

A History of Successful Mergers

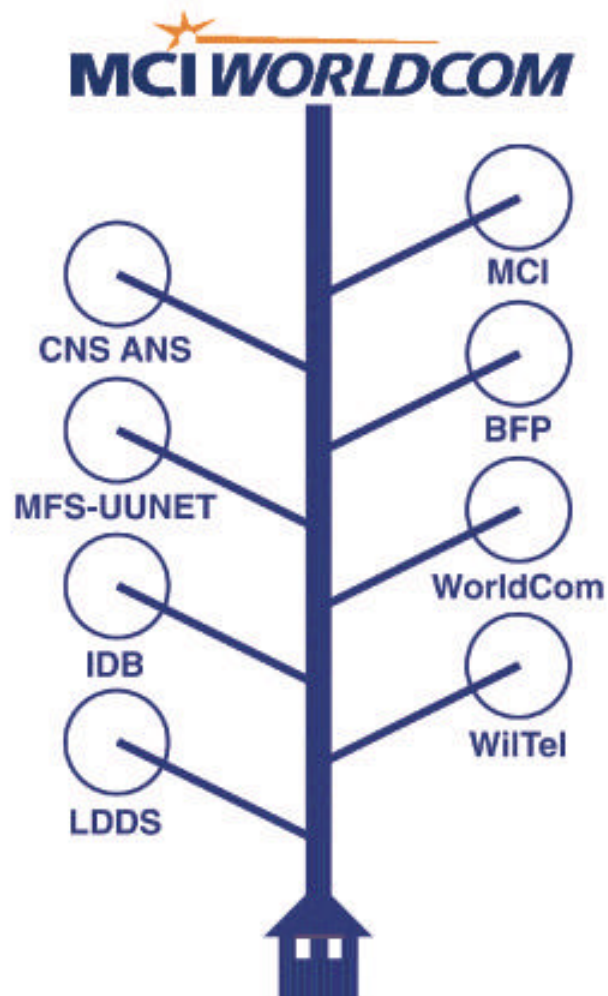
MCI WorldCom knows how to make mergers work. The Company started as a long distance reseller in Mississippi, called Long Distance Discount Service (LDDS). There is a famous – and true – story about the early days.

In September 1983 businessmen Murray Waldron and William Rector met in a Hattiesburg coffee shop to discuss a business plan for a long distance reseller. When a waitress at the restaurant asked the two gentlemen if they needed more iced tea, Murray responded, "No, but we do need a name for the new company we're planning." After inquiring about what kind of company it was, the waitress walked away for a few minutes and came back with a napkin on which she had scribbled the letters "LDDC" – Long Distance Discount Calling. The name was later changed to LDDS – Long Distance Discount Service. And Bernie Ebbers, an early investor, became CEO in 1985.

In November 1983 LDDS was certified by the Mississippi Public Service Commission to operate as a long distance carrier. The first customer was the University of Southern Mississippi. The Company grew both internally and through mergers with other telecommunications companies and expanded operations from its Mississippi base. LDDS went public in August 1989 through its acquisition of Advantage Companies, Inc.



– LDDS Corporate Headquarters
Brookhaven, MS 1983



– MCI WorldCom's Corporate Evolution



1998 – Brooks Fiber Properties, Inc., CompuServe Corporation, Advanced Network Services, MCI Communications Corporation

The year 1998 was highlighted by the completion of three multi-billion dollar merger transactions: MCI Communications Corporation, Brooks Fiber Properties, Inc., and CompuServe Corporation. These mergers build on a long and successful track record of completing and integrating some 65 separate mergers and acquisitions since the Company was created in 1983. And like the mergers before them, last year's mergers are already adding incrementally to internal revenue growth. The 1998 mergers added significant scale to the Company and consolidated its leadership position in communications services. One important advantage of size is that the risks associated with doing business in a highly competitive industry are spread over a broader range of markets and geographies.

At the time it was announced in 1997, the merger with MCI, valued at approximately \$40 billion, was the largest in history. The year 1998, however, was an extraordinary year for mergers. Fortune Magazine calculated the total value of all the mergers announced in 1998 at \$1.6 TRILLION. By the end of 1998, the MCI WorldCom merger ranked as only the eighth largest in history.

Yes, the merger with MCI was big. But bigness by itself was not the objective. The merger made sense in two other key ways.

First and foremost, it led to increased shareholder value because the power and efficiency of the merged company are greater than the two companies working separately. Thus, value was captured in the anticipated synergies, which were already evident in the first full quarter following the merger completion in September 1998.

Second, it joined two companies with highly complementary strengths and assets. Both companies were leaders in transforming the industry from a monopoly utility business into an intensely competitive market.

The integration of the two companies is well underway. Network operating efficiencies have resulted from the combined networks through reduced leased line costs and the avoidance of expensive termination charges internationally and domestically. Sales and marketing forces have been meshed. "Best practices" have been adopted, and duplication is being eliminated.

The other 1998 acquisitions were important and should not be overshadowed by the dollar magnitude of the MCI transaction. The Brooks Fiber acquisition brought forty new and highly complementary local exchange markets to the Company, accelerating our local city expansion into new markets by one to two years. MCI WorldCom now offers local service in 102 domestic US markets. The CompuServe merger and the purchase of ANS from AOL enhanced the Company's Internet and systems integration capabilities.



1996 – MFS Communications Company, Inc. (MFS), UUNet Technologies, Inc.

Through this acquisition, the Company acquired local network access facilities via digital fiber optic cablenetworks installed in and around major United States cities, and in several major European cities. The Company also acquired a network platform, which consists of Company-owned transmission and switching facilities, and network capacity leased from other carriers primarily in the United States and Western Europe. This stock for stock transaction valued at approximately \$12 billion gave the Company end-to-end bandwidth, global networks, and accelerated the Company's revenue growth. MFS had previously acquired UUNET Technologies, Inc., a leading worldwide provider of a comprehensive range of internet access options, applications, and value added services to businesses, other telecommunications companies and online service providers.

1995 – The network services operations of Williams Telecommunications Group, Inc. (WiTel)

WiTel owned 10,000 miles of fiber and 1,000 miles of microwave transmission facilities, which gave the new company the capability to serve even the largest companies with both voice and advanced data capabilities. This cash transaction was valued at approximately \$2.5 billion.

In May 1995 LDDS changed its name to WorldCom, Inc.

1994 – IDB Communications Group, Inc.

IDB operated a domestic and international communications network providing private line and public switched long distance telecommunications services, facsimile and data connections, television and radio transmission services, and mobile satellite communications capabilities. This stock for stock transaction was valued at approximately \$936 million.

1993 – Metromedia Communications Corporation (MCC), Resurgens Communications Group, Inc.

MCC, based in East Rutherford, New Jersey, and Resurgens, based in Atlanta, Georgia, both were full service long distance providers. These transactions completed with both stock and cash, was valued at approximately \$1.25 billion.

1992 – Advanced Telecommunications Corporation

A long distance reseller based in Atlanta, Georgia. This stock for stock acquisition was valued at approximately \$850 million.