



Randall Stephenson
*Chairman, Chief Executive Officer
and President*



To AT&T Investors

Connect. At AT&T, that's what we do. That's how we deliver for customers, drive growth and create value for stockholders. We connect people with people, information and entertainment. We connect businesses to customers, data and other businesses. We make communications simple, mobile and seamless.

Our industry is in the early stages of an unprecedented explosion in connectivity. The technologies that make it possible are becoming more pervasive, mobile and accessible. Customer demand for connectivity has increased dramatically. And it's all playing out on a global scale.

Against this backdrop, our industry's growth potential has never been greater.

These industry dynamics have driven a major transformation of our company. We've added critical assets, scale, technical ability, new applications and expertise. We've also transformed AT&T into a brand that stands for trust and reliability—as it always has—but that now also stands for mobility and innovation. As a result, today AT&T is one of the few companies prepared to deliver on the full promise of this new era of global connectivity.

AT&T is led by proven executives with broad, diverse operational experience. They are the industry's best.

AT&T SENIOR OFFICERS

Standing (left to right): **Forrest Miller**, Group President-Corporate Strategy and Development; **John Stankey**, Group President-Telecom Operations; **Cathy Coughlin**, Senior Executive Vice President and Global Marketing Officer; **Randall Stephenson**, Chairman, Chief Executive Officer and President; **Ron Spears**, Group President-Global Business Services; **Jim Callaway**, Senior Executive Vice President-Executive Operations.

Sitting (left to right): **Bill Blase Jr.**, Senior Executive Vice President-Human Resources; **Rick Lindner**, Senior Executive Vice President and Chief Financial Officer; **Ray Wilkins Jr.**, Group President-Diversified Businesses; **Jim Cicconi**, Senior Executive Vice President-External and Legislative Affairs; **Wayne Watts**, Senior Executive Vice President and General Counsel; **Ralph de la Vega**, President and Chief Executive Officer-AT&T Mobility.



A Strong 2007

A clear focus on our opportunities, combined with strong execution, helped make 2007 a terrific year for our company. Wireless growth accelerated as we added more than 9 million subscribers. Our enterprise business executed a major turnaround, with enterprise service revenues returning to growth in the second half of the year. We grew our business with small and midsize firms, expanded our lead among U.S. broadband providers and began an aggressive ramp of our next-generation television service.

Meanwhile, we exceeded our expense control targets as we integrated formerly separate operations to improve performance. In fact, through mergers and other initiatives, we've saved more than \$5 billion in operational costs over the past two years. That operating cost advantage serves us well in every market and economic condition.

All of these achievements drove outstanding financial results:

- Total revenues increased to nearly \$119 billion.
- Adjusted earnings per share grew at a strong double-digit pace.
- Cash from operating activities topped \$34 billion, a record for our company.
- Our total return for the year (stock price appreciation plus dividends paid) was 20.6 percent—nearly four times the return of the S&P 500.

In December 2007, AT&T's Board of Directors raised our quarterly dividend by 12.7 percent and approved a new repurchase of 400 million shares—both the largest in our company's history. These actions demonstrate our commitment to stockholders. And, in a time of some



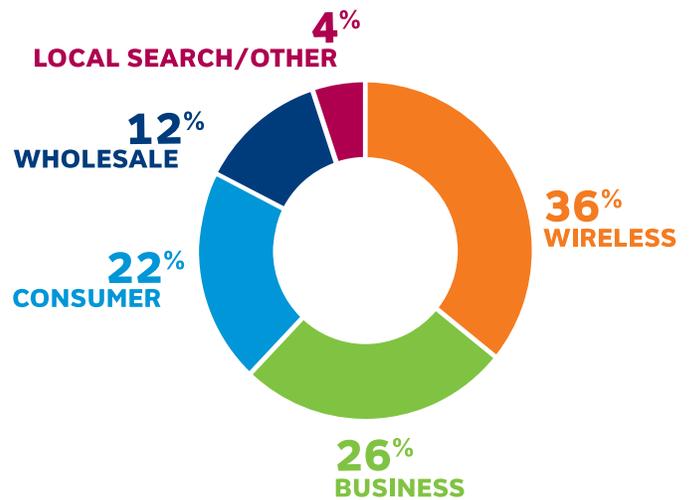
uncertainty and volatility in the global economy, they also demonstrate the strength of our operations and the confidence we have in the future of our business.

Transformation in a Growth Industry

Beyond our financial results, AT&T's most important achievement has been to transform our company for industry leadership in four key areas.

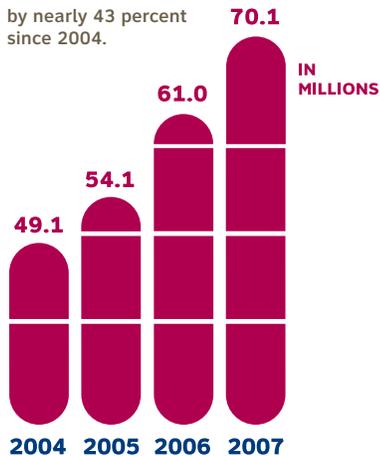
FIRST, we have built the United States' largest wireless business while delivering the industry's greatest improvement in wireless operating metrics. Just over three years ago, Cingular Wireless, in which we owned a majority stake, acquired AT&T Wireless. That acquisition gave Cingular nationwide coverage. Then the BellSouth acquisition gave us 100 percent ownership of Cingular. Today, AT&T operates the nation's largest wireless digital voice and data network, with more than 70 million subscribers and the broadest international reach.

**AT&T 2007 PRO FORMA
CUSTOMER REVENUE MIX**



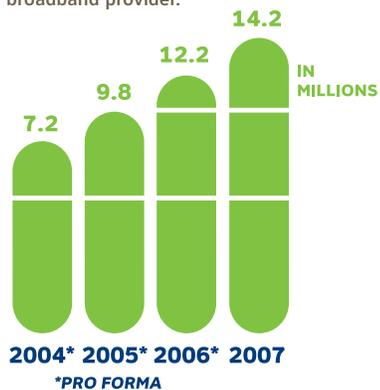
AT&T WIRELESS SUBSCRIBERS IN SERVICE

Wireless subscribers have increased by nearly 43 percent since 2004.



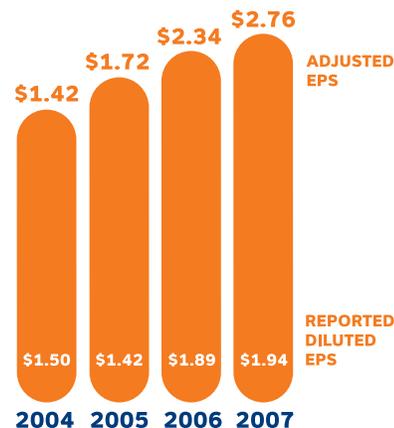
AT&T BROADBAND SUBSCRIBERS IN SERVICE

AT&T is the No. 1 U.S. broadband provider.



EARNINGS PER SHARE

AT&T has delivered 11 consecutive quarters of year-over-year double-digit growth in adjusted EPS.



Over these same three years, we've delivered the industry's largest improvement in customer loyalty and led the industry in bringing innovative smartphones to market, including collaborating with Apple on the highly successful, exclusive U.S. launch of their iPhone. In that time, we've also added more wireless subscribers than any other U.S. provider. In the process, we have positioned our company as the leader in defining the next generation of wireless products and services.

SECOND, we have energized and expanded the industry's premier enterprise business. Just over two years ago, our acquisition of the former AT&T Corp. gave us a world-class set of assets to serve large U.S. and multinational companies. In the second half of 2007, we saw enterprise service revenues return to growth a year ahead of plan, and we anticipate growth in overall enterprise revenues in 2008.

We've invested in new capabilities and have executed well, and business customers have responded enthusiastically to the total range of innovative services we deliver with world-class reliability. And thanks to customer demand for more mobile communications, more Internet-based applications and expansive global connectivity, we have additional growth opportunities in 2008 and beyond.

THIRD, we have greatly expanded broadband access to the Internet. Broadband is becoming the primary connection for linking consumers and businesses to entertainment and information. We lead the industry with more than 14 million broadband subscribers, and through the broadest U.S. Wi-Fi footprint, we're making high speed Internet access mobile. And by the end of 2008, our Wi-Fi footprint will include more than 7,000 Starbucks locations in the U.S.

Broadband usage is ramping. Customers are demanding higher speeds for such bandwidth-hungry applications as video. And there's substantial growth potential ahead as we make broadband access increasingly seamless across wired and mobile devices.

LAST, we are well under way with a major network transformation to build a seamless all-Internet Protocol (IP) infrastructure as the foundation for future growth. In a connectivity-driven world, IP is the future. It creates a platform for wired and wireless services that truly work together for our customers. AT&T is building the fastest Internet backbone in the U.S., and we are the only major U.S. communications company deploying a pure, 100 percent IP video network. Our next-generation AT&T U-verseSM service—which delivers interactive TV, broadband and voice—ramped throughout 2007 to more than 231,000 TV customers. We expect to end 2008 with more than 1 million U-verse TV customers and to expand our network deployment to 30 million customer locations by the end of 2010.

These major transformations form the foundation of AT&T's future as an integrated wireless, wired, voice, data and video company that connects our customers to their world, everywhere they live and work. And we'll do that better than anyone else. That's because at every level—local, national, global—we've shaped ourselves around meeting our customers' total needs. We've built a company around our customers. That's the new AT&T.

This couldn't be a more exciting time to lead our company, as we move forward in an environment in which our scale, resources and commitment to financial discipline are critical strengths.

Connecting With Communities

Our vision of connecting people also shapes our role as a corporate citizen. For us, corporate citizenship begins with investing in our own employees. We're proud to work with unions like the Communications Workers of America and International Brotherhood of Electrical Workers to create and preserve jobs that pay well and have good benefits and ample opportunities for training and advancement.

We also work hard to strengthen our communities and help sustain the world we all share. Going forward, we'll be placing an even sharper focus on supporting education and workforce readiness. Alarming high school dropout rates in the United States threaten the nation's economic vitality. As America's parents, teachers, administrators and community leaders continue to do their part, we believe that it's important for businesses to step up, too. And we will.

The AT&T Team

This couldn't be a more exciting time to lead our company, as we move forward in an environment in which our scale, resources and commitment to financial discipline are critical strengths.

It's an environment that puts a premium on having an outstanding employee team. AT&T is led by proven executives with broad, diverse operational experience. They are the industry's best, and together we are honored

to lead the more than 300,000 talented men and women who are the heart and hands of our company.

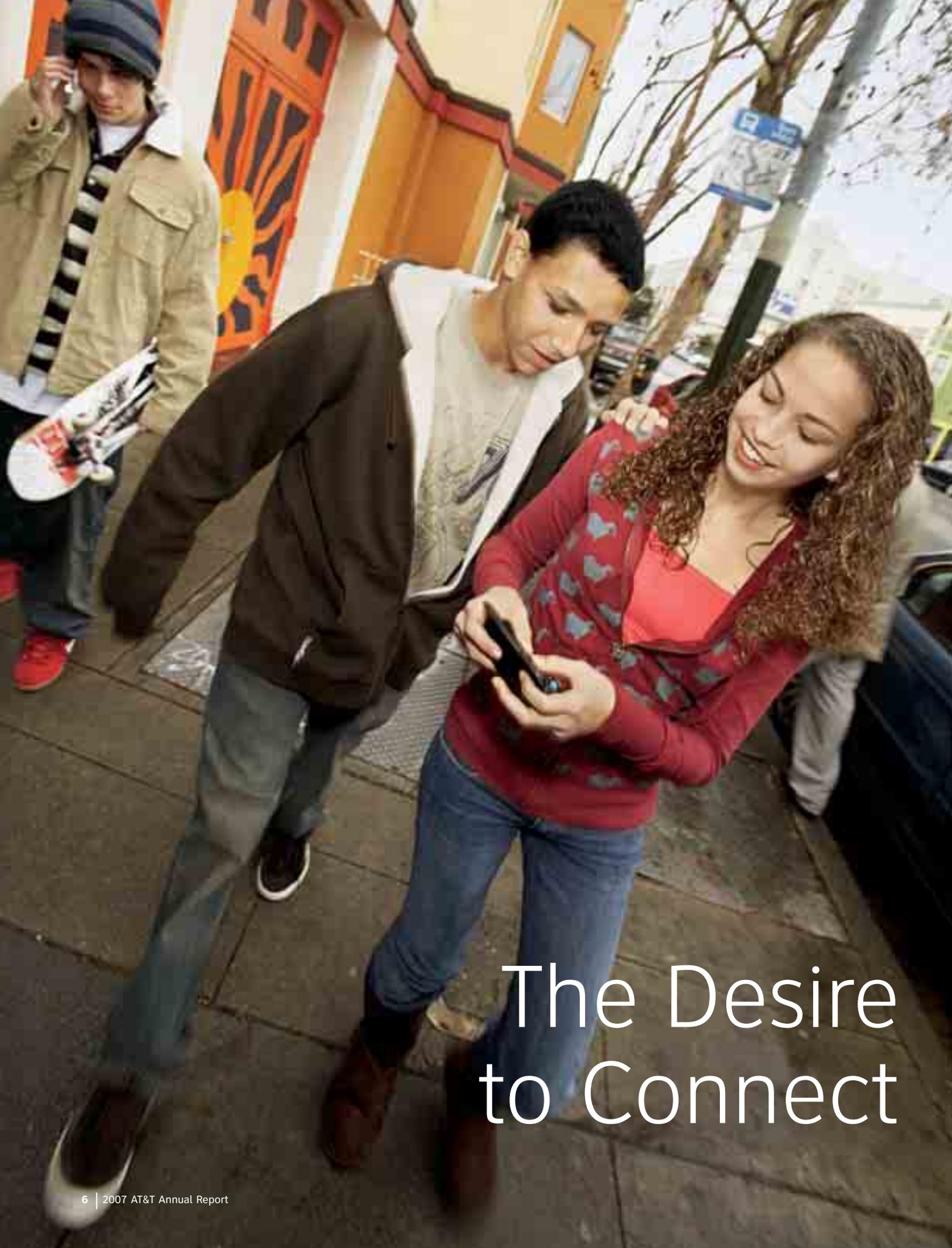
In June 2007, Edward E. Whitacre Jr. retired after serving as our company's chairman and chief executive officer for more than 17 years. Ed Whitacre led our company with great integrity, vision and wisdom. As the architect of the new AT&T, he transformed our business and, in the process, an entire industry. On behalf of our Board of Directors and employees, we thank Ed for his many contributions.

Most of all, I want to thank you, our stockholders, for your confidence. We have rich opportunities ahead of us—and I look forward to reporting to you on our continuing progress. There's much, much more to come.

Sincerely,



Randall Stephenson
Chairman, Chief Executive Officer and President
February 8, 2008



The Desire to Connect

AT&T isn't just prepared for the future of connectivity. We're shaping and defining it.



Our global IP networks connect people across all three screens they rely on—the mobile handset, the PC and the TV.

The Desire to Connect ...

It's a fundamental human need. Connectivity improves our quality of life. It accelerates the velocity of commerce and ideas. It drives prosperity and strength for individuals, companies and nations. It defines AT&T's business—as we help families keep in touch and as we help businesses serve their customers down the street and in far-flung overseas markets.

Today, technology has magnified and globalized the human desire to share information. The demand for connectivity continues to grow swiftly. And few companies in the world can meet that need on a global scale as effectively as AT&T.

Our business network connects more than 160 countries. We power 32 of the world's top 100 Web destinations. Our network handles two-thirds of the credit and debit card transactions in the United States. And we're staying ahead of the evolution of personal and business connectivity by building the world's most extensive IP backbone.

More than 1 billion devices worldwide connect to our network. And that number will only grow. But the real magic is in the expanding array of applications we can deliver through those connections. That's the future of connectivity.

So, What's Internet Protocol?

Imagine how much simpler, clearer and more effective human communications would be if everyone spoke the same language. In the digital world, Internet Protocol—IP for short—is that one, common language. IP-based connectivity enables everything from laptops to televisions to ATM machines, and it helps people and businesses communicate seamlessly, easily and accurately across town or around the world.

To deliver on the great promise of IP, we are well under way with the transformation of our wireless and wired networks. We're using IP to extend our ability to connect and power the latest generation of communications applications. As we drive IP technology through our networks, we can make communications more seamless, more interactive and more mobile.

We're also adding more bandwidth to stay ahead of rapidly expanding customer needs. IP traffic on our backbone network has more than doubled in the past two years. We are deploying the world's largest next-generation network, which carries traffic at four times the speed of previous connections. Continued growth of this network will give us the capacity to meet customer expectations for years to come.

Wireless

Our wireless capabilities play a critical role in delivering on the promise of mobility for our customers. As a result, wireless is now our fastest-growing and largest revenue driver, accounting for nearly 36 percent of our company's total revenue.

Customers use mobile devices to surf the Internet, monitor business operations while on the road and access video through a wireless Internet connection. In all of these ways and more, we give customers the freedom to choose when, where and how they communicate. To that end, we are focused on three key areas in our wireless business.

FIRST, we continue to expand and improve our networks. We offer the United States' largest digital voice and data network, covering 290 million people.

We offer the most open and widely available wireless technology, GSM, which is used by 2.7 billion people around the world. And we offer the largest international roaming footprint of any U.S. carrier.

Today, we're taking the industry's most expansive and capable network and making it faster as we aggressively expand our third-generation, or 3G, network to deliver downlink speeds of between 600 and 1,400 kilobits per second. By the end of 2008, this high-velocity 3G capability will be available in nearly 350 major U.S. metropolitan areas, including all of the nation's 100 largest cities.



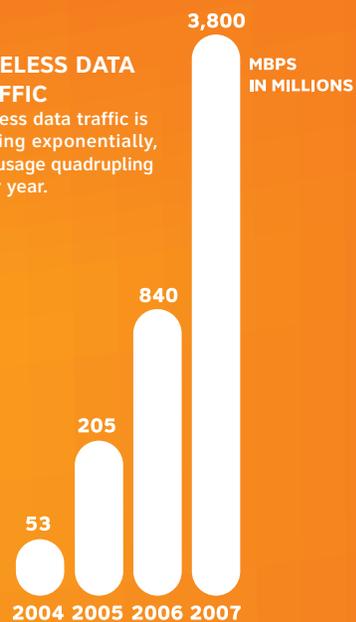
Because we use GSM wireless technology, the world standard, our customers can seamlessly connect from locations in more than 200 countries, including London's Heathrow Airport.

We're reshaping our entire business to meet the rising customer demand for mobility—to make our wireless, broadband, TV and local search capabilities work together for people at home, at work and on the go.

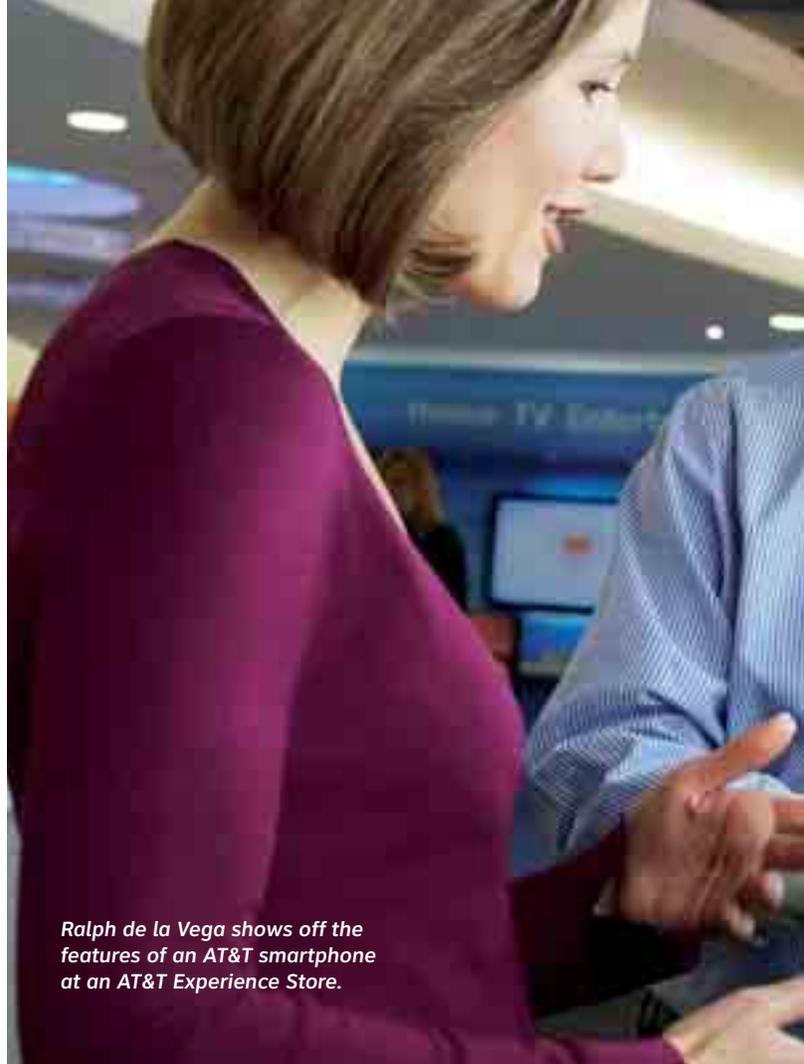


WIRELESS DATA TRAFFIC

Wireless data traffic is growing exponentially, with usage quadrupling every year.



2004 2005 2006 2007



Ralph de la Vega shows off the features of an AT&T smartphone at an AT&T Experience Store.

Text Messaging—The “Native Tongue” of Today’s Teens ...

But more and more adults are catching on as well. Take Janet Sturley. Thanks to her houseful of teenagers—19-year-old Ryan, 17-year-old Mark and 13-year-old Paige—she’s now fluent in this mobile language.

“We’ll be waiting for a table at a restaurant, and I’ll look over and see all three of them on their phones,” said Janet. “It’s amazing—they can fill any downtime with texting.”

Paige alone sends about 2,000 text messages a month. So, Janet signed up for an unlimited text-messaging plan last fall and now sends text messages to keep tabs on her teens.

“If Ryan is spending the night with a friend, he sends me a text message rather than calling,” said Janet. “That way I’m not awakened at odd hours of the night, but I can check my phone at any time and know where he is.”

Her kids like texting because the messages are short and direct and can be sent when a phone call isn’t convenient.

“If I’m at a friend’s house and I’m bored, I’ll go into another room and text my mom to come and get me,” said Paige. “Or, if I don’t want to go somewhere, I can just text ‘No, I can’t’ to the person who invited me instead of having to make up an excuse. That way, nobody’s feelings get hurt.”

Texting helps keep the Sturley family connected. And for Janet, it’s a comfort to know that, even as her kids grow up and move out of the house, it won’t be “goodbye”—it’ll just be “ttyl.” That’s textspeak for “talk to you later.”

SECOND, as we build a great network, we’re also building upon our history of industry-leading innovation to put together the best lineup of wireless devices we’ve ever offered. Our launch with Apple of their iPhone is a classic success story of an alliance between two of the world’s leading technology firms. The iPhone’s success also raised the profile for our expanding array of smartphones, which customers can use to send e-mail, access the Internet, get directions, take pictures, download video and music and play games.

THIRD, for both business customers and consumers, we’re focused on improving the customer experience. We’ve made it easier than ever for customers to do business with us. Our 2,200 AT&T retail locations, our always-open online store (att.com) and our relationships with retailers such as Wal-Mart, Best Buy and RadioShack give us an unmatched ability to place our products into customers’ hands.

And that lineup now includes a growing number of AT&T ExperienceSM stores. They bring the concept of mobility to life, giving people the chance to learn firsthand how our products—wired and wireless—work together to connect customers to their world.



In 2007, through strong internal growth combined with strategic acquisitions, we expanded our subscriber base by more than 9 million.

As the largest provider of prepaid mobile phones, we're also expanding access to mobility to consumers who might not want—or can't afford—an ongoing service plan.

In 2007, through strong internal growth combined with strategic acquisitions, we expanded our subscriber base by more than 9 million. And, as we've enhanced network performance and introduced more data-capable devices, the revenues have followed. Our service revenues were up nearly 15 percent in 2007, and our annual data revenue growth exceeded 63 percent.



Brian Norwood Has Never Camped Out for Anything in His Life

Not for concert tickets. Not for sporting events. And certainly not for a new phone.

But when the 36-year-old Atlanta native heard about the world's most advanced mobile phone, he wanted to be a part of history. Like many others, he instinctively knew that the iPhone was going to help change his life.

First, Brian switched his carrier to AT&T because the company was the only U.S. provider of the iPhone. He asked his boss for four days off at the end of June. Then, just a few days before the launch, he bought a folding chair, packed a cooler of food, grabbed a stack of magazines and headed for an AT&T store in midtown Atlanta. When the doors swung open at 6 p.m. June 29, Brian—who endured rain, 48 hours with little sleep and a news media onslaught—was among the first Americans to get his revolutionary new mobile phone.

In the first 30 hours of sales, customers like Brian activated 146,000 iPhones. By the end of 2007, approximately 2 million U.S. consumers were enjoying a groundbreaking mobile experience on a brilliant screen with a simple flick of their finger.

"Surfing the net on a phone with a full browser has been unlike any other portable Web experience," Brian said. "The calendar contains my life. I love calling up maps and directions when I'm lost while driving, and I'm constantly taking photos. It's been so great, I decided to spread the iPhone love by buying one for my dad—and I'm saving up to buy one for my mom!"

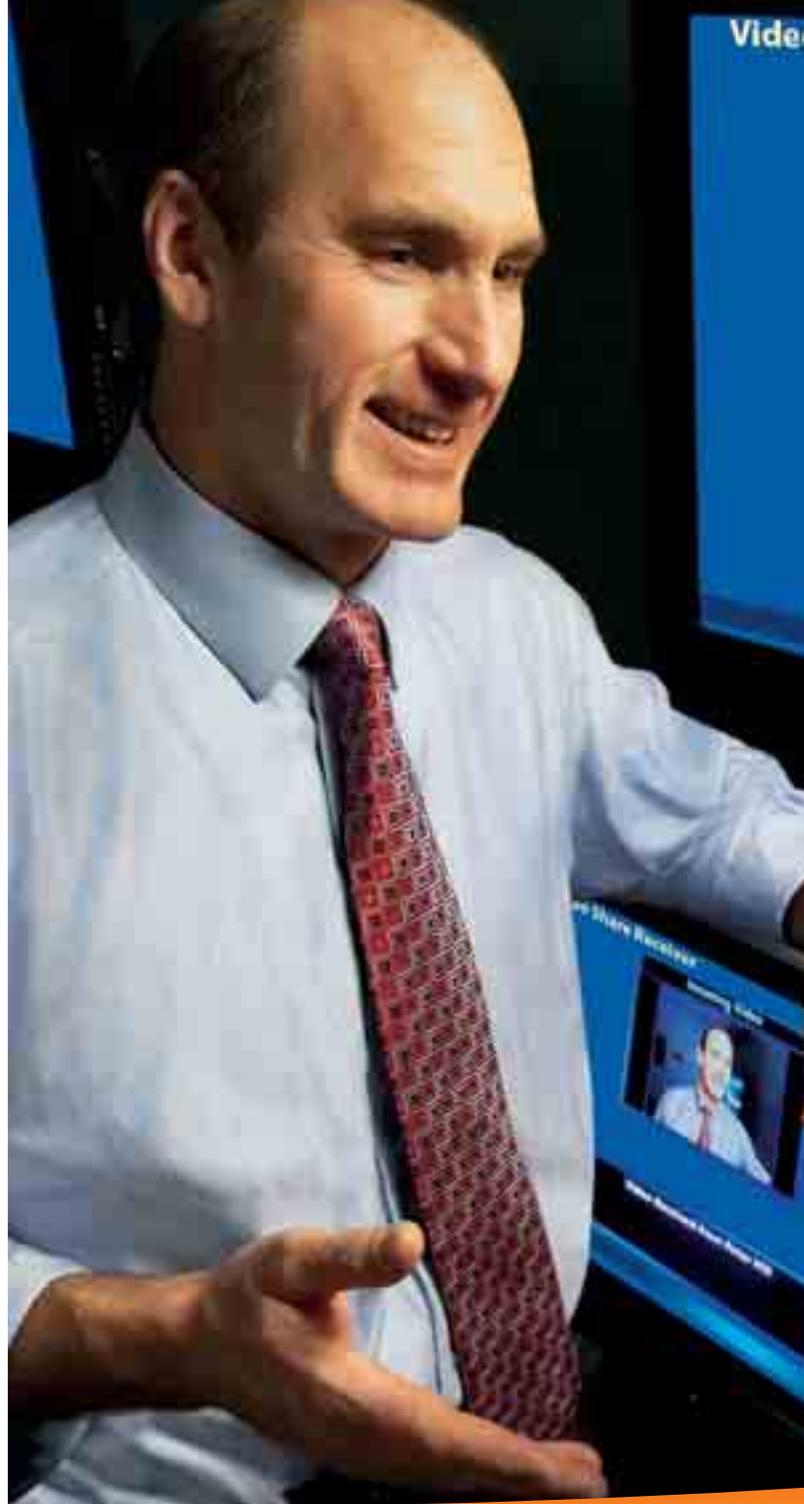
June 29, 2007. It didn't just change Brian Norwood's day-to-day life. It helped AT&T change the game—and the face of an industry.

Broadband and Advanced TV

Our customers demand fast broadband connections to the Internet wherever they go. That's why, at AT&T, we're all about finding new ways to help customers access the Internet with speed, reliability and performance. And it's why we're the United States' No. 1 broadband provider, with 14.2 million subscribers.

Broadband subscribers, revenues and usage all continue to generate solid double-digit growth, and more and more customers are selecting higher broadband speeds. At the end of 2007, nearly half of all AT&T broadband customers had signed up for download speeds of up to 3.0 Mbps or greater. And in early 2008, we rolled out a 10.0 Mbps offer to U-verse subscribers.

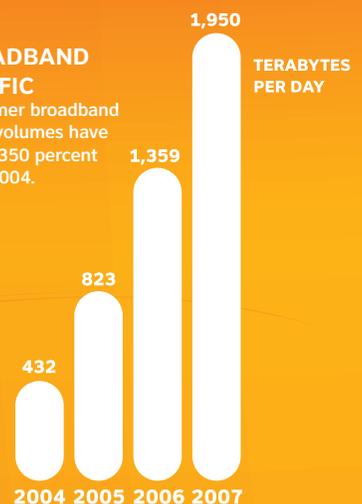
We're upgrading and expanding our global network to deliver a more consistent and reliable broadband experience. And for millions of customers in rural and remote areas, we have significantly expanded our satellite-based broadband service to provide a better alternative to dial-up access.



A growing number of customers are using AT&T high speed services on their mobile devices in addition to their PCs—as we deliver a fresh, integrated approach to communications and entertainment.

BROADBAND TRAFFIC

Consumer broadband traffic volumes have grown 350 percent since 2004.





John Stankey gets a demonstration of video being sent from a wireless device to a PC and a TV screen—just one of the many innovations being developed at the AT&T Labs.

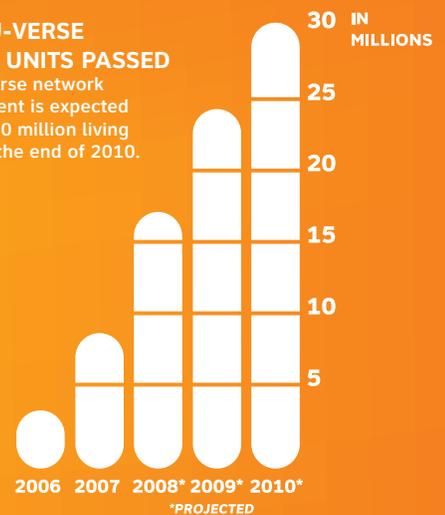


More than 12 million AT&T broadband subscribers enjoy free Wi-Fi access at thousands of locations in the U.S., and by the end of 2008 our U.S. Wi-Fi network will include more than 7,000 Starbucks locations.

Like mobile phones in the 1980s and broadband in the 1990s, video now represents a once-in-a-decade opportunity to build our next billion-dollar business.

**AT&T U-VERSE
LIVING UNITS PASSED**

Our U-verse network deployment is expected to pass 30 million living units by the end of 2010.





Customers rely on AT&T broadband throughout the country and around the world. By the end of 2008, more than 12 million AT&T broadband customers will have free access to more than 17,000 AT&T Wi-FiSM hot spots in the United States alone, including Starbucks locations and Barnes & Noble bookstores. Worldwide, we now deliver Wi-Fi access at more than 64,000 locations in 89 countries. And a new multiyear agreement with Yahoo!, announced in January 2008, will deliver an even richer and more innovative online experience for our customers—whether they are at home or on the go.

Advanced TV From AT&T

We have dramatically ramped our growth in video services. AT&T Advanced TV services, such as AT&T U-verse TV, AT&T | DISH Network and DIRECTV[®] service, present customers with a new and superior TV choice that offers better control and richer content than cable with more High Definition (HD) channels in nearly every market we serve.

Delivered through our fiber-rich IP network, U-verse service offers television, broadband and voice over a single connection, along with unique features and unmatched flexibility.



AT&T Advanced TV services offer better control and richer content than cable with more HD channels in nearly every market we serve.

Satellite TV service from DISH Network and DIRECTV is available in markets where we offer wired voice and broadband, giving customers the ability to include television service as part of an AT&T bundle.

AT&T U-verse TV Is Our Next-Generation Video Service

It doesn't take U-verse TV customers long to experience the IP difference. For example, when they want to set a recording on their DVR, they no longer have to be in front of the television. They can access their channel guides and set recordings from any Web connection—including

on a mobile device—no matter where they are. In 2007, we launched exclusive new features such as U-bar, which brings Internet content such as sports, traffic and weather information to the TV screen, and YELLOWPAGES.COM TV, which gives U-verse TV customers the power to search for local business information from their TV. More integrated features are on the way in 2008.

Customers clearly like what they see: As 2007 drew to a close, we had 231,000 AT&T U-verse video subscribers in service. And we expect to top 1 million U-verse subscribers by the end of 2008.

Business Services

For today's businesses, communications is a competitive imperative. Whether it's a global enterprise expanding to new countries or a startup down the street adding its second location, AT&T helps businesses generate new revenues, reach new customers, interact with suppliers and enter new markets faster and more efficiently.

Through our innovative solutions, our industry-leading portfolio of services and a dedicated business support team that anticipates customer needs, we provide customers with anytime, anywhere connectivity. And we deliver the content distribution, hosting, security and collaboration products and services that today's marketplace demands to stay connected.

Global Solutions for Global Enterprises

Our business customers rely on AT&T network services in more than 160 countries on six continents. We've added to our network around the world and have opened six new Internet data centers. Our 38 data centers, located around the globe, make us the world's largest network-based hosting provider.

AT&T wireless customers enjoy the largest international roaming footprint available, covering more than 90 percent of the globe.

AT&T delivers global IP-based network capabilities that are widely regarded as unsurpassed in the marketplace and that support a broad array of communications devices, including the mobile handsets that enable our customers to connect on the move.

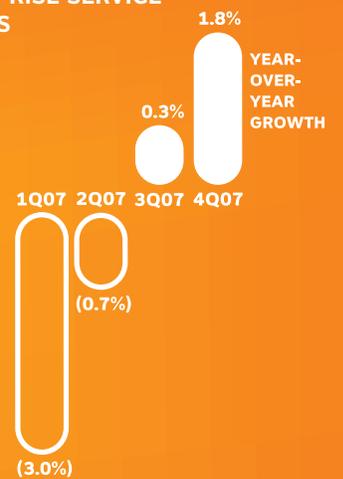


Ron Spears and his business services team secured AT&T's contract with the U.S. Department of the Treasury to build a secure enterprise network that will facilitate the convergence of data, voice and video technologies into a single network infrastructure.



RECURRING AT&T ENTERPRISE SERVICE REVENUE GROWTH RATES

Recurring enterprise service revenues returned to growth a year ahead of schedule.





“Helping people who are helping people ...”

That’s how Charlotte Anderson portrays the vital role that AT&T plays for ADDS Health Services. This St. Louis-based in-home health care provider serves hundreds of patients, many of whom are poverty-stricken and elderly. It’s a 24 x 7 x 365 calling. And that’s where AT&T comes in.

“When we prepared to open our doors, the very first call we made was to AT&T,” said Anderson, who has served as operations manager since the company was founded in 2000. “We are licensed and certified with Medicare and Medicaid, and that carries with it a lot of privacy and security responsibilities. AT&T was the one company we could trust to manage those needs—plus the need to link our office staff of eight with our 40 employees in the field.”

ADDS relies on a combination of wireless, broadband and wired services. “AT&T keeps us all connected,” Anderson said. “Our smartphones are lifesavers when we’re out in the field. Many of the patients don’t have home phones, so we rely on ours for everything—including access to the Internet and e-mail.” Anderson also noted that mobile phones are the single most important communications tool in ADDS’ state-required disaster plan.

According to Anderson, ADDS’ broadband service is crucial for transmitting and storing patient information and for electronic billing. It’s also a pipeline for staff training, much of which is done via teleconference. And AT&T’s local search and directory services fuel many of ADDS’ referrals.

“To make a difference, you have to have a lot of heart—but also a lot of help,” Anderson said. “And we always know that AT&T is right there with us.”



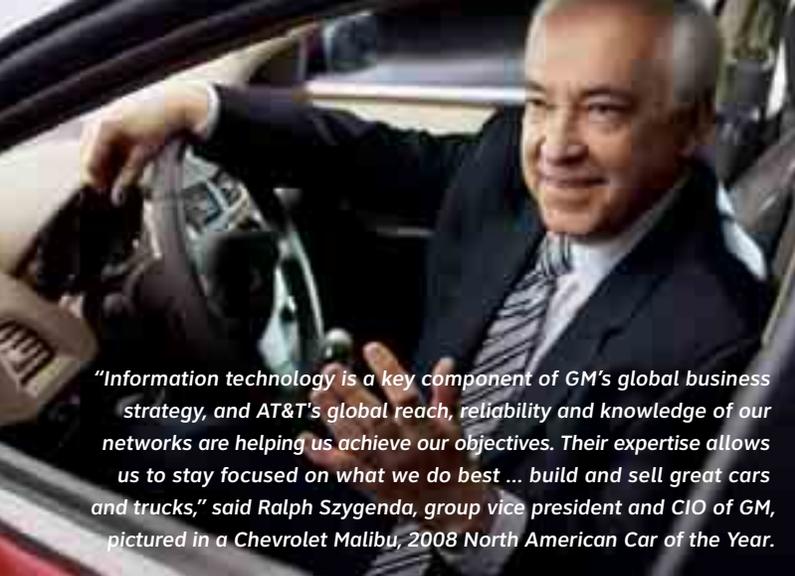
AT&T’s hosting solutions allow Marriott Vacation Club International (MVCI) Asia Pacific members access to a collection of MVCI properties globally, like this one in Phuket, Thailand.

We continually innovate and add new services. For example, to help our business customers boost productivity and stay even more connected, last year we introduced AT&T Connect—a solution that allows customers to move seamlessly among voice conference calls, video conferencing, document sharing and instant messaging.

In 2007, our ability to deliver compelling customer solutions was a key factor in winning three new major contracts, each worth up to \$1 billion:

- The U.S. Department of the Treasury tapped AT&T to build its next-generation enterprise network to connect 100,000 employees at more than 1,000 locations.
- General Motors selected AT&T for a five-year contract—one of the largest commercial contracts in our history—to provide next-generation global telecommunications capabilities.
- IBM chose AT&T as its global primary managed network services provider for the next five years.

And in April 2007, through our affiliate in India, AT&T became the first foreign telecom company to offer service in the Indian market. We also launched a new business in Vietnam in 2007 to support the growing number of multinational customers based there.



"Information technology is a key component of GM's global business strategy, and AT&T's global reach, reliability and knowledge of our networks are helping us achieve our objectives. Their expertise allows us to stay focused on what we do best ... build and sell great cars and trucks," said Ralph Szygenda, group vice president and CIO of GM, pictured in a Chevrolet Malibu, 2008 North American Car of the Year.



AT&T Connect allows our customers to collaborate better by moving easily among different services—including e-mail, chat, teleconferencing and document sharing.

No Business Is Too Small for Big Solutions

More than 3 million small and midsize businesses look to us for integrated communications solutions that deliver high quality, security and continuous innovation. For instance, in 2007, we introduced our Complete Office Solution bundle—unlimited local and nationwide calling, wireless service, high speed Internet, AT&T Unified Messaging and an AT&T Real Yellow Pages listing, all on a single consolidated bill.

We're also answering the call as more small and midsize businesses demand mobility and integrated voice and data solutions. We've expanded our popular IP Flexible Reach solution to integrate with existing analog telephone systems. That lets businesses use Voice over IP (VoIP) technologies without replacing their existing systems. And AT&T's wireless leadership enables us to provide the mobile voice and data solutions that businesses of all sizes need to compete.

10,000 Branches Across North America and the United Kingdom

That's the scope of financial services leader Edward Jones' operations. Given the speed of the global economy, maintaining the company's focus on individual service across its entire network of offices demands fast connectivity solutions.

In 2007, Edward Jones retired its 20-plus-year-old satellite system and teamed with AT&T to create the Global Branch Network to deliver voice communications, always-on Internet access and critical market data.

"The satellite system was no longer able to serve our growing branch network," said Vinny Ferrari, chief information officer for Edward Jones. "We worked with AT&T to design a technology upgrade that gives us the bandwidth we needed to ensure that our employees have access to applications and to complement our trademark face-to-face customer service."

AT&T provides a global Virtual Private Network (VPN) service that offers a single secure network to connect numerous business locations, such as branch offices, headquarters and remote users. The results for Edward Jones? Increased reliability, faster traffic flow, easier management and the ability to expand quickly.

"We worked closely with Edward Jones to deploy a network that is robust, resilient and redundant to support the 'always-available' nature of its business," said AT&T's José Gutiérrez, executive vice president of Enterprise Business Sales. "We give them an infrastructure that's adaptable and expandable enough to meet their needs as their business grows."

Ray Wilkins demonstrates YELLOWPAGES.COM mobile search, just one of the ways AT&T connects advertisers to ready-to-buy consumers in real time.

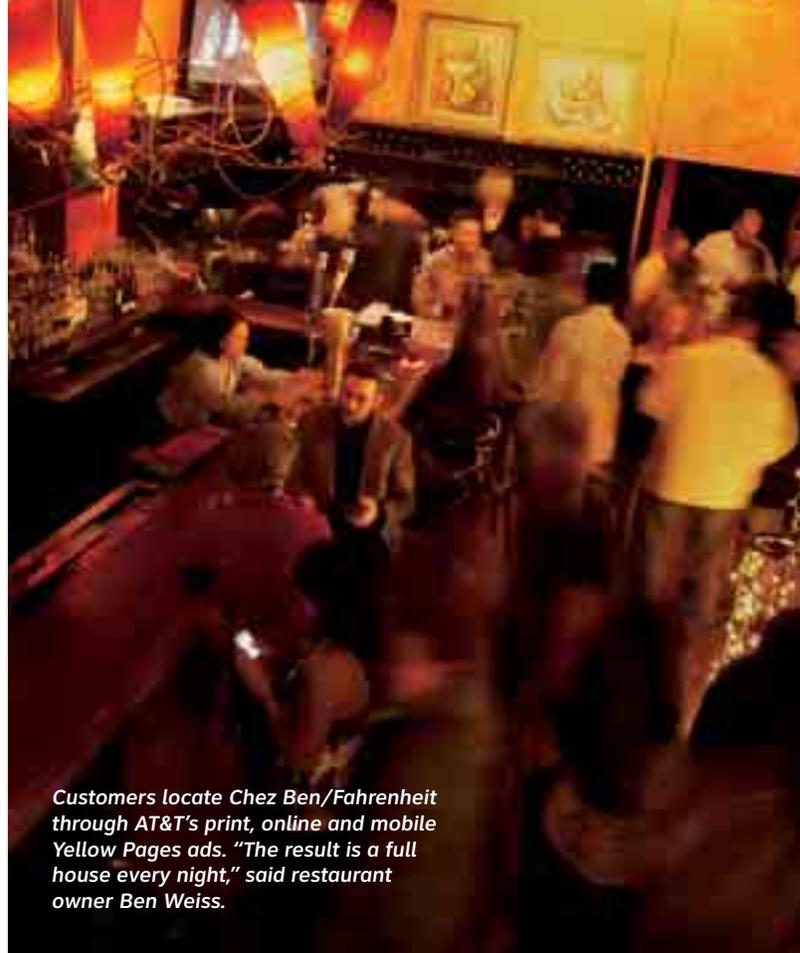
Local Search

When consumers need a plumber, florist, tailor or other local service, they want to be able to find the right person for the job quickly and easily. Today, in addition to their trusty AT&T Real Yellow Pages books, consumers also want to search via their PCs, mobile devices and televisions. No other company is better-positioned to connect these buyers to sellers—anytime, anywhere—than AT&T.

People searched the AT&T Real Yellow Pages for a local business about 4 billion times in 2007, consulting the 175 million books we print in 22 states. AT&T's YELLOWPAGES.COM online local search site connected buyers to sellers on mobile devices, PCs and U-verse TV screens more than 1.5 billion times in 2007. That was a 50 percent year-over-year increase in the number of YELLOWPAGES.COM searches.

In 2008, we're introducing a capability that enables advertisers to pay only for the calls generated by their AT&T ads, wherever they may appear.

As more and more people search for local businesses while they're on the run, we're making the task even easier with YELLOWPAGES.COM applications for AT&T mobile devices, including the Apple iPhone.



Customers locate Chez Ben/Fahrenheit through AT&T's print, online and mobile Yellow Pages ads. "The result is a full house every night," said restaurant owner Ben Weiss.



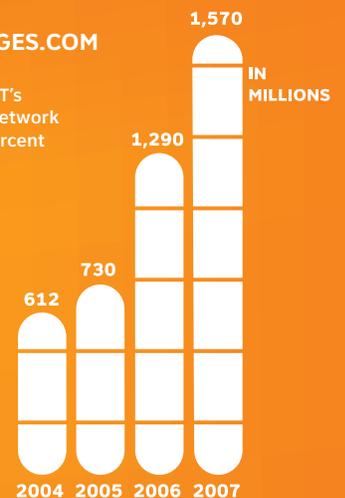
"You Should Taste Our Steaks!"

Ben Weiss of Providence, R.I., opened a steakhouse in his hometown featuring the same "je ne sais quoi"—and local paintings—as his favorite Paris bistro. To capture the unique atmosphere, he included a video with his YELLOWPAGES.COM listing. These days, business at Chez Ben/Fahrenheit is cooking.



AT&T YELLOWPAGES.COM SEARCHES

Local searches on AT&T's YELLOWPAGES.COM network have increased 150 percent since 2004.



Employees and Communities

At the heart of our commitment to good corporate citizenship is a simple idea: Connections build communities and drive prosperity.

It starts with our community: the 309,000 talented AT&T employees around the world. We spent \$200 million on training and \$26 million on tuition assistance in 2007 to prepare our employees for the future and to ensure that they can deliver a superior experience to our customers every day.

By combining our employees' passion to serve with our innovative technology and financial resources, we make the communities in which we live and work stronger, smarter and healthier. Our deep commitment to the community is our heritage *and* our future.

GIVING. In 2007, AT&T contributed more than \$164 million to nonprofit organizations through corporate-, employee- and AT&T Foundation-sponsored giving. Our philanthropy is focused on education and workforce readiness. The AT&T Foundation—widely recognized as one of the most generous corporate foundations—provides more than 55 percent of its grants to underserved populations.



AT&T Pioneers volunteer Keith Pounds works with student Emilee Story at Tucker Middle School in Tucker, Ga. Emilee participates in Project Connect, a program supported by AT&T Pioneers around the U.S., which uses educational computer games to improve students' math and science skills. In 2007, Emilee participated in an international Project Connect competition, winning desktop computers for herself and her school.

At AT&T, we know that building connections spurs growth and creates new opportunities to help the world communicate. From our Board of Directors to our front-line employees, ours is a company where corporate citizenship and sustainability are everybody's business.

VOLUNTEERING. Through the AT&T Pioneers, nearly 350,000 employees and retirees contributed more than 10 million hours of volunteer time to community outreach activities nationwide in 2007. In schools and neighborhoods, the Pioneers strengthen connections and build communities.

DIVERSITY. AT&T's diverse workforce and inclusive culture are central to our ability to serve our equally diverse global customer base. Forty-six percent of our U.S.-based employees are women; 38 percent are people of color. We have a nearly 40-year legacy as a pioneer in supplier diversity and are one of only 12 U.S. companies that spend more than \$1 billion annually with women-, minority- or disabled-veteran-owned businesses. AT&T's commitment to diversity is widely recognized, including our selection as one of the top three among *DiversityInc* magazine's 2007 Top 50 Companies for Diversity.

THE ENVIRONMENT. We are committed to being good stewards of the environment—that includes efficiently connecting people and businesses worldwide with innovative communications. Our products help reduce the need for carbon emission-intensive travel by facilitating video conferencing, telecommuting and online local search, among others. We work hard to conserve energy in company buildings and are committed to purchasing, when possible, low or partial zero emission vehicles for our fleet. And we encourage our customers to reuse and recycle wireless devices and accessories and our AT&T Real Yellow Pages directories—which are printed on paper that contains at least 40 percent recycled material.



AT&T has joined with Rock the Vote, a nonpartisan, nonprofit organization, to encourage young people to register to vote and participate in the upcoming U.S. presidential election.

YOUTH. More than 20 percent of eligible voters in the 2008 presidential election will be under 29—a demographic that includes some of the heaviest users of mobile phones and text messaging. That's why we're working with Rock the Vote, a nonpartisan, nonprofit organization, to connect with these young citizens in their "own tongue," encouraging them to register to vote and receive news and reminders about the election by sending a text message. They can also download exclusive celebrity ringtones that promote the importance of voting.





Sometimes, even a global company can follow the lead of a couple of teenagers with a big idea.



Going beyond the call to keep their community connected: Inaugural Whitacre Award winners Melissa Lucht and Ed Stauth.

Winds up to 205 mph killed 10 people, snapped trees and utility poles and flattened or damaged nearly every building in town.

Every American Military Member Protecting Our Freedom Overseas Should Be Able to Call Home

That is the basic principle on which Massachusetts teenagers Brittany and Robbie Bergquist founded Cell Phones for Soldiers (CPFS). The charity they created collects and recycles wireless phones, then uses the proceeds to buy prepaid phone cards to send to U.S. troops serving overseas. In just three years, the Bergquists have raised more than \$1 million and have sent more than 400,000 phone cards to the troops.

Since 2007, AT&T has aided in the effort. All of our retail stores across the nation serve as CPFS recycling drop-off locations. We've also contributed 60,000 prepaid phone cards—valued at more than \$500,000. And we're awarding four-year college scholarships, worth up to \$100,000 each, to Brittany and Robbie.

Why would a global company like AT&T get involved with a charity run by a couple of teenagers? It's simple. When Brittany e-mailed us to ask for our help, we recognized that we shared a common belief in the importance of keeping military families connected.

May 4, 2007: The Tornado Hit Greensburg, Kansas, Just Before 10 P.M.

Melissa Lucht and Ed Stauth, Greensburg's only AT&T employees, rode out the storm in their basements—then headed to the AT&T Central Office (CO).

The CO was severely damaged. Much of the roof was gone, and rain pelted telephone switching and transport equipment. Ankle deep in water, Lucht and Stauth slung tarps and worked together through the night to keep the CO operating until help arrived. Thanks to their efforts, the people of Greensburg stayed connected—to the voices of concerned friends and loved ones, to emergency services, to the Internet. By daybreak, AT&T was providing vital communications support to emergency responders.

For their heroic work to keep customers connected in the best AT&T tradition, Lucht and Stauth became the first winners of the new Whitacre Award. Named for retired Chairman and CEO Ed Whitacre—a tireless advocate for serving customers—the annual Whitacre Award will honor AT&T employees who go above and beyond to provide world-class customer service.