



People **Innovating** for People

AT&T Inc. 2009 Annual Report





To Our Investors:

In 2009, we extended our unmatched track record of leadership in delivering innovative solutions that allow our customers to connect in new and better ways. In the process, we achieved solid financial and operating results and positioned your company to lead the next wave of communications growth.

**Randall
Stephenson**
Chairman, Chief
Executive Officer
and President

Our significant investments in advanced, innovative networks and products have established AT&T as a leader in providing mobile broadband access to the Internet — a powerful communications force that impacts every aspect of how people live and how companies do business around the world.

Despite a challenging economy, our focused strategy and solid execution enabled us to finish 2009 in a position of unsurpassed financial strength among our telecommunications peers and poised for continued growth in key areas:

- We invested more than \$17 billion in capital to move our business forward and deploy innovative network technologies that will drive new and better customer solutions.
- We led the industry in several growth categories, including mobile broadband and wireless, where we added more than 7 million subscribers — equaling our best year ever and the best performance in the U.S. wireless market.
- Net income attributable to AT&T exceeded \$12.5 billion, while cash from operating activities reached \$34.4 billion — the highest total in our history.
- We returned a record \$9.7 billion to stockholders through dividends. And in December, we raised our quarterly dividend for the 26th consecutive year.

But these accomplishments don't just demonstrate our financial strength and ability to execute. Just as important, they validate our strategy and our deep commitment to building long-term value for you, our owners.



True to our heritage, we are a company of people innovating for people. Last year, we introduced new capabilities that are pushing the boundaries of communications and defining its future. In this report, you can read stories of how our customers count on AT&T to deliver the connectivity they need. But first, here are highlights of our 2009 performance:

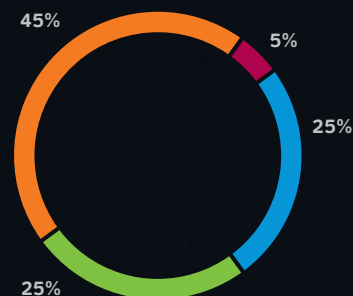
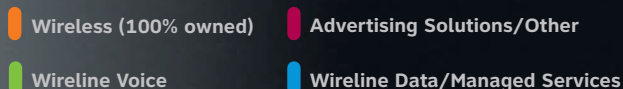
Mobile broadband

Mobility driving growth. Mobility is the driving force behind our industry's growth around the globe. And AT&T is ahead of the competition, leading the worldwide mobile broadband revolution that is transforming lives, businesses and economies. Leadership in this high-growth market was a goal we set several years ago; we've achieved that and will continue to build upon it. AT&T delivers the nation's most advanced mobile broadband experience. And in 2009, we began working to make the nation's fastest 3G network even faster with next-generation technology that will double our theoretical peak 3G speeds and prepare us to deploy even faster and more powerful LTE mobile service in 2011.¹ AT&T's network supports more 3G HSPA broadband customers than any other carrier worldwide. Our early leadership, experience and expertise in this important area give us a distinct advantage going forward as more consumers and businesses adopt mobile broadband, applications and devices.

Smartphone leadership. As the mobile broadband leader with the best lineup of devices, we significantly expanded our smartphone subscriber base. Compared with our closest U.S. competitor, twice as many smartphone users have chosen AT&T — one of the key factors driving wireless revenue growth of nearly 9 percent.

Emerging devices. We extended our industry leadership in emerging devices that depend on wireless connectivity, such as eReaders, netbooks, navigation devices and health care monitors, by certifying more than 750 wireless specialty consumer and machine-to-machine devices to date on AT&T's network. These devices — more than 2 million of which are connected to our network today — represent the next wave of growth in wireless. Most of the major emerging device brands — including Apple — are choosing AT&T as their mobile broadband network provider.

Customer Revenue Mix (as of Fourth-Quarter 2009)



Approximately **70 percent** of AT&T's revenues are generated by our growth areas of **wireless, wireline data and managed services**.

Left to Right: **Forrest Miller**, Group President-Corporate Strategy and Development; **Rick Lindner**, Senior Executive Vice President and Chief Financial Officer; **Bill Blase Jr.**, Senior Executive Vice President-Human Resources; **Ray Wilkins Jr.**, Chief Executive Officer-AT&T Diversified Businesses; **Cathy Coughlin**, Senior Executive Vice President and Global Marketing Officer; **Ron Spears**, President and Chief Executive Officer, AT&T Business Solutions; **Randall Stephenson**, Chairman, Chief Executive Officer and President; **Jim Callaway**, Senior Executive Vice President-Executive Operations; **John Stankey**, President and Chief Executive Officer, AT&T Operations, Inc.; **Wayne Watts**, Senior Executive Vice President and General Counsel; **Ralph de la Vega**, President and Chief Executive Officer, AT&T Mobility and Consumer Markets; **Jim Cicconi**, Senior Executive Vice President-External and Legislative Affairs, AT&T Services, Inc.

Mobile solutions for businesses. Devices like smartphones, laptops and netbooks enable companies to extend sophisticated mobile capabilities to their employees around the world. To create even more customer value, AT&T is deploying mobile-enabled applications that are transforming companies — and even entire industries — with solutions like wireless energy metering, fleet management and GPS.

AT&T U-verse

U-verse scale. Three years ago, we launched the nation's largest deployment of Internet Protocol (IP) TV technology. Today, our AT&T U-verseSM platform is deployed to approximately 23 million living units, and we've nearly doubled our subscribers in the past year. U-verse is on track to be a \$3 billion annual revenue stream in 2010. And AT&T U-verse TV ranked "Highest in Residential Television Service Satisfaction in the South and West Regions Two Years in a Row" by J.D. Power and Associates.²

U-verse integration. U-verse is a powerful platform for bundled services. More than 90 percent of U-verse TV customers bundle high speed Internet, and nearly 70 percent add IP voice. It's a great example of how our strategic investments in innovation are transforming our customers' lives, offering them an unmatched bundle of wireless and wired services that makes content and applications portable across all three screens people use most — TVs, computers and mobile devices.

IP networks and data services

Premier products and services. AT&T is a global leader in designing, building and managing advanced IP technologies and networks for businesses of all sizes. For our customers, connectivity — anytime, anywhere — is the lifeblood of their businesses. Empowering employees to work from anywhere and improving communications with their customers, vendors and partners helps businesses increase productivity and operate more efficiently. We're also delivering the advanced IP technologies customers need, when they need them. These include bandwidth on demand, information storage and hosting from our Internet



Dividends Per Common Share

For 26 consecutive years, AT&T has demonstrated its commitment to stockholders with increases in its quarterly dividend, and our dividend has increased more than 20 percent in the past three years.

data centers, and network security — all delivered with the world-class reliability AT&T is known for. We're managing and operating complex IP networks and technologies for our customers so they don't have to, allowing them to focus on what they do best — running their businesses. And on top of the connectivity we provide businesses, we offer industry-leading local business search and advertising capabilities — online, mobile, IPTV and print — to help businesses increase their sales.

Unmatched global reach. AT&T not only offers customers solutions to run their businesses in the U.S., we also offer them connectivity around the globe. Our network reaches countries representing 97 percent of the world's economy. With our global communications capabilities — widely regarded as the best in the industry — AT&T is a leader in serving large business customers, including all of the Fortune 1000, on six continents.

Investing in our future

We lead in all these areas because we have the largest and most advanced IP network infrastructure in the world. This infrastructure supports our next-generation growth platforms — both wireless and wired — which are taking to the next level what our customers can do on the Internet, such as download videos to mobile devices or conduct High Definition (HD) video conferences with their colleagues around the world. The global scale of AT&T's IP infrastructure not only provides users with what they need, it makes these shared solutions seamless and affordable for all our customers — from consumers and small businesses to multinational corporations. As a result, we're seeing an explosion in customers' data usage on our network: for example, mobile data traffic has grown more than 5,000 percent in the past three years.

Approximately 70 percent of our revenues now come from wireless, wireline data and managed services, up from 60 percent in the fourth quarter of 2007. These are the growth engines of our future. And we have built an unsurpassed set of capabilities to deliver on their potential.

Besides our market leadership in key growth areas, our financial results last year reflect our disciplined management in tough economic times. We moved quickly to adjust our cost structure and increase efficiencies across the board, giving us the ability to increase free cash flow, raise our dividend and strengthen our balance sheet, while continuing to invest aggressively in our network and associated growth opportunities.

We made \$17.3 billion in capital investments in 2009, bringing our total over the past three years to more than \$55 billion — more than any of our U.S. competitors. We also signed or completed nearly \$5.5 billion in acquisitions in 2009, nearly all to expand our mobile broadband coverage and capabilities.

Setting ourselves apart

Our leadership in mobile broadband — increasingly critical for consumers and businesses — sets AT&T apart from our competitors and is the fundamental basis for our growth going forward. Mobility is our No. 1 investment priority, including a planned increase of approximately \$2 billion in 2010 in wireless network and backhaul investment. It's at the center of the integrated communications solutions that give our customers the power of the nation's most advanced mobile broadband experience. I'm confident that

our investments will pay off in sustained leadership and growth for AT&T. And I couldn't be more optimistic about our future. The underlying global demand for connectivity is growing — and no company is better positioned to meet it than AT&T.

A commitment to sustainability

I also want to share highlights of our continued commitment to invest in the sustainability of our communities, our business practices and our workforce:

- Through our \$100 million AT&T Aspire initiative, we're working with educators, students and parents to address the high school dropout crisis that threatens the future of our nation's workforce. Funds from this program support efforts across the country to help our young people succeed in school and go on to good careers.
- In 2009, we announced a planned \$565 million commitment to add more than 15,000 alternative fuel vehicles to our fleet over a 10-year period.
- We continue to invest in our workforce, providing good-paying high-tech jobs with affordable health care and great training opportunities. What's more, we've ratified or reached tentative agreements with nearly all of our labor unions on new contracts that allow us to continue providing some of the best wages and benefits in the nation.

Positioned to lead for the long term

I am excited about the opportunities ahead, and I am confident in our ability to make the most of them.

We already have set ourselves apart with leading-edge products and services across every customer segment. Now, as the economy shows signs of recovery, we have the financial strength, the IP network capabilities, the investment strategy and the innovative, customer-focused solutions to accelerate our growth in key areas and further differentiate our company in the marketplace.

We'll continue to execute on our strategy of connecting more people and machines to our global IP network infrastructure — so we can deliver innovative solutions that enable our customers to do more in more places. We have the plan — and the capabilities — to deliver on that strategy and to continue to lead our industry for the long term.

Just as important, we have a terrific team of talented and committed employees. They are the ones who give life to the words "people innovating for people."

Finally, my thanks to you, AT&T's stockholders. I appreciate your continued trust in our company and in our team's ability to innovate and deliver results. We'll continue to work hard every day on your behalf.

Sincerely,



Randall Stephenson

Chairman, Chief Executive Officer and President
February 17, 2010

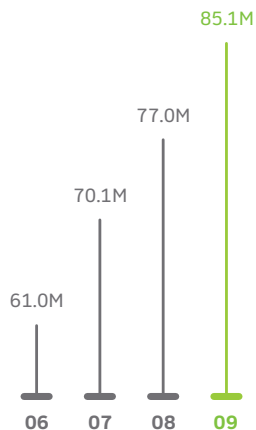
"Every member of our team is passionate about using the magic of our network to deliver a better entertainment experience to our customers. It's what makes us tick."

— Sharolyn Farmer, AT&T



Jeff and Sharolyn

Sharolyn Farmer and Jeff Cassanova are part of the AT&T team responsible for developing innovative products and experiences delivered through the three screens — TVs, computers and mobile devices — that people use to connect to their world. Their passion is developing integrated features that help consumers get more from their entertainment experience, at home and on the road. Want to program your DVR from your smartphone? Need a customized HD traffic map on your TV to speed your commute? How about interactive gaming with no game console? Or 3-D TV right in your own living room? Chances are, this team has something in the works for you.



Industry-Leading Wireless Growth

In 2009, AT&T led the industry in attracting customers, who chose AT&T for the nation's most advanced mobile broadband experience, feature-rich devices and broad access to mobile applications and content.

Consumer Solutions

Our customers want to connect to the people, content and applications most important to them — from more places. And AT&T brings together mobility, TV, Internet and voice communications to create innovative, integrated solutions that enhance people's lives.

Our customers benefit from the nation's most advanced mobile broadband experience, with the fastest 3G speeds, the most popular smartphones, the ability to simultaneously talk and browse the Web with 3G and access to more than 140,000 mobile applications.³ We're a leading innovator in mobile broadband, and we invested aggressively in 2009 to make our customers' experience even better.

In hundreds of U.S. markets, we nearly doubled the 3G spectrum serving our wireless customers. And our 3G network — the nation's fastest — is getting faster in 2010 and 2011, thanks to next-generation technology. We expect that the majority of our mobile broadband traffic will benefit from these advanced speeds by the end of 2010.

AT&T was recognized on the 2009 *BusinessWeek* list of "50 Most Innovative Companies."

AT&T's company-owned and -operated Wi-Fi network is the country's largest.⁴ That's a key advantage as more Wi-Fi enabled consumer electronics are introduced. And because our wireless services use the global standard technology, when our wireless customers travel, they get the best international coverage of any U.S. wireless provider.

At the same time, we're working to connect more devices to our mobile broadband network. Major eReaders, netbooks and other consumer electronics depend on AT&T's wireless network to connect to the Internet. By one estimate, 1.5 billion non-handset data-centric devices will be in use worldwide by 2014.⁵ And our leadership here is just beginning.

We also deliver a great video and broadband experience at home, with AT&T's award-winning U-verse TV, U-verse Voice and U-verse High Speed Internet services. IP technology allows customers to benefit from new and improved features, and we're rolling out faster Internet speeds — up to 24 Mbps downstream. Thanks to advanced capabilities and higher speeds, more than 2 million customers have chosen U-verse.

Lexi and Brady finish their homework in the kitchen, a daily ritual. Their mom, Jodi, is there to help. And when *she* needs help, her iPhone is always nearby and ready with the answers.



Wireless Data Revenues

AT&T's wireless data revenues increased more than 33 percent in 2009. Wireless data on AT&T's network has grown more than 5,000 percent in the past three years.





Integrated Device Penetration

In 2009, AT&T added 14 million integrated devices — wireless devices with full Internet and texting capabilities — on its network, driving strong wireless data revenue growth. Today, more than 46 percent of our postpaid subscribers have integrated devices.

Niblock Family

Alpharetta, Ga.

AT&T brings our customers innovations that make life easier. That includes offering them the most popular smartphones and access to 140,000-plus applications on their wireless devices.³ Here's how AT&T customer Jodi Niblock puts it all to work on a daily basis:

As a stay-at-home mom to Lexi, 10, and Brady, 7, Jodi Niblock is equal parts CEO and cruise director when it comes to managing her family's busy life. Fortunately, Jodi has a secret weapon: her iPhone. She uses the calendar and notes functions to keep her schedule, grocery list and to-do list close at hand. But that's just the beginning.

"This phone is with me 24 hours a day, seven days a week. I love that I can manage our lives, whether we're at home or on the road."

— Jodi Niblock

Most kids get squirmy during a long wait at the pediatrician's office. Not Lexi and Brady. Jodi downloads games from the App Store to keep the kids entertained. Brady prefers Madden NFL 10; Lexi enjoys taking care of her virtual puppies on Touch Pets Dogs.

When Lexi's cheerleading takes the family to new cities, Jodi uses the map function to chart the course. Since Brady also plays sports — at least one per season — Jodi and her iPhone-toting husband, Kevin, are under pressure to keep the kids' proud grandparents up to date. Photos are easy to send via e-mail or MMS. And when the tiniest details are too precious to lose, Jodi and Kevin use an app that lets them zoom in extra close — up to 4X.

In her "spare" time, Jodi volunteers for her kids' elementary school. As chair of the school's annual book fair, she depends on her iPhone to schedule meetings and keep in touch with committee members.

The real magic? Jodi makes it look easy. "As a family that's constantly on the move, our lives are so much easier with the iPhone — and AT&T's network," she says.

458B

Text messages on AT&T's wireless network in 2009.

AT&T U-verse TV ranked "Highest in Residential Television Service Satisfaction in the South and West Regions Two Years in a Row" by J.D. Power and Associates.²

Eason Family

Plantation, Fla.

Some families worry that technology eats into their quality time together. But more and more families are using technology to connect with one another. From the security offered by the best international coverage of any U.S. wireless provider to the flexibility of AT&T U-verse Total Home DVR, which lets subscribers record up to four shows at once — an ability unmatched by any other major provider — the Eason family depends on AT&T. Here's their story:

Rod Eason knows he can rely on AT&T to keep his active family connected — and free to enjoy life on their own terms.

For example, Rod feels safer, thanks to AT&T's wireless coverage. When he and his family — wife Jennifer and sons Rod IV, 4, and Jake, 2 — set sail in their boat, Rod says he enjoys the peace of mind that comes from wireless coverage in the coastal waters around Florida and the Bahamas. And when Jennifer's car had a flat tire on the freeway and was then hit by another vehicle, she was thankful to have her mobile phone nearby — she called 911 and knew that emergency personnel would arrive quickly.

"For 15 years, AT&T has always been there for my family and me."

— Rod Eason

Meanwhile, the DVR on their AT&T U-verse TV allows the Easons to make the most of their leisure time. They enjoy fishing, diving and beachcombing, and their love of sports takes them to local professional football games and Rod IV's soccer games. But they know that when they get home they can watch their favorite TV shows — whenever they want, at their own pace and on any TV in their home — with U-verse Total Home DVR.

When they're not on the go, Jennifer likes to entertain the kids with selections from the U-verse Video On Demand library. Rod IV and Jake also enjoy seeing what's on with Kids Multiview, which allows them to check out four shows at once. And Jennifer is glad to know that when the kids are older she can still manage what they watch with U-verse's parental controls.

"Who would have thought," says Rod, "that when I signed up for my first mobile phone I was starting a long-term relationship with a company that is still finding new ways to keep us connected and make our lives easier?"

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AT&T U-verse Video Subscribers

AT&T now delivers AT&T U-verse TV service to 2.1 million homes — nearly double the total at year-end 2008. And AT&T added more wired video subscribers in 2009 than any other cable or telephone company.

Rod connects with his family through their shared love of the outdoors, and thanks to AT&T he stays connected to the rest of his world.





Broadband Leadership

Combining wired and 3G LaptopConnect cards, AT&T is the No. 1 provider of broadband service in the U.S.

Tushar stays connected to the office *and* his family with AT&T U-verse and wireless service.



Amin Family

Danbury, Conn.

More than ever, technology makes it easier to balance work and family. Here's how one busy executive counts on AT&T:

Tushar Amin is on call 24/7/365. And, with a wife and two young children, juggling a heavy work and travel schedule with his responsibilities at home can be a challenge. But thanks to AT&T U-verse TV, High Speed Internet and Voice, along with wireless service from AT&T, he gets plenty of help balancing his career and family life.

Tushar's workday rarely ends when he leaves his office at a Fortune 50 company. So after he and his wife, Meg, get the kids to bed, Tushar uses wireless access to U-verse High Speed Internet to catch up on work e-mails, while Meg chooses a movie from the U-verse Video On Demand library. And since their downtime is so limited, they use the preview feature to make sure it's a movie worth watching.

"With two kids, it's hard to get out, but U-verse lets us multitask so we can stay on top of things while enjoying some entertainment."

— Meg Amin

When he's working on a big project at night or on the weekends, Tushar can keep up with his responsibilities without sacrificing quality time at home. A second U-verse Voice line in his home office and Internet access from home allow him to tackle important projects without going to the office.

When travel takes Tushar or the family on the road, they're still connected. On a recent visit to the kids' grandparents, Tushar forgot to program the DVR. "We don't watch a lot of shows, but we don't like to miss the ones we do watch," he says. So he's a big fan of the U-verse feature that lets him access and program the DVR from any Internet-connected device. And when his work takes him farther afield to such destinations as the Czech Republic, Tushar's AT&T BlackBerry smartphone offers the wireless coverage he needs to keep up with Meg and the kids — just as long as they can navigate the time difference!⁶

"It's exciting to see how AT&T can play a role in transforming the doctor-patient relationship. We're proud to be working with some of the leading minds in the U.S. on innovative solutions for the future of health care."

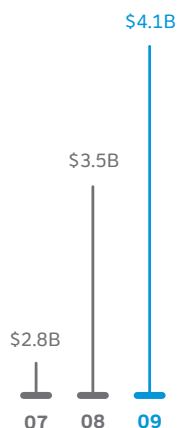
— Lusheng Ji, AT&T

Bob Miller's storied AT&T career, spanning more than 40 years, has seen the creation of technologies embedded in our everyday lives — digital mobile phones, advanced teleconferencing systems and multimedia wireless devices. As head of AT&T Labs' Communications Technology Research department, Bob leads the company's telehealth research. His team, including Lusheng Ji, works to harness the power of wireless and broadband networking to deliver innovative health care solutions such as electronic sharing of medical records, secure data exchange among physicians and remote patient monitoring.

Lusheng is helping make the doctor-patient relationship more productive — developing new services with the potential to deliver instant feedback to doctors, giving patients more freedom and enabling more accurate diagnoses. Imagine a networked "pillminder," for example, that would allow doctors to confirm that patients are taking their medication properly — a key contributor to positive outcomes. Or picture a networked "smart scale" that would record patients' weights automatically to help physicians track trends remotely. This team is working to bring solutions like these to life.



Bob and Lusheng



Strategic Business Services Revenues
Strategic business services revenues — from AT&T's advanced IP products and services — grew 17.1 percent in 2009.

Business Solutions

Connectivity is the lifeblood of business. Companies and their employees want to work smarter, move faster and serve their customers better. At AT&T, that's what our innovative business solutions deliver.

Our global IP infrastructure and networks — and the advanced solutions and applications that run on them — enable and enhance commerce at every level. We give small businesses the same technology capabilities as much larger ones. We help multinational firms work more closely and efficiently with their partners, suppliers and customers. And we do it virtually anywhere their work takes them — down the street or around the world.

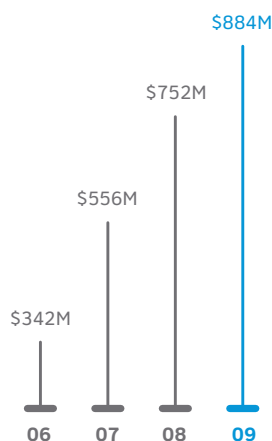
We also find new ways to connect mobile workers to the people, information and tools they need. AT&T connectivity gives mobile workers real-time access to complex computer systems and databases. Features such as instant messaging, video, speech-to-text and GPS navigation increase productivity. Bottom line: mobile workers can access the resources and information they need.

FORTUNE magazine named AT&T one of the 50 "World's Most Admired Companies" in 2009.

AT&T solutions also help businesses work smarter. With AT&T's cloud computing offerings, such as Storage as a Service and Compute as a Service, companies of all sizes can adapt to changing needs and seasonal shifts in demand with flexible, highly secure, pay-as-you-go connectivity. By eliminating the need to buy and support extra equipment and data-storage capacity, these solutions help companies dramatically reduce computing costs without sacrificing speed or service quality.

Few competitors can draw on as wide a range of proven enterprise technology and expertise as AT&T can to deliver innovative solutions for small and medium businesses. And our local business search and advertising services offer opportunities for businesses and consumers to connect via print, Internet, mobile device and IPTV.

No company does a better job of connecting businesses of all sizes to growth and opportunity than AT&T.



Advertising Solutions Internet Revenues

In 2009, AT&T Advertising Solutions Internet revenues increased nearly 18 percent, driven by strong performance at YELLOWPAGES.COM. And in 2009, AT&T's YELLOWPAGES.COM network handled more than 2 billion searches.

In 2009, leading industry analyst firm Gartner recognized AT&T in the Leaders Quadrant for: U.S. Telecommunications Service Providers; Web Conferencing; Web Hosting and Cloud System Infrastructure Services (On Demand); Asia/Pacific Network Service Providers; Managed Security Services; and Global Network Service Providers.⁷

Hertz

Park Ridge, N.J.

We don't just deliver innovative solutions to our customers, we also help them innovate in their own businesses. Here's how AT&T has done that for one company:

For more than 20 years, Hertz, the world's largest general-use car rental brand, has relied on AT&T. From reservation to return, Hertz uses AT&T's network solutions to help it deliver a superior customer experience. And to stay more visible with customers in the markets it serves, Hertz uses AT&T's local business search advertising.

More than a year ago, Hertz began using AT&T's wireless network to launch a new business model — Connect by Hertz, a global car-sharing club. The service offers consumers and businesses an economical, convenient and sustainable alternative to car and fleet ownership. Connect by Hertz members have 24/7 pay-as-you-go access to more than 650 vehicles in more than 300 locations worldwide.

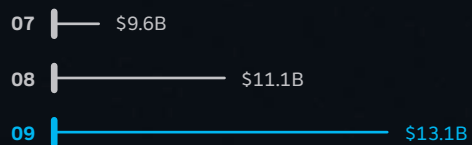
In the U.S., wireless connectivity from AT&T allows Connect by Hertz drivers to communicate with customer service representatives who can remotely unlock, engage and locate vehicles, track drive time information and confirm car returns. Using an in-car wireless connection, members can speak with Hertz customer care reps if they have questions, need assistance or want to extend a rental.

Connect by Hertz vehicles are also equipped with NeverLost®, Hertz's customized GPS navigation system that uses the AT&T wireless network to provide real-time traffic alerts and flight information and to guide users quickly and smoothly to their destination.

Hertz selected AT&T because it needed a reliable wireless provider whose network could go where its customers want to go. In Connect by Hertz, the capabilities and scope of AT&T's wireless and global IP networks come together, giving Hertz and its customers the benefits of an integrated, end-to-end solution with a single point of contact.



New Yorker Jamie Pohlman uses Connect by Hertz to run errands around Manhattan.



IP Data Revenues

As customers increasingly rely on IP communications solutions, AT&T's IP data revenues continue to grow at a strong pace — up nearly 18 percent in 2009.

Charles Brumauld often fills up at the Shell station on Paris' Boulevard Raspail — one of thousands served by AT&T — before meeting friends, including Catherine Decome, at his favorite brasserie in Saint-Germain-des-Prés.



“Our relationship with AT&T allows us to focus on what we do best — finding sustainable solutions to meet the continuously growing demand for energy. And because we can rely on AT&T’s ever-expanding world-class global communications capabilities, our employees are more productive — no matter their location — and our business runs more efficiently.”
— Jay Crotts, Vice President IT Services, Shell

Shell

The Hague, Netherlands

In 2008, Shell made the strategic decision to outsource key elements of its IT operations, including entrusting worldwide management of the company’s global mobility and communications networking requirements to AT&T. Take a look:

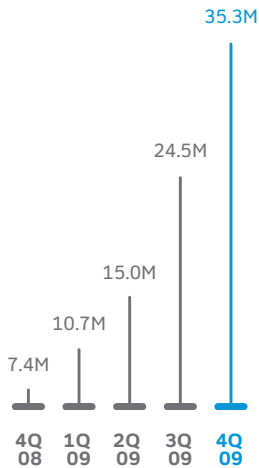
The innovative relationship between Shell and AT&T, among the first of its kind in any industry, allows Shell to take full advantage of AT&T’s advanced global IP infrastructure and mobility capabilities.

In 2009, independent analyst firm IDC named AT&T the leading provider of global networking solutions to multinational corporations for the second consecutive year.⁸

AT&T provides the vital communications backbone for Shell’s 100,000-plus employees — from its corporate headquarters in the Netherlands to remote drilling sites in some of the harshest and most isolated environments to 45,000 Shell service stations around the globe. Shell’s employees enjoy improved productivity and efficiency, plus confidence that they have access to the latest innovative communications solutions. And as Shell’s workforce becomes increasingly mobile, AT&T’s mobility expertise allows them to stay connected with each other, and with their key customers, partners and vendors.

With the AT&T solution, Shell has lowered the total management cost of its global network while achieving improved levels of service. Most important, with AT&T delivering the connectivity that drives its business, Shell can focus on its primary goal: meeting society’s energy needs.

The companies are now working together to identify new opportunities to make Shell even more efficient and agile by further accelerating innovation across its communications operations.



Wi-Fi Connections

AT&T has the nation's largest Wi-Fi network, with more than 20,000 hotspots.⁴

That Wi-Fi network handled 85.5 million connections in 2009, four times the number of connections made in 2008.

For the third consecutive year, AT&T was recognized for the Best Mobile Phone Coverage in the World by *Business Traveler* magazine.

TOMS Shoes

Santa Monica, Calif.

Because AT&T's mobile network is built on GSM technology — the global standard — AT&T offers the best international coverage of any U.S. wireless provider, with more phones working in more places. This gives more of our customers the freedom to stay connected, whether at home or in one of more than 220 countries around the globe. Here's how one global entrepreneur puts AT&T's mobile service to work for his business:

While in Argentina in 2006, Blake Mycoskie, founder and Chief Shoe Giver of TOMS Shoes, discovered the children he befriended had no shoes to protect their feet. To help, he created TOMS, a company that matches every pair of shoes it sells with a pair of new shoes for a child in need. One for One. Since its founding in 2006, TOMS has provided more than 400,000 children — from New Orleans to Ethiopia — with much-needed footwear.

Blake depends on his BlackBerry smartphone — and the AT&T wireless network — to manage his business, including awareness-building initiatives like One Day Without Shoes (www.TOMS.com/oneday).

Worldwide mobile connectivity is a lifesaver for Blake, who spends much of the year traveling the globe delivering shoes — making “Shoe Drops” as TOMS calls it. He also visits college campuses across the U.S. to share the One for One movement and inspire future entrepreneurs. “I want to show entrepreneurs that they no longer have to choose between earning money and making a difference in the world,” he says. “I think TOMS proves that conscious capitalism is a viable business model for innovators worldwide and that entrepreneurs can focus on being ambassadors of humanity.”

Blake credits AT&T's global wireless coverage with giving him the freedom to manage one of the world's fastest-growing shoe companies while also living his philosophy of doing well by doing good. Whether he's linking to the office with his 3G LaptopConnect card to review and approve designs or using the video function on his BlackBerry smartphone to document the students and entrepreneurs he meets on his travels, Blake relies on AT&T.

“My passion is bringing shoes to children,” says Blake. “Shoes protect kids from disease and make education more accessible for them. But passion always has to be balanced with practicality. You can't manage a business without being connected 24/7, and what we do just wouldn't be possible without AT&T's worldwide connectivity.”



Thanks to AT&T, whether at home on the water or traveling the globe, Blake knows he can stay connected to work with his BlackBerry smartphone. And many members of his team — which has grown from five employees in 2006 to more than 75 today — do the same.

“Our commitment to an alternative fuel vehicle fleet is an investment in the future of our company — one that will allow us to operate more efficiently for years to come.”

— *Jerome Webber, AT&T*

Jerome Webber, Katie Dugan and their colleagues in AT&T’s Fleet Operations organization work every day to put environmentally cleaner, more fuel-efficient vehicles on the road.

Jerome directs AT&T’s industry-leading, 10-year initiative to deploy more than 15,000 alternative fuel vehicles, which includes the largest U.S. corporate commitment to compressed natural gas vehicles to date.

Building on AT&T’s leadership, Katie works with several key entities, including the U.S. Department of Energy’s Clean Cities Program, a government-industry alliance committed to accelerating the transition to more efficient vehicles and domestic-fuel alternatives.



Jerome and Katie

Total 2009 giving by
AT&T and its employees
to advance education,
strengthen communities
and improve lives.

\$152M

Volunteer hours by AT&T
employees and retirees
in 2009, valued at more
than \$170 million.

8.5M

Students served by AT&T
Aspire High School
Success Grant-funded
programs in the
2008-2009 school year.

41K

Investing in Sustainable Communities

Corporate sustainability at AT&T is about innovative practices that deliver benefits for society and for our business. We have pledged hundreds of millions of dollars in multiyear investments to strengthen our communities, stimulate economic growth and increase America's global competitiveness. And in 2009, we implemented programs to achieve these goals.

We recognize the economic and environmental implications of maintaining one of the nation's largest commercial fleets. That's why we announced a groundbreaking plan in 2009 to invest, over a 10-year period, up to \$565 million in alternative fuel vehicles — an investment that not only will reduce our fuel costs but also our carbon footprint.

"AT&T is at the forefront of leveraging the clean and domestic energy sources that help the U.S. build a bridge toward greater energy independence and a brighter domestic energy future."

— T. Boone Pickens, *Energy Executive and Architect of the Pickens Plan*

Our employees have helped make us the No. 1 communications company in the world. In turn, we invest in our workforce by creating high-tech jobs that pay well, offer good benefits and provide training and advancement opportunities. We invested more than \$260 million in training and development for our employees in 2009. And we cultivate managers' critical leadership skills with online and in-person training opportunities through AT&T University.

We're also thinking about tomorrow. AT&T's investment in education will cultivate the next generation of U.S. innovators. AT&T Aspire is our \$100 million philanthropic program that addresses the high school dropout crisis and helps foster a diverse, globally competitive workforce.

We know that now, more than ever, employees want to work for a company that contributes to sustainable communities. We believe that our efforts help us engage employees for greater productivity and recruit and retain the talent we need to compete.

**"There's only one way
you can achieve your
dreams: Stay in school!"**

**— Chaltu Spray,
Former Mercy
Home Resident**

**"By investing and
believing in our
young people, AT&T
Aspire is giving our
kids the tools they'll
need to succeed long
after they've left our
care. AT&T is helping
young men and
women like Chaltu
build sustainable,
successful futures."**

**— Rev. L. Scott Donahue,
President and CEO,
Mercy Home for
Boys & Girls**



Reflecting AT&T's commitment to sustainability, the company tracks its progress against goals in six established focus areas: Strengthening Communities; Investing in People; Leading with Integrity; Minimizing our Environmental Impact; Connecting People and Business; and Leading Innovation and Technology. To learn more, visit www.att.com/csr

Chaltu Spray

Chicago, Ill.

AT&T's commitment to innovation extends to helping build a bright, sustainable future for our communities and our world. Our AT&T Aspire initiative is an investment in education and the development of the future workforce. Here's the story of just one young life that's been shaped by educational programs Aspire impacts:

Meet Chaltu Spray. Several years ago, this 18-year-old college student was struggling in school. Then she came to Mercy Home for Boys & Girls. Since 1887, this innovative residential program in Chicago has been helping young people achieve their full potential. It's one of hundreds of programs around the country to receive significant funding from AT&T — funding that supports Mercy Home's efforts to help young people from challenging backgrounds catch up to their peers academically, erase achievement gaps and advance in school.

It's a program that has made a big difference for Chaltu, who started college in September. Today, as other freshmen have just begun pondering their majors, she has a clear path mapped out. "I love the law, and I love philosophy, so majoring in political science is a way to combine the two," she says. "I'd like to go on to law school and from there go international for my Ph.D. — London would be fantastic!"

Meanwhile, this confident young woman is enjoying campus life and working hard at her studies. "The people here make it easy and fun to learn," she says. But in the same breath she adds, "You know, I didn't always have fun learning."

After she arrived at Mercy Home in 2003, tutors worked with Chaltu to build her math and reading abilities. Education coordinators gave her a wide range of individualized support, from strengthening her study skills to helping her choose a high school and accompanying her on college visits. And the skills she learned in Mercy Home's job-preparedness program helped her earn internships with Blue Cross and Blue Shield of Illinois and Harris Bank.

"Mercy Home has taught me what it means to take responsibility for my life and never give up on my dreams," she says.

When she was 18 months old, Chaltu's family adopted her from Ethiopia. Her name means "beautiful flower." Thanks to her strong will and big dreams — with a great assist from Mercy Home — this flower is blossoming.

An Hour in the Life of the AT&T Network



A runner cranks up the workout mix on his iPhone and starts jogging down his brownstone-lined street.



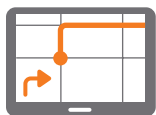
He waves at his neighbor, who has just posted on Twitter with her smartphone.

"The power is out, guess I'll walk the dog!"

The neighbor waves back. Then she and her puppy head up the street as she uses **AT&T FamilyMap** on her mobile phone to check that her daughter got to school OK.



She walks past a gas station, where another woman swipes her debit card at the pump — within seconds a server at an AT&T Internet data center has approved the transaction.



After leaving the gas station, the driver pulls over to let another car pass, thinking: "He's in a hurry!" The other driver *is* in a hurry — he's running late — plus **AT&T Navigator** alerts him to heavy traffic ahead.

Using voice-activated calling, he tells his business partner to go ahead to the Marriott hotel for the meeting. This client's important, so they're using GoThere Virtual Meetings, enabled by AT&T Telepresence Solution, to meet "face to face."

The business partner is working at the local coffee shop, catching up on news with his eReader over the café's AT&T-powered Wi-Fi network.



As he leaves for the meeting, he e-mails his assistant to let her know he'll be out of the office the rest of the day.

It's a slow morning, so the assistant heads to the corner boutique to buy a gift she found on the store's AT&T-hosted Web site. She just needs to check it out in person before buying.

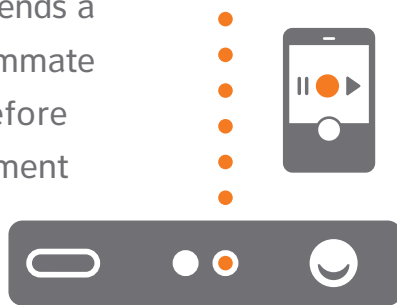


The gift is perfect. While waiting for the clerk to ring it up, the assistant uses her wireless phone to set the U-verse DVR to record her favorite show that night.

In the past three years, AT&T has invested more than \$55 billion in its wireless and wired networks, and supporting infrastructure, to create the connections that make our daily lives more productive.

Each day AT&T enables millions of connections, all powered by our wireless, wired and Wi-Fi networks. Here's a look at one hour in the life of our network.

Back at her desk, she sends a text to remind her roommate to pick up takeout before meeting at their apartment to watch the show. It's a date.



Her roommate, a nurse, sits down at her PC, which is running much faster now that AT&T Tech Support 360 service has identified and disabled the virus that was slowing it down.

And just in time! A paramedic treating a patient with unusual symptoms uses remote diagnostic monitoring to send data to the hospital where the nurse works. She shares the images with a doctor.

Diagnosing a stroke, the doctor sends instructions so the paramedic can begin the appropriate treatment in the ambulance on the way to the hospital.

As the ambulance roars past, the runner stops on his front stoop to enter his workout stats into DailyBurn ...



... one of more than 140,000 apps available on the iPhone. He's lost 5 pounds since he started tracking his diet and exercise.



He doesn't know it, but his power company uses smart-grid technology over AT&T's wireless network to identify and fix outages quickly.



As he enters his house, he's happy to discover that the power's back on.

Time for breakfast!



\$123.0B

Consolidated Revenue

\$12.5B

Net Income
Attributable to AT&T

\$9.7B

Dividends Paid
to Stockholders

\$34.4B

Cash from
Operating Activities

\$2.12

Earnings Per Share

2009

by the Numbers

Stockholder Information

Toll-Free Stockholder Hotline

Call us at 1-800-351-7221 between 8 a.m. and 7 p.m. Central time, Monday through Friday (TDD 1-888-403-9700) for help with:

- Account inquiries
- Requests for assistance, including stock transfers
- Information on The DirectSERVICE™ Investment Program for Stockholders of AT&T Inc. (sponsored and administered by Computershare Trust Company, N.A.)

Written Stockholder Requests

Please mail all account inquiries and other requests for assistance regarding your stock ownership to:

AT&T Inc.
c/o Computershare Trust Company, N.A.
P.O. Box 43078
Providence, RI 02940-3078

You may also reach the transfer agent for AT&T Inc. at att@computershare.com or visit the Web site at www.computershare.com/att.

DirectSERVICE Investment Program

The DirectSERVICE Investment Program for Stockholders of AT&T Inc. is sponsored and administered by Computershare Trust Company, N.A. The program allows current stockholders to reinvest dividends, purchase additional AT&T Inc. stock or enroll in an individual retirement account.

For more information, call 1-800-351-7221.

Stock Trading Information

AT&T Inc. is listed on the New York Stock Exchange.

Ticker symbol: T

Information on the Internet

Information about AT&T Inc. is available on the Internet at www.att.com.

Annual Meeting

The annual meeting of stockholders will be held at 9 a.m. Eastern time Friday, April 30, 2010, at:

The Chattanooga Hotel
1201 S. Broad St.
Chattanooga, TN 37402



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SEC Filings

AT&T Inc.'s U.S. Securities and Exchange Commission filings, including the latest 10-K and proxy statement, are available on our Web site at www.att.com/investor.relations.

Investor Relations

Securities analysts and other members of the professional financial community may call the Investor Relations staff as listed on our Web site at www.att.com/investor.relations.

Independent Auditor

Ernst & Young LLP
2323 Victory Ave.
Suite 2000
Dallas, TX 75219

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Dallas, TX 75202
210-821-4105



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¹ Real-world speeds experienced will be less and depend on location and environment.

² AT&T U-verse received the highest numerical score among television service providers in the South and West in the proprietary J.D. Power and Associates 2008-2009 Residential Television Service Satisfaction StudiesSM. 2009 study based on 28,118 total responses from measuring providers in the South (13) and West (10) regions and measures consumer satisfaction with television service. Proprietary study results are based on experiences and perceptions of consumers surveyed in January, March and June 2009. Your experiences may vary. Visit jdpower.com.

³ Number of applications available depends on device.

⁴ Largest Wi-Fi network claim based on non-municipal company-owned and -operated hotspots. A Wi-Fi enabled device required. Other restrictions apply. See www.attwifi.com for additional services, details and locations.

⁵ ABI Research, Dec. 2009.

⁶ The BlackBerry and RIM families of related marks, images and symbols are the exclusive properties and trademarks of Research In Motion Limited.

⁷ The Gartner Magic Quadrants are copyrighted 2009 by Gartner, Inc. and are reused with permission. The Magic Quadrant is a graphical representation of a marketplace at and for a specific time period (and not as of the date of this annual report). It depicts Gartner's analysis of how certain vendors measure against criteria for that marketplace, as defined by Gartner, at the specified period of time. Gartner does not endorse any vendor, product or service depicted in the Magic Quadrant and does not advise technology users to select only those vendors placed in the "Leaders" quadrant. The Magic Quadrant is intended solely as a research tool and is not meant to be a specific guide to action. Gartner disclaims all warranties, express or implied, with respect to this research, including any warranties of merchantability or fitness for a particular purpose. Magic Quadrant for U.S. Telecommunications Service Providers (9/23/09); Web Conferencing (7/29/09); Web Hosting and Cloud System Infrastructure Services (On Demand) (7/2/09); Asia/Pacific Network Service Providers (4/24/09); Managed Security Services (4/16/09); and Global Network Service Providers (1/23/09).

⁸ IDC White Paper, sponsored by AT&T, *AT&T Maintains Position as Leading Provider of Global Networks to World's Largest Multinational Corporations*, Doc #220768, November 2009.

