.S. metropolitan areas.
(3) The Company is the second largest wireless provider in the U.S. with 22.1 million subscribers, and through its national scope and large scale it can capture significant revenue and cost synergies.
(4) Cingular generates cash flow from operations of $3.1 billion (adjusted for taxes at 35%) which is very strong for a wireless operator in the U.S. market. This cash flow is a result of a low cost structure due to large scale of operations and a well established infrastructure.
(5) The Company has a broad product offering that includes (a) voice plans that include prepaid, contract and resale; and (b) data services that include short messaging services and Internet access. Cingular has an extensive distribution network that includes (a) 1,200 company owned stores and kiosks; (b) 8,000 authorized agent locations; (c) 58,000 national retail points of distribution; and (d) 1,800 direct business to business salespeople.
(6) Cingular has signed joint ventures agreements with T-Mobile USA, Inc. ("T-Mobile") and AT&T Wireless Services Inc. ("AT&T Wireless"). The "Factory" venture with T-Mobile allows the companies to share network infrastructure in New York City, California and Nevada. Additionally, the Company has set up a joint venture with AT&T Wireless to build out GSM/GPRS/EDGE networks along major U.S. highways to reduce roaming fees paid to other carriers. Both of these ventures will save operating and capital expenditures and expedite the GSM roll-out.
Challenges: (1) Cingular experienced some internal negative operating factors during 2002 that limited customer growth relating to the centralization of marketing and sales, billing system consolidation and shift to sales plans that focused on improved cash flow rather than customer growth. Cingular has now responded by reorganizing its marketing, sales and operations activities from a national to a regional basis while emphasizing the affiliation with each of its parents with increased co-branding and combined product offers. Failure to execute this initiative could mean further customer erosion that would negatively affect future cash flow from operations.
(2) Cingular's subscriber growth has been negatively affected by (a) the economic weakness being experienced in the U.S.; (b) the decline in resale customers resulting from WorldCom, Inc.'s exit from the reseller market; and (c) marketing campaigns implemented by operators such as T-Mobile and Verizon Wireless that have resulted in these two operators gaining above-average share of net additions.
(3) With the U.S. market being intensely competitive with six major competitors in most major markets, ARPU has continued to come under pressure. Some of this is a result of "large bucket" minute offerings, that include one rate calling to anywhere in the continental U.S.
(4) Although churn rates have declined from nearly 3% to 2.6% per month, high churn still negatively affects Cingular's EBITDA margins, limiting to the margin to under 35% on a total revenue basis. Wireless operators in Europe have been able to get their churn rates down to 1% per month, with EBITDA margins between 40% to 50%, while Canadian churn rates have declined down to the 1.5% range, resulting in EBITDA margins between 35% and 40%.
(5) Cingular's voice upgrade plans depend heavily on the deployment of new dual mode GSM/TDMA phones known as "GAIT" phones. The phones may not be readily accepted by customers, because they are more limited in variety than GSM phones, and could impede the process of migrating customers to the GSM network. With demand for GAIT phones potentially limited, economies of scale pertaining to handsets may not be achieved that could result in higher operating costs.
(6) Cingular may face spectrum limitations in the future if it cannot obtain additional spectrum. This spectrum will need to be obtained through auction, acquisition or joint venture. Without additional spectrum, Cingular may not be able to expand within certain metropolitan markets or support high-speed data services.
(7) Industry regulatory issues could also have negative implications for Cingular. Wireless local number portability is scheduled to be operative in November 2003, and could significantly increase customer churn rates and the resultant cost to add or retain new customers.

ORGANIZATIONAL STRUCTURE



- On October 2, 2000, SBC and BellSouth contributed substantially all of their U.S. wireless assets in exchange for approximately 60% and 40% economic interests in Cingular Wireless LLC.
- SBC and BellSouth share joint voting control of Cingular Wireless LLC through their 50/50 ownership of Cingular Wireless Corporation, which acts as the Company's manager and controls Cingular's management and operations.
- $2 billion in senior notes, as well as the $9.7 billion subordinated intercompany loans, reside at the Cingular Wireless LLC level.

EARNINGS AND OUTLOOK

Selected Income Statement Items (US$ millions)	3 months ending		12 months ending			Change	
	Mar. 2003	Mar. 2002	Mar. 2003	Dec. 2002	Dec. 2001	Q1 2003 vs. Q12002	2002 vs. 2001
Total revenue	3,590.0	3,543.0	14,774.0	14,726.9	14,108.0	1.3%	4.4%
EBITDA margin	*33.5%*	*31.5%*	*31.2%*	*30.7%*	*31.7%*		
EBITDA	1,204.0	1,117.0	4,609.0	4,521.9	4,469.0	7.8%	1.2%
EBIT	716.0	667.0	2,721.0	2,671.9	2,548.0	7.3%	4.9%
Gross interest expense	225.0	225.0	911.0	911.0	822.0	0.0%	10.8%
Core net income (1)	319.2	287.3	1,176.5	1,144.6	1,121.9	11.1%	2.0%
Reported net income	419.2	338.3	1,287.9	1,207.0	1,692.0	23.9%	-28.7%

(1) Assumes a 35% tax rate on joint venture earnings before tax.

Summary:
EBITDA for the 12 months ending March 2003 improved to $4.6 billion attributable to:
- Expense reduction initiatives, such as the reduction of 1,600 positions since August 2002
- Lower customer acquisition costs, attributable to a higher mix of prepaid and reseller gross customer acquisitions

However, this was somewhat offset by:
- Higher network costs related to increased customer usage which grew 17% on a year-over-year basis
- Declining ARPU related to:
  - Lower negotiated roaming rates
  - Declining long distance and incollect revenue with increased adoption of all-inclusive rate plans
- Churn rates remained high at 2.6% per month
- Lower subscriber growth only 315,000 net subscriber additions over the last 12 months

As a result, EBITDA margins improved on a total revenue basis to 33.5% for the quarter ending March 31, 2003:
- Interest costs have remained flat with debt levels not fluctuating much during the past 12 months
- Depreciation has risen minimally related to:
  - Accelerated depreciation of TDMA assets whose estimated useful lives will now end in 2008
  - Increased capital expenditures related to the GSM roll-out

Core net income improved slightly to $1.18 billion for the latest 12 months:
- Core net income for the three months ending March 2003 grew 11.1% versus the prior year to $319 million

Outlook:
EBITDA will likely not increase significantly in the near term. Positive EBITDA factors going forward include:
- Revenues expected to improve slightly with increased regional selling initiatives, combined with increased cross-selling with the wireline operations of SBC and BellSouth

However, this will likely be countered by several negative factors including:
- Continued weakness in the economy restricting net subscriber additions
- Intense competition from six national players likely to negatively affect ARPU
- Potential negative ramifications from wireless local number portability in November 2003 that could increase churn

Below EBITDA:
- Interest expense is expected to remain flat, with debt levels decreasing modestly
- Depreciation will continue to rise with the increased capex related to the GSM/GPRS overlay.
- Therefore, core net income growth will likely be pressured by minimal expansion in EBITDA plus higher depreciation expense.

JOINT VENTURE AND INVESTMENT SUMMARY

T-Mobile Joint Venture (Factory)
- Joint venture with T-Mobile in New York City, California and Nevada created in November 2001
- Created to facilitate faster roll-out of GSM services for each company
- Contributions are based on each party's incremental growth in minutes of use.
- Cingular has a contractual commitment to contribute $225 million to Factory in 2003.
- Each company will buy services from venture and provide services under its own brand name.

A&T Wireless Joint Venture
- Joint venture with AT&T Wireless to build out GSM coverage along major U.S. highways
- Each company will buy services from venture and provide services under its own brand name.
- Cingular expects to spend $50 million in capital expenditures over 2003 and 2004.

Investment in Salmon
- Cingular and Crowley Digital Wireless formed Salmon to bid for PCS licences in January 2001.
- In addition to paying for the licences, Cingular has agreed to fund Salmon's network build out, daily operations and operating losses until November 2006.
- Estimated costs to build Salmon's network range between $350 million to $500 million.

FINANCIAL PROFILE AND SENSITIVITY ANALYSIS

Selected Cash Flow Statement Items

	12 months ending			Sensitivity Analysis (1)		
(US$ millions)	Mar. 2003	Dec. 2002	Dec. 2001	Year 1	Year 2	Year 3
Total revenue	14,774.0	14,726.9	14,108.0	14,250.0	14,603.9	14,968.3
EBITDA	4,609.0	4,521.9	4,469.0	4,267.9	4,522.1	4,785.7
Core net income (1)	1,176.5	1,144.6	1,121.9	807.0	740.2	820.0
Add: depreciation and amortization	1,888.0	1,850.0	1,921.0	2,007.4	2,365.9	2,532.7
Add: other items	0.0	0.0	0.0	14.5	1.4	0.2
Cash Flow From Operations (1)	3,064.5	2,994.6	3,042.9	2,814.4	3,106.1	3,352.7
Capex and advances to equity affiliates	3,479.0	3,535.0	3,741.0	3,800.0	3,200.0	3,000.0
Dividends	0.0	0.0	0.0	0.0	0.0	0.0
Free Cash Flow Before Work. Cap.	(414.5)	(540.4)	(698.1)	(985.6)	(93.9)	352.7
Change in working capital	(135.0)	(679.0)	(338.0)	0.0	0.0	0.0
Free Cash Flow	(549.5)	(1,219.4)	(1,036.1)	(985.6)	(93.9)	352.7
Acquisition	(17.0)	(6.0)	(289.0)	(1,500.0)	0.0	0.0
Disposition	5.0	6.0	85.0	0.0	0.0	0.0
Other (1)	1,161.5	1,147.4	834.1	0.0	0.0	0.0
Net Free Cash Flow	600.0	(72.0)	(406.0)	(2,485.6)	(93.9)	352.7
Change in equity	516.0	499.0	731.0	0.0	0.0	0.0
Change in debt	(43.0)	(86.0)	116.0	1,255.0	(21.0)	(352.7)
Changes in Net Cash	1,073.0	341.0	441.0	(1,230.6)	(114.9)	0.0
Key Figures and Ratios						
Total debt	12,608.0	12,591.0	12,531.0	13,863.0	13,842.0	13,489.3
% debt in the capital structure	59.6%	60.8%	66.4%	59.7%	57.8%	55.3%
EBITDA interest coverage	5.06	4.96	5.44	4.19	4.44	4.83
EBIT interest coverage	2.99	2.93	3.10	2.22	2.12	2.27
Cash flow / total debt	0.24	0.24	0.24	0.20	0.22	0.25
Net debt to EBITDA	2.44	2.58	2.68	3.25	3.06	2.82
Stress Test Assumptions						
Revenue growth	0.3%	4.4%	11.6%	-3.5%	2.5%	2.5%
EBITDA margin	31.2%	30.7%	31.7%	30.0%	31.0%	32.0%
Interest rate (calculated)	7.2%	7.2%	6.6%	7.4%	7.4%	7.4%
Subscribers (millions)	22,114	21,925	21,596	22,319	22,520	22,712

(1) Assumes a 35% tax rate on joint venture earnings. Cash taxes not paid are included in the "other" line below free cash flow.

Summary:

Free cash flow before working capital adjustments remained negative for the 12 months ending March 2003 related to:

- Cash flow from operations growing minimally to $3.1 billion, restricted by declining subscriber growth
- Capital expenditures and investments in equity affiliates remained flat at just under $3.5 billion relating to:
  - The GSM/GPRS overlay which was approximately 50% completed at the end of 2002;
  - Network enhancements to the existing TDMA network which will be utilized until 2008; and
  - Investments in its equity affiliates (joint ventures with T-Mobile, AT&T Wireless), which totalled nearly $413 million over the last 12 months.
- However, working capital deficits improved with the accounts receivable DSO falling to 34 days from nearly 42 days a year ago.
- For comparative purposes, DBRS taxes Cingular at the statutory rate to calculate cash flow from operations, and then adds back the cash taxes not paid below the free cash flow line.
- These taxes are actually paid by Cingular's partners, but are included in DBRS's calculation of cash flow for comparative purposes to other wireless entities.
- This adjustment represents the majority of the $1.2 billion in the other category line.
- Overall cash balances were augmented by over $500 million in equity injections from BellSouth/SBC, with very little debt being paid down.
- As a result, EBITDA coverage and cash flow-to-debt ratios remain quite good for a wireless operator.
- However, the debt-to-capital ratios remain somewhat high, factoring in the inter-company loans of $9.7 billion.
- Cingular's ratios are indicative of an investment grade credit, and gain support from its ownership by two strong incumbent telcos (SBC and BellSouth).

Outlook:

Free cash flow before working capital is expected to remain negative in the near term, as:

- Cash flow from operations will likely improve slightly to the $3.2 billion range related to (1) cost saving initiatives; and (2) modest subscriber growth.
- Capital expenditures and further equity investments will likely be in the range of $3.4 billion to $3.8 billion range as:
  - $1.2 billion to $1.3 billion will be required in 2003 to upgrade TDMA networks to GSM/GPRS/EDGE that will result in 90% coverage by year end;
  - $1.6 billion to $1.7 billion is earmarked in 2003 for regular network and other capital expenditures; and
  - $600 million to $800 million in equity contributions and funding network sharing ventures with T-Mobile and AT&T Wireless.
- Additionally, there is the potential for Cingular to acquire additional spectrum for up to $1.5 billion.
- Cash balances are not sufficient to cover both free cash flow deficit and potential spectrum purchases.
- Therefore, debt levels are expected to increase between $700 million to $1 billion.
- Liquidity and coverage ratios are expected to come under modest pressure, but still remain good.

Sensitivity Analysis:

DBRS stress tests the financial strength of companies analyzed to measure their sensitivity under various extreme scenarios. The assumptions used are based neither upon any specific information provided by the Company, nor any expectations DBRS has concerning the future performance of the Company. Key Assumptions:

- Revenues decline 3.5% in Year 1, then improves 2.5% in Years 2 and 3
- EBITDA margins decline to 30% in Year 1, then rise to 31% in Year 2 and 32% in Year 3
- Capital expenditures and equity investments rise to $3.8 billion in Year 1, and then decline to $3 billion in Year 3
- Additional wireless spectrum is purchased in Year 1 assumed at $1.5 billion
- Working capital adjustments are assumed to be zero. Small debt repayments are made in Years 1 and 2
- Cash balances are utilized to fund deficits first, then additional debt assumed at Cingular's current average interest rate of 7.35%

- In the above adverse scenario, Cingular covers 81% of its funding needs through internally generated cash flow.
- The remainder is covered by its cash ($1.4 billion) and additional debt ($900 million).
- Although liquidity and coverage ratios are initially weakened, they return close to current levels by Year 3.
- Even during the first year, Cingular's ratios would be indicative of an investment grade credit and on a stand-alone basis would map to BBB.
- However, this does not consider the operational and financial support given by SBC/BellSouth, two of the strongest telcos in the world.

LONG-TERM DEBT MATURITIES AND BANK LINES

Debt Outstanding	Int. Rate	Maturity	Mar. 31	As at December 31	
(US$ millions)			2003	2002	2001
Due to affiliates	7.5%	Mar. 2005	9,678.0	9,678.0	9,678.0
Senior unsecured notes	5.625%	Dec. 2006	500.0	500.0	500.0
Senior unsecured notes	6.5%	Dec. 2011	750.0	750.0	750.0
Senior unsecured notes	7.125%	Dec. 2031	750.0	750.0	750.0
Capital leases			876.0	861.0	758.0
Other			66.0	64.0	80.0
Total			12,620.0	12,603.0	12,516.0
Unamortized discount on sr. notes			12.0	12.0	12.0
Total Debt Outstanding			12,608.0	12,591.0	12,504.0

Debt Maturity Schedule		Capital	
(US$ millions)	Debt	Leases	Total
2003	45.0	105.0	150.0
2004	21.0	155.0	176.0
2005	9,678.0	119.0	9,797.0
2006	500.0	120.0	620.0
2007	0.0	123.0	123.0
Thereafter	1,500.0	1,723.0	3,223.0
Total Minimum Payments	11,744.0	2,345.0	14,089.0
Capital lease imputed interest	0.0	925.0	925.0
Capital lease executory cost	0.0	544.0	544.0
Total Obligations	11,744.0	876.0	12,620.0
Unamortized discount	12.0	0.0	12.0
Total Obligations	11,732.0	876.0	12,608.0

Summary:

- Cingular's outstanding debt consists currently of three parts:
  - $2 billion of senior unsecured notes that mature in 2006, 2011 and 2031
  - $9.7 billion of subordinated intercompany loans due to SBC ($5.9 billion) and BellSouth ($3.8 billion) that rank below the senior unsecured notes
  - $876 million of capital leases
- Additionally, Cingular has a $1.5 billion commercial paper program that currently is undrawn.
- This commercial paper program is backed up by a $1.5 billion bank line that matures in November 2003.
- Cingular has a good short-term debt maturity profile, with little coming due during 2003 and 2004.
- However, the inter-company loans are currently scheduled to mature in March 2005.
- The ability to roll-over on these shareholder loans appears reasonable with both BellSouth and SBC having amply liquidity after reducing debt on their own respective balance sheets.
- Consolidation within the U.S. wireless industry in the mid-term could potentially initiate a financial transaction that would resolve this debt obligation.

Outlook:

- If Cingular completes a transaction for further spectrum, debt levels are expected to increase
- Potential funding sources could include:
  - Further senior note issuance
  - Utilizing its commercial paper program
  - Combination of both

Covenants:

Bank Facilities

- Major financial covenant on Cingular's bank facility related to consolidated debt to EBITDA
- Definition of consolidated debt does not include the intercompany loans of $9.7 billion
- Covenant states that ratio should not exceed 4.0 times on a trailing four quarter basis
- As of March 31, 2003, DBRS estimates that Cingular was well within the covenant parameters, with the ratio at 0.62 times

Senior Unsecured Notes

- There is a covenant pertaining to the issuance of new Senior secured debt.
- Therefore, the Senior Notes are not included in this calculation as they are unsecured.
- Sum of all Senior secured debt issued cannot exceed 15% of Consolidated Net Tangible Assets (Total Assets-Restricted cash -Intangibles-Goodwill-Current Liabilities-Minority Interest-Treasury Stock)

PENSION BENEFITS

Year	Assumed Return (%)	Assumed Discount Rate on Liabilities (%)	Expected Return ($ millions) (A)	Actual Return ($ millions) (B)	Surplus (Deficiency) ($ millions) (B-A)
2001	8.5%	7.25%	$0.0	$0.0	$0.0
2002	8.5%	6.75%	$27.0	($44.0)	($71.0)

($ millions) Year	Pension Fund Assets (A)	Pension Fund Liabilities (B)	Net Pension Surplus (Deficiency) (A-B)	Cash Contribution (by employer)	Pension Benefits (Credit)/Expense
2001	508.0	345.0	163.0	0.0	5.0
2002	450.0	413.0	37.0	0.0	62.0

Summary:

- Substantially all of the Company's employees are covered by one of two non-contributory defined benefit plans.
- Participation in the plans commenced on November 1, 2001, after the assets and wireless employees of both BellSouth and SBC were indirectly contributed to Cingular.
- Similar to other plans in North America, Cingular experienced negative returns in 2002.
- However, given the infancy of the pension plan, Cingular still maintains a small surplus at the end of 2002.
- Cingular decreased its discount rate on liabilities during 2002 to 6.75% which appears to be in line with U.S. peers.
- However, Cingular's assumed rate of return assumption of 8.5% is lower than most U.S. telcos which ranged from 9% to 9.5% in 2002.
- Cingular experienced an increase in pension expense to $62 million in 2002.

Outlook:

- Although pension expense will likely rise in 2003, it will pale in comparison to the dramatic increases that will occur at the U.S. incumbent telcos.
- DBRS believes that the Company may lower its rate of return assumption in 2003, perhaps closer to the 8% level given that the incumbent telcos are lowering their assumptions.

GLOBAL WIRELESS COMPARATIVE GRID

Symbols: ☐ = Above normal; ▨ = Normal; ■ = Below normal

Rank	Characteristics	Profitability	Balance Sheet (% debt)	Cash flow to debt	Coverage Ratios	Size/Other	Parental Support
1	NTT DoCoMo, Inc.	☐	☐	☐	☐	☐	n/a
2	Vodafone Group Plc	☐	☐	☐	☐	☐	n/a
3	Verizon Wireless Inc.	☐	☐	☐	☐	☐	☐
4	Bell Mobility Cellular Inc. (1)	▨	▨	☐	☐	▨	☐
5	Telecom Italia Mobile Group	☐	☐	☐	☐	☐	■
6	Orange SA*	▨	☐	☐	☐	☐	■
7	Telefonica Moviles, S.A.	☐	■	☐	☐	☐	☐
8	Cegetel Groupe SA	☐	☐	☐	☐	▨	▨
9	Cingular Wireless	▨	■	▨	▨	☐	☐
10	Aliant Telecom Wireless (1)	☐	▨	☐	☐	▨	☐
11	ALLTEL Corp.	☐	☐	☐	☐	■	▨
12	US Cellular Corp.	▨	☐	☐	☐	■	▨
13	AT&T Wireless Services Inc.	▨	☐	▨	▨	☐	▨
14	T-Mobile International AG	▨	■	■	■	☐	☐
15	TELUS Mobility (1)	■	▨	■	■	▨	☐
16	mmO2 plc	■	☐	☐	☐	▨	▨
17	KPN Mobile N.V.	☐	■	■	■	▨	▨
18	Sprint PCS	■	■	■	■	▨	▨
19	T-Mobile USA, Inc. (VoiceStream)	■	■	■	■	▨	☐
20	Nextel Communications, Inc.	☐	■	■	■	▨	▨
21	Rogers Wireless	▨	■	■	■	▨	☐
22	Bouygues Telecom	▨	■	■	■	■	☐
23	Microcell Telecommunications Inc.	■	▨	■	■	■	■

Criteria:		EBITDA Margins	Debt to Capital	Cash Flow to Debt	EBITDA Int. Coverage	Subscribers & Market Share	Credit Enhancement
☐	Above normal	>35%	<45%	>0.30	>7.00	>20 million	Positive
▨	Normal	25-35%	45-55%	0.25-0.30	5.00-7.00	10-20 million or #1 in market	Neutral
■	Below normal	<25%	>55%	<0.25	<5.00	<10 million	Negative

(1) EBITDA coverage, cash flow / debt, and percent debt in the capital structure are based on their respective parent ratios as full financial disclosure is not provided. EBITDA margin for Bell Mobility is a DBRS estimate.

*Profitability based on France and U.K. operations.

Summary:

- Cingular benefits from its size (22.1 million subscribers), licences that cover 81% of the population and an extensive distribution network.
- Rating is underpinned in the "A" category through the financial and operational support of its two parents, BellSouth and SBC.
- Although debt levels are high for a wireless operator, about $9.7 billion of the debt is in the form of inter-company loans that rank subordinate to the $2 billion in senior notes.
- The major challenges that Cingular faces are:
  - High churn at 2.6% per month
  - Slowing net subscriber additions due to economic weakness and the nationalization of sales in marketing during 2002
  - Increased bundling with wireline products, somewhat complicated by the fact that it has two wireline parents
  - ARPU pressure resulting from an environment where:
    - Six national operators compete intensely for new subscribers
    - The trend towards all-inclusive one rate plans that have large buckets of minutes and permit national calling without long distance charges
- Going forward, Cingular may face additional margin pressure if wireless local number portability is implemented in November 2003.
- Additionally, Cingular could also face spectrum shortages in its major market in the mid-term.
- This could lead to potential purchases of spectrum through auction or via acquisition (Nextwave).

GLOBAL WIRELESS FINANCIAL AND OPERATIONAL COMPARISON

(US$ millions*)	12 mos. Ending	Total Revenue	EBITDA	EBITDA Margin	Interest Expense	EBITDA Coverage	Cash flow/ Debt	% Debt in Cap. Stru.	Net Debt to EBITDA
Major U.S. Operators									
Verizon Wireless Inc.	Mar. 2003	19,916	7,151	35.9%	718	9.96	0.36	25.8%	1.98
Cingular Wireless	Mar. 2003	14,774	4,609	31.2%	911	5.06	0.24	59.6%	2.44
AT&T Wireless Services Inc.	Mar. 2003	15,968	4,112	25.8%	833	4.94	0.28	28.2%	1.83
Sprint PCS	Mar. 2003	12,173	2,975	24.4%	1,515	1.96	0.09	95.6%	5.91
Nextel Communications Inc.	Mar. 2003	9,135	3,492	38.2%	1,048	3.33	0.18	74.9%	2.79
T-Mobile USA, Inc.**	Mar. 2003	5,571	544	9.8%	658	0.83	(0.01)	39.1%	15.81
ALLTEL Corporation**	Mar. 2003	4,324	1,574	36.4%	392	8.19	0.35	51.2%	2.00
United States Cellular Corporation	Mar. 2003	2,302	607	26.4%	72	7.72	0.38	35.3%	2.18
Qwest Wireless	Sept. 2002	775	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Major Canadian Operators									
Rogers AT&T Wireless	Mar. 2003	1,358	374	27.6%	131	2.87	0.15	87.5%	4.21
Bell Mobility Cellular Inc. **	Mar. 2003	1,317	436	33.1%	n/a	7.36	0.40	50.8%	1.56
TELUS Mobility **	Mar. 2003	1,413	394	27.9%	n/a	3.69	0.20	54.7%	3.01
Microcell Telecommunications Inc.	Mar. 2003	390	71	18.3%	150	0.47	(0.14)	48.7%	2.18
Aliant Telecom Wireless ** (1)	Mar. 2003	196	94	47.8%	n/a	7.30	0.38	45.1%	1.26
Major European/Japan Operator(s)									
Vodafone Group Plc	Sept. 2002	42,514	15,154	35.6%	1,928	7.86	0.67	9.7%	1.04
T-Mobile International AG**	Dec. 2002	17,941	4,580	25.5%	905	5.06	n/a	n/a	n/a
Orange SA	Dec. 2002	15,532	4,678	30.1%	486	9.62	0.54	33.9%	1.24
NTT DoCoMo, Inc.	Sept. 2002	42,793	14,564	34.0%	172	84.43	0.87	31.8%	0.58
Telecom Italia Mobile Group	Mar. 2003	9,986	4,618	46.2%	168	27.5	2.77	17.0%	0.15
Telefonica Moviles S.A.	Mar. 2003	8,117	3,411	42.0%	378	9.02	0.34	69.3%	1.69
mmO2 plc	Mar. 2003	6,514	1,148	17.6%	98	11.69	0.50	12.7%	0.64
KPN Mobile NV**	Mar. 2003	4,339	1,523	35.1%	n/a	3.74	0.21	73.0%	2.40
Cegetel Groupe SA	Dec. 2002	5,587	2,092	37.4%	55	38.35	1.77	31.6%	0.09
Bouygues Telecom	Dec. 2002	2,677	759	28.4%	161	4.72	0.24	66.8%	2.70
High				**47.8%**		**84.43**	**2.77**	**95.6%**	**15.81**
Low				**9.8%**		**0.47**	**(0.14)**	**9.7%**	**0.09**
Median				**31.2%**		**7.30**	**0.35**	**46.9%**	**1.99**

Major U.S. Operators	3 mos. Ending	Tot. Subscr. (000s)	Monthly Churn (2)	Monthly ARPU	% Pre-paid	Market Penetrat.	Total CPGA	Avg. Mins Per User
Verizon Wireless Inc.	Mar. 2003	33,324	2.1%	47.20	6%	14.3%	-	402
Cingular	Mar. 2003	22,114	2.6%	50.04	7%	10.0%	-	405
AT&T Wireless Services Inc.	Mar. 2003	21,142	2.3%	58.70	5%	10.3%	404	508
Sprint PCS	Mar. 2003	14,959	3.1%	58.00	-	11.0%	365	720
Nextel Communications Inc. (4)	Mar. 2003	11,092	1.9%	67.00	-	3.6%	450	650
T-Mobile USA Inc. (3)	Mar. 2003	10,837	3.0%	50.00	13%	4.8%	303	710
ALLTEL Corp.	Mar. 2003	7,761	2.7%	45.59	8%	12.9%	285	-
US Cellular Corp.	Mar. 2003	4,240	1.9%	45.05	5%	11.5%	358	377
Qwest Wireless	Sept. 2002	1,084	-	47.00	-	5.0%	229	-
Major Canadian Operators								
Rogers AT&T Wireless	Mar. 2003	3,458	1.8%	29.51	22%	13.8%	285	331
Bell Mobility Cellular Inc. (2)	Mar. 2003	3,431	1.4%	30.00	25%	14.3%	258	201
TELUS Mobility	Mar. 2003	3,062	1.5%	36.00	17%	12.1%	283	315
Microcell Telecommunications Inc.	Mar. 2003	1,124	3.3%	24.51	54%	5.9%	183	212
Aliant Telecom Wireless	Mar. 2003	558	1.4%	31.35	14%	75.0%	258	201
Major European/Japan Operator(s)								
Vodafone Group Plc (5)	Dec. 2002	112,484	2.1%	38.17	53%	33.0%	103	194
T-Mobile International AG	Dec. 2002	61,700	1.5%	22.25	56%	40.0%	171	147
Orange SA	Dec. 2002	44,367	1.7%	29.85	54%	49.8%	133	138
NTT DoCoMo, Inc.	Dec. 2002	42,874	1.2%	67.32	-	58.3%	-	169
Telecom Italia Mobile Group	Mar. 2003	32,330	0.9%	24.82	85%	47.5%	n/m	116
Telefonica Moviles S.A.	Mar. 2003	28,950	1.0%	25.09	64%	56.0%	132	108
mmO2 plc	Mar. 2003	19,372	2.3%	27.00	62%	23.4%	115	113
KPN Mobile NV	Mar. 2003	13,485	2.1%	25.06	58%	43.0%	117	93
Cegetel Groupe SA	Dec. 2002	13,547	2.0%	37.61	47%	35.1%	182	290
Bouygues Telecom	Dec. 2002	5,610	3.9%	33.55	37%	15.2%	154	230

*Conversion rate US$1=€1.10, US$1=Cdn$1.50.

**EBITDA coverage, cash flow/debt, and per cent debt in the capital structure are based on their respective parent ratios, as full financial disclosure is not provided.

Cingular Wireless LLC

Balance Sheet

(US$ millions)	Mar. 31	Year ending Dec. 31			Mar. 31	Year ending Dec. 31	
Assets	2003	2002	2001	**Liabilities & Equity**	2003	2002	2001
Cash and equivalents	1,358.0	908.0	567.0	Short-term borrowings	45.0	45.0	65.0
Accounts receivable	1,371.0	1,520.0	1,644.0	Accounts payable	1,937.0	2,296.0	2,744.0
Inventory, prepaids, other	329.0	303.0	346.0	Other	456.0	446.0	415.0
Total Current Assets	3,058.0	2,731.0	2,557.0	**Total Current Liab.**	2,438.0	2,787.0	3,224.0
Fixed assets	10,037.0	10,146.0	8,864.0	Long-term debt	12,563.0	12,546.0	12,466.0
Goodwill and licences	8,867.0	8,538.0	8,755.0	Other non curr. liabilities	695.0	681.0	505.0
Investments	1,911.0	2,316.0	2,023.0	Minority interest	610.0	567.0	485.0
Other	379.0	391.0	331.0	Common equity	7,946.0	7,541.0	5,850.0
Total Assets	24,252.0	24,122.0	22,530.0	**Total Liab. & Equity**	24,252.0	24,122.0	22,530.0

	12 mos.	For the year-ended December 31			
Liquidity & Coverage Ratios	Mar. 2003	2002	2001(2)	2000 (2)	1999 (2)
Current ratio	1.25	0.98	0.79	0.56	-
Asset coverage	0.93	0.92	0.77	0.61	
Total assets/total debt	1.92	1.92	1.80	1.76	-
Cash flow / total debt	0.24	0.24	0.24	0.23	-
Net debt to EBITDA	2.44	2.58	2.68	2.85	-
% debt in the capital structure	59.6%	60.8%	66.4%	68.9%	-
Adj. % debt in the capital structure (1)	102.5%	103.5%	123.9%	151.2%	-
EBITDA interest coverage	5.06	4.96	5.44	4.53	3.80
EBIT interest coverage	2.99	2.93	3.10	2.38	1.65
Profitability, Earnings Quality					
EBITDA margin	31.2%	30.7%	31.7%	31.0%	30.3%
Return on equity	13.8%	14.1%	17.7%	15.1%	-
Operating Ratios	3 mos.				
ARPU (2)	50.04	51.47	51.92	53.19	53.70
Monthly churn (2)	2.6%	2.8%	2.9%	2.7%	2.5%
Capex per subscriber (dollars)	n/a	161.2	173.2	114.3	95.1
Other Data	12 mos.				
Total consolidated subscribers (thousands)	22,114.0	21,925.0	21,596.0	19,681.0	16,599.0
Net subscriber additions (thousands)	315.0	360.0	1,998.0	3,081.0	2,128.0
Market penetration	10.0%	10.1%	10.9%	10.3%	8.7%
Average minutes of use (AMOU) (3)	405.0	390.0	308.0	n/a	n/a
Income Statement	12 mos.	For the year-ended December 31			
(US$ millions)	Mar. 2003	2002	2001	2000	1999
Total revenue	14,774.0	14,726.9	14,108.0	12,644.0	10,970.0
EBITDA	4,609.0	4,521.9	4,469.0	3,924.0	3,328.0
EBIT	2,721.0	2,671.9	2,548.0	2,057.0	1,445.0
Interest expense	911.0	911.0	822.0	866.0	876.0
Core net income	1,176.5	1,144.6	1,121.9	774.2	369.9
Reported net income	1,287.9	1,207.0	1,692.0	774.2	423.0
Cash Flow Statement	12 mos.	For the year-ended December 31			
(US$ millions)	Mar. 2003	2002	2001	2000	1999
Core net income	1,176.5	1,144.6	1,121.9	774.2	369.9
Add: depreciation and amortization	1,888.0	1,850.0	1,921.0	1,867.0	1,883.0
Add: other items	0.0	0.0	0.0	0.0	0.0
Cash Flow From Operations	3,064.5	2,994.6	3,042.9	2,641.2	2,252.9
Capex and advances to equity affiliates	3,479.0	3,535.0	3,741.0	2,250.0	1,578.0
Dividends	0.0	0.0	0.0	0.0	0.0
Free Cash Flow Before Working Capital	(414.5)	(540.4)	(698.1)	391.2	674.9
Changes in working capital	(135.0)	(679.0)	(338.0)	n/a	n/a
Free Cash Flow	(549.5)	(1,219.4)	(1,036.1)	n/a	n/a
Acquisitions	(17.0)	(6.0)	(289.0)	n/a	n/a
Dispositions	5.0	6.0	85.0	n/a	n/a
Other	1,161.5	1,147.4	834.1	n/a	n/a
Free Cash Flow Before Financing	600.0	(72.0)	(406.0)	n/a	n/a
Changes in equity: new/(repurchased)	516.0	499.0	731.0	n/a	n/a
Changes in debt: new/(repurchased)	(43.0)	(86.0)	116.0	n/a	n/a
Changes in Net Cash	1,073.0	341.0	441.0	n/a	n/a

(1) Adjusted ratio deducts intangibles from the equity base.

(2) DBRS estimates for churn in 1999, 2000, and ARPU in 1999. Pro forma ARPU information for 2000 and 2001.

(3) AMOU for 12 month ending March 2003 reflects three months ending March 2003.