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Areas To Cover

- ➔ **Industry dynamics:** mobility, bandwidth
- ➔ **AT&T is well positioned:** scale, advanced networks, clear technology path
- ➔ Strong track record in terms of **execution**
- ➔ **Key priorities:** operating expense opportunities

AT&T Today

Premier operational assets: U.S. leader in wireless, broadband, business services, directory

~\$120 billion annualized revenues, ~85% of revenues from wireless, business services, broadband and video

Advanced global business capabilities: MPLS-based IP services to 143 countries, world's most advanced IP backbone

Financial strength: sound balance sheet, excellent credit metrics, strong record of returning value to shareowners

Significant Shift In Consumption of Services

Bandwidth demand across platforms reflects a historical transition from the fixed to mobile devices.

From



Voice



Data



Video



Internet



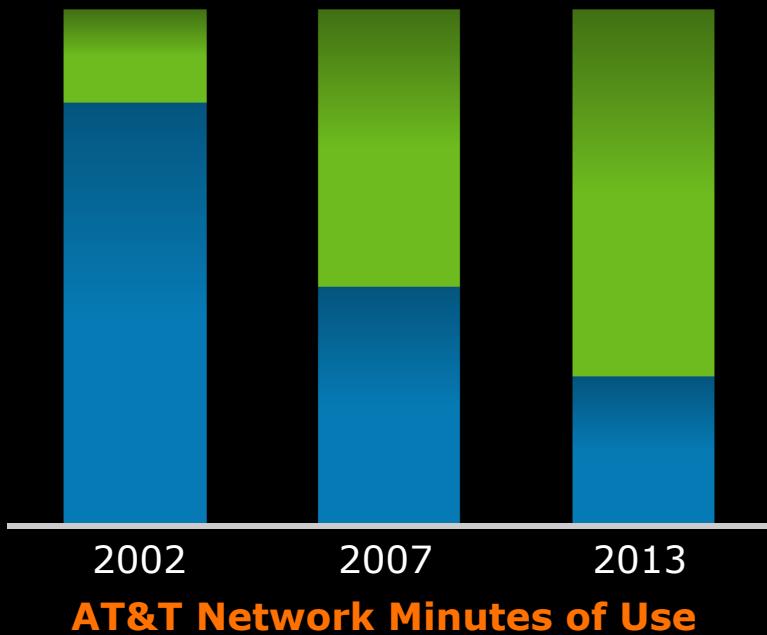
To



Providers Must Have Robust Wireless Voice and Data Capabilities

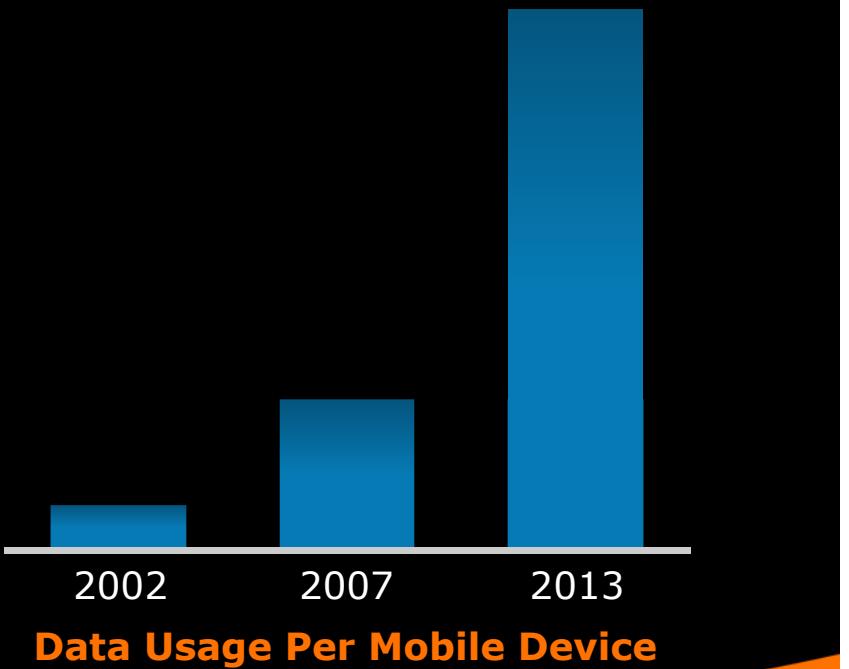
>70% of minutes of use on AT&T network will be wireless by 2013

Wireless
Fixed



Wireless data usage per mobile device will increase **more than 50% per year** by 2013

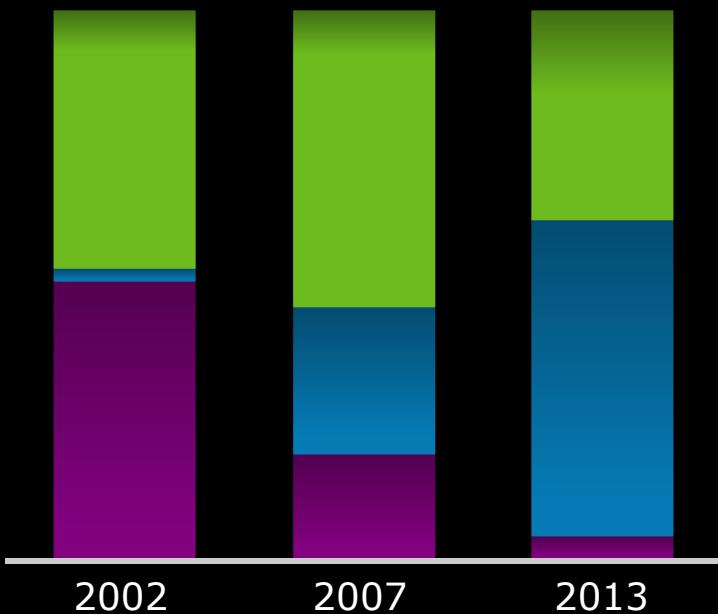
Data in MB/month



Video and Applications Are Major Drivers of Bandwidth Usage

Percentage of Total AT&T Network Traffic

- Applications
- Video
- Voice



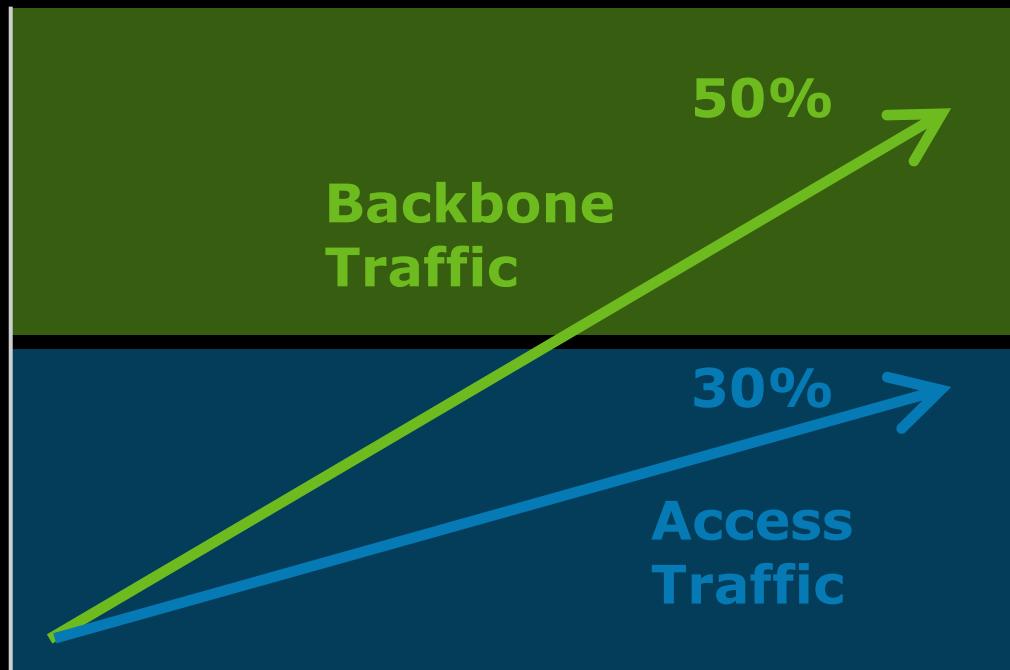
Over past five years, AT&T network traffic:

- Voice declined from 50% of traffic to 20%
- Video traffic increased >500%

By 2013 we expect voice will be <5% of our total network traffic

Access and Backbone Traffic Drivers

Annual Growth

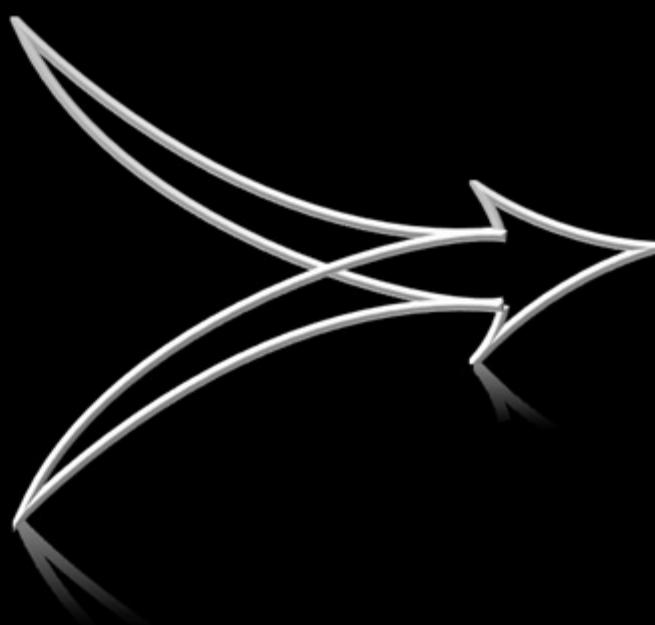


Backbone growth driven by increased traffic from AT&T customers and other carriers

Access growth is driven by increased traffic from AT&T customers

Major Transformation

Over past four years: expanded the business, delivered >\$6 billion in run rate expense savings from AT&T and BellSouth merger synergies, operational initiatives



Over the Past Four Years ...

- **Built world-class network** – including wireless and wired access, premier IP backbone
- Deployed large-scale **all-IP network** for integrated video, high-speed broadband and voice, ramped IPTV subscriber base
- Achieved dramatic expansion in **wireless margins**
- Increased **wireless subscriber base** by more than 27 million, largely from organic growth
- Executed **major turnaround** in enterprise and wholesale revenue growth rates
- Built industry's **largest broadband base**
- Built United States' **largest Wi-Fi coverage** – approaching 20,000 hotspots following Wayport transaction

World-Class Integrated Network

IP access at the edge, premier 40-Gigabit-per-second OC-768 core network with hosting, content management, storage management

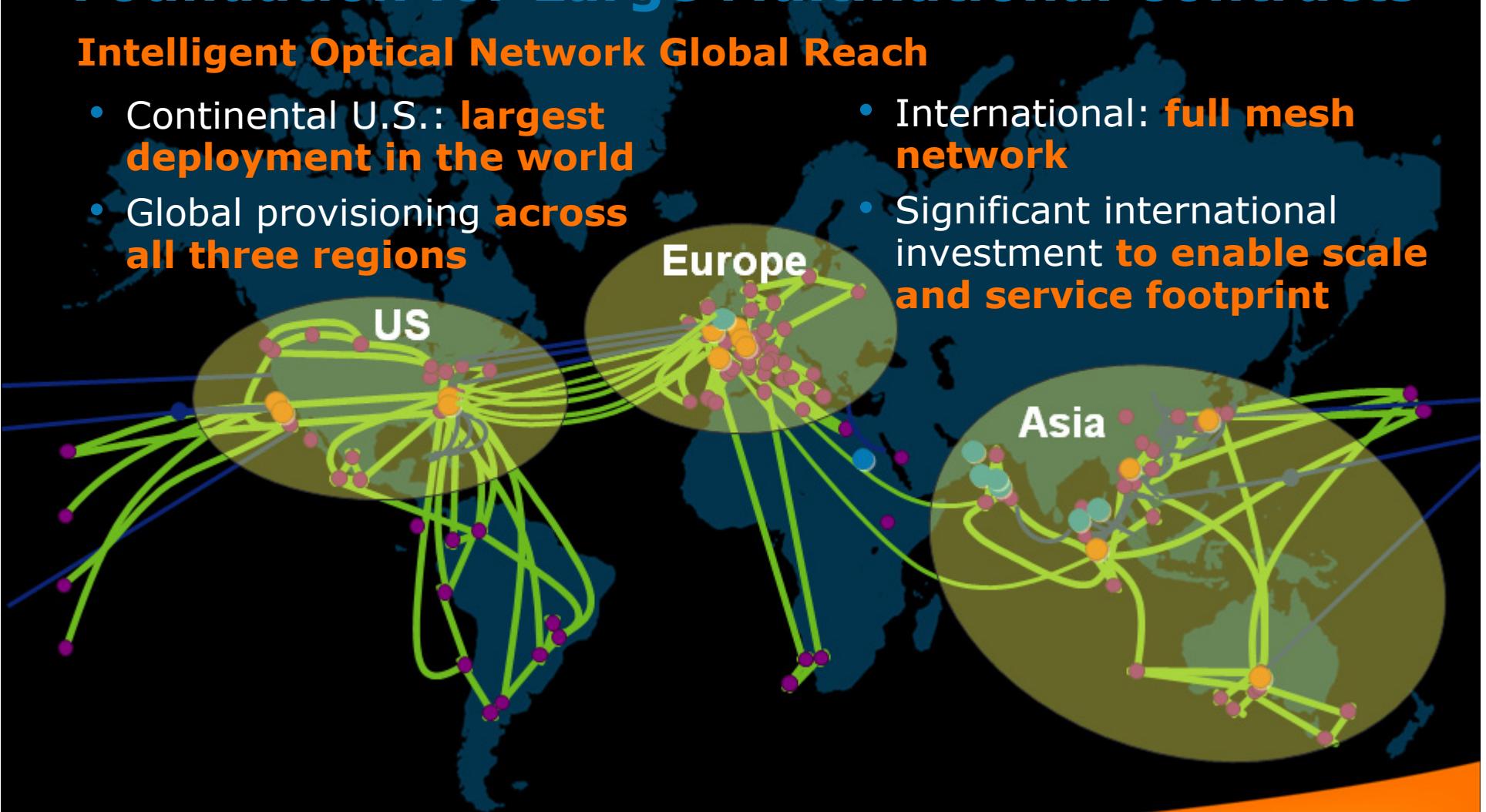
- **16.7** petabytes of data traffic carried every day
- **863,000** fiber route miles
- **3,900+** MPLS nodes in 143 countries
- **38** data centers



Strong International Capabilities Providing Foundation for Large Multinational Contracts

Intelligent Optical Network Global Reach

- Continental U.S.: **largest deployment in the world**
- Global provisioning **across all three regions**
- International: **full mesh network**
- Significant international investment **to enable scale and service footprint**



Connectivity Paradigm Is Changing: Providers Must Have a Full Complement of Access Solutions

Dense Optical Footprint

- Metro Ethernet in 160 U.S. markets, covering over 2,000 U.S cities
- 77,000 miles of domestic fiber, reaching majority of Fortune 500 companies

Ubiquitous Broadband IP Access

- Ethernet over copper
- Ethernet over TDM
- Rapidly scaling Lightspeed footprint

Nation's Largest Wi-Fi Coverage

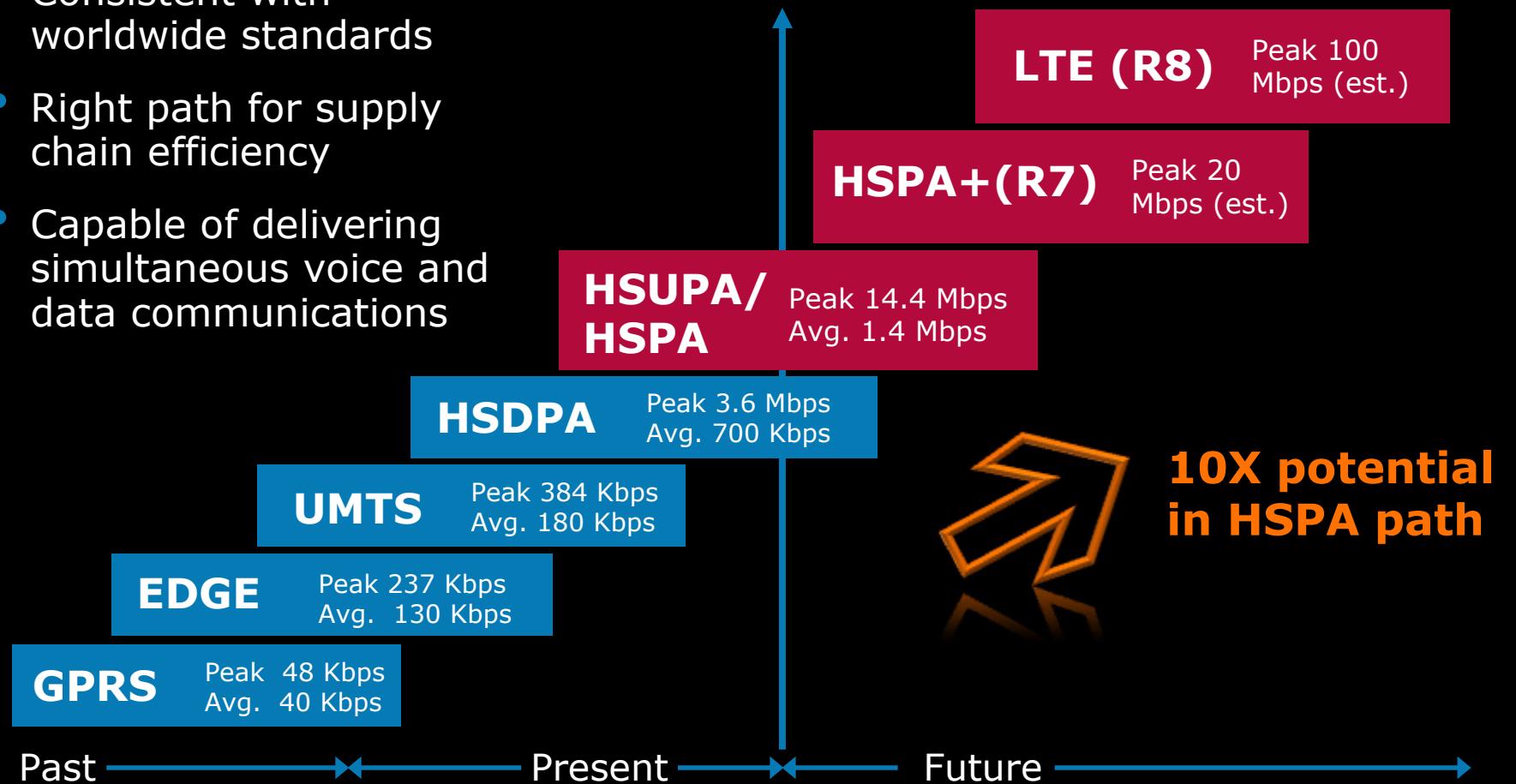
- ~20,000 domestic hotspots following Wayport transaction
- Access to >80,000 hotspots globally

Premier Wireless Infrastructure

- Licensed spectrum covering >300 million U.S. POPs
- Nation's fastest 3G network reaching ~350 cities by year's end

Nation's Fastest 3G Wireless Network With Efficient Technology Path to Higher Speeds

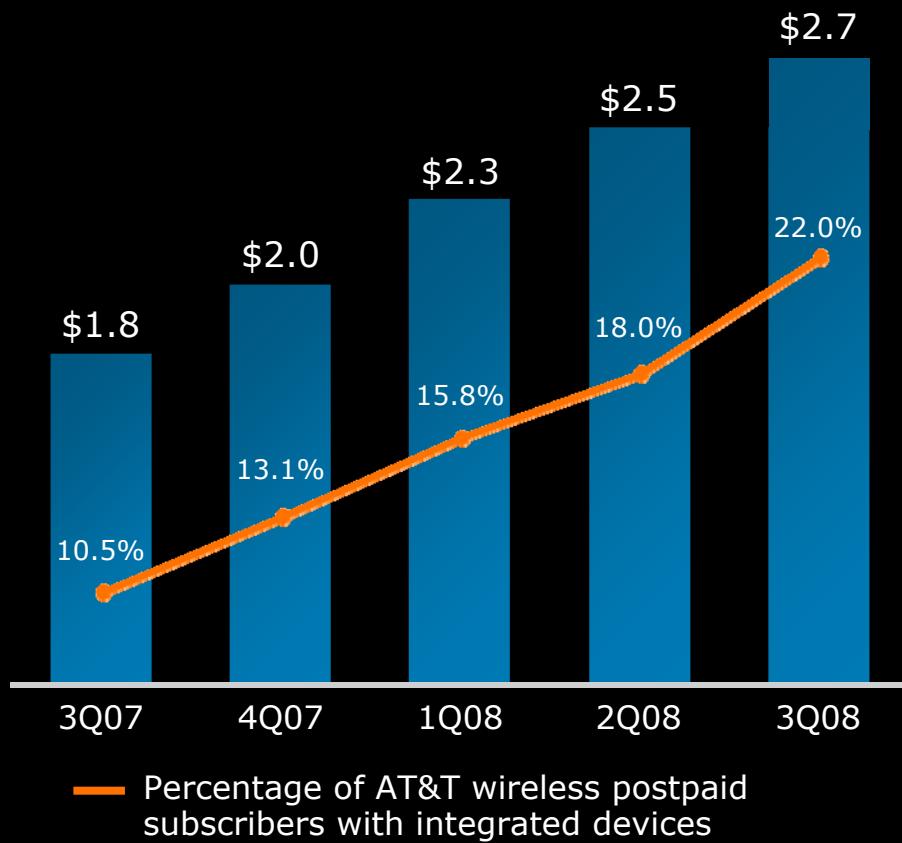
- Consistent with worldwide standards
- Right path for supply chain efficiency
- Capable of delivering simultaneous voice and data communications



Industry Leader in Wireless Data Growth

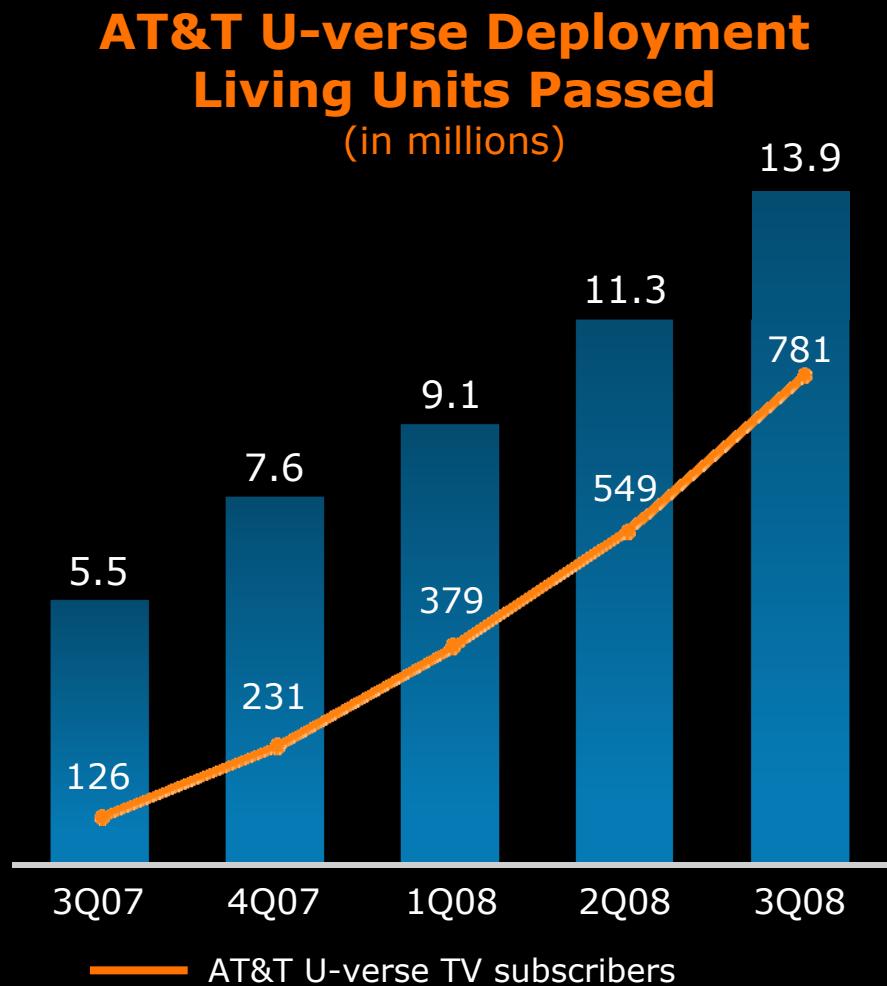
AT&T Wireless Data Revenues

(\$ in billions)



- Dramatically expand **3G wireless footprint** to ~350 cities by year end
- Wireless data revenues **up 50.5%** in 3Q08
- Internet access revenues and multimedia message volumes **more than double** 3Q07 levels

All-IP AT&T U-verse Network: Integrated Video, High-Speed Data and Voice



- **17 million** living units expected by year end
- **Expect to pass 1 million** U-verse TV subscriber level in next few days, ahead of target
- **>10% penetration** achieved in less than 12 months
- **Technology enhancements** continue: whole home DVR, 2HD streams

Substantial Improvements in U-verse Operational Metrics



Over the past year:

Install times have declined steadily every quarter; more than 17% since 4Q07

Double digit **Video ARPU** growth

Broadband attach rate is over 90%; 54% did not have DSL

U-verse TV ranked **highest in customer satisfaction** in North Central, South and West regions by J.D. Power and Associates

Next Steps to One AT&T

First, collapsed wired regional organizations. Now, eliminating historical divisions between products and platforms.

Organize operations from customer's perspective:
more efficient,
faster, more competitive



One business organization

One consumer organization

One network and services organization

Leveraging Vertical Integration: Key Initiatives

- 1 Accelerate delivery of a **ONE AT&T** service experience

- 2 Further **eliminate duplication and expenses**

- 3 Further leverage broad **distribution** capabilities

- 4 Deploy **capital** more efficiently while increasing capabilities of the world's most robust IP infrastructure

- 5 Deliver a new generation of **integrated/converged services**

1. Deliver ONE AT&T Service Experience

Objective:
delight
customers and
improve AT&T's
competitive
position



Unified product sets

Simple, single customer interface

Simplified billing and
customer care

Premium service experience for
the high-value bundle customer

AT&T U-verse provides template

2. Eliminate Duplication and Expenses

Business Services

Consolidate regional and global customer care functions

Integrate service management, project management
and sales support

Take next steps to integrate IP and mobility product sets
for small and midsized business customers

2. Eliminate Duplication and Expenses

Business Services Consumer Services

Eliminate redundant sales and support functions

Integrate advertising and direct marketing functions

Speed move to integrated services and integrated marketing

2. Eliminate Duplication and Expenses

Business Services Consumer Services Network/Services

Consolidate construction and civil engineering functions

Optimize transport capacity planning

Integrate network architecture

Drive to one network and one set of support operations

3. Further Leverage Broad Distribution Capabilities

- **2,200 company-owned stores** and kiosks
- Alliances with the **nation's leading retailers**
- **Internet** is a growing channel for both wired and wireless
- **AT&T Experience Stores** for consumers, small business



4. Deploy Capital More Efficiently While Increasing Capabilities of World's Most Robust IP Infrastructure

Thorough, **disciplined planning process**

Merger integration capital requirements behind us

Significant **progress already achieved** on major initiatives including U-verse, wireless broadband, backbone enhancement

Clear, efficient **wireless technology path**

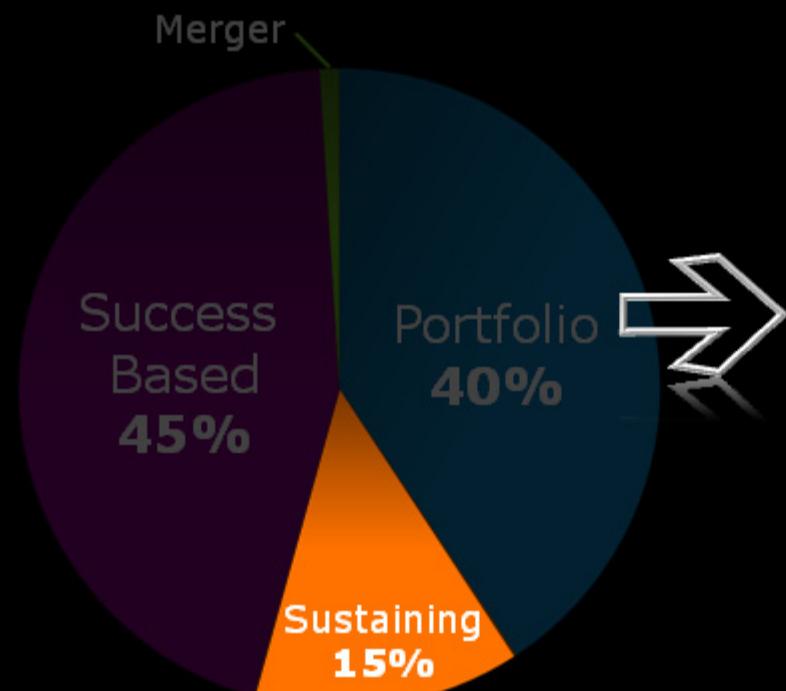
World is moving to IP, allows us to **leverage IP backbone and backhaul** capabilities

Expect **2009 total capital** spend will be lower than 2008 level



AT&T Capital Allocation Overview

AT&T 2009 Capital Budget

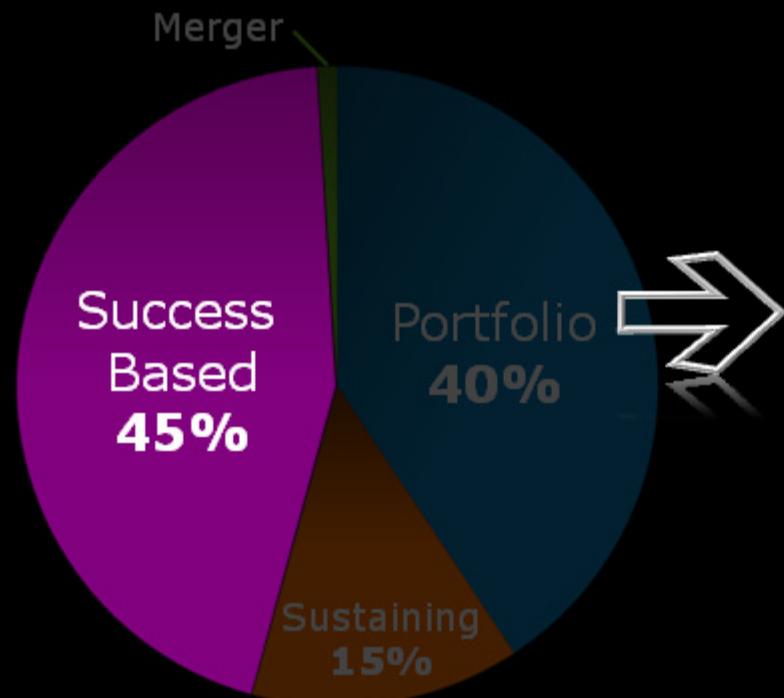


Sustaining: Investments to maintain and replace assets

- Real estate
- Fleet
- Power, HVAC
- Network infrastructure
- Planned obsolescence

AT&T Capital Allocation Overview

AT&T 2009 Capital Budget



Success Based:
Investments to
manage growth

- RAN capacity
- Layer 1-3 capacity
- Volumes
- Footprint expansion

AT&T Capital Allocation Overview

AT&T 2009 Capital Budget



Portfolio: Investments to change performance of the business

- Lightspeed
- CDN
- Product evolution
- Hosting/managed services
- Unified Communications

5. Deliver a New Generation of Integrated/Converged Services



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Focus areas:

- Femtocells
- Next generation mobile browsing
- AT&T Address Book
- DirecTV integration
- CVoIP
- BVoIP
- AVPN
- Hosting/CDN

Summary: What Sets AT&T Apart?

- **Scale:** U.S. leader in wireless, business services, broadband, Wi-Fi and directory
- **Network:** world-class integrated network with wired and wireless access, premier IP backbone
- **Financial Strength:** sound balance sheet, excellent credit metrics, strong record of returning value to shareowners
- **Substantial Opportunity:** to further improve operations as we move to a ONE AT&T customer experience and deliver new integrated services

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