

4th QUARTER 2008

AT&T Reports Fourth-Quarter and Full-Year Results Highlighted by Robust Wireless Data Growth, Accelerated U-verse TV Ramp, Continued Double-Digit Growth in IP Data Services

AT&T delivered strong wireless growth led by a 51.2 percent increase in wireless data revenues, passed the 1 million mark in AT&T U-verse TV subscribers and sustained double-digit growth in IP-based services.

AT&T Inc. reported fourth-quarter and full-year results highlighted by strong wireless subscriber gains and continued progress in key growth areas including wireless data services, IP-based services for businesses and AT&T U-verse TVSM. Growth in these areas more than offset expected economic and other pressures, primarily reflected in lower wireline voice revenues.

For the fourth quarter, AT&T's consolidated revenues totaled \$31.1 billion, net income was \$2.4 billion and cash from operating activities totaled \$10.9 billion. Full-year revenues totaled \$124.0 billion, net income was \$12.9 billion and cash from operating activities totaled \$33.7 billion.

Fourth-quarter highlights included the following:

- Total wireless subscribers increased by 2.1 million to reach 77.0 million in service, up 7.0 million over the past year. Wireless revenues grew 13.2 percent to \$12.9 billion in the fourth quarter.

Fourth-Quarter EPS Reconciliation

	4Q08	4Q07
Reported EPS	\$0.41	\$0.51
Adjustments:		
Merger-Related Costs		
Merger integration		0.04
Noncash merger-related costs	0.12	0.15
Trust investment losses	0.05	
Workforce reduction	0.07	
Adjusted EPS	\$0.64	\$0.71

Pretax adjustments to earnings:

• 4Q08: noncash merger-related costs of \$1,056 million, workforce reduction charge of \$617 million and trust investment losses of \$445 million.

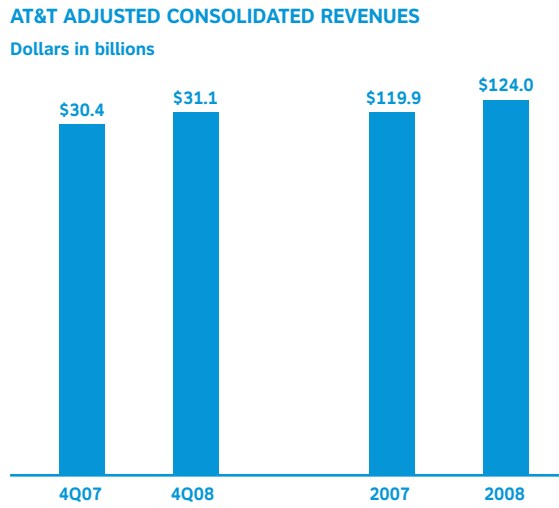
• 4Q07: merger integration, noncash intangible amortization and purchase accounting effect totaling \$1,800 million.

Totals may not foot due to rounding.

Further details are available at www.att.com/investor.relations.



Strong wireless subscriber gains, robust adoption of wireless data services and a double-digit increase in wired IP data services drove AT&T's fourth-quarter revenue growth.



Revenues for 2007 are adjusted to exclude merger-related directory purchase accounting impacts.

- Wireless data revenues grew 51.2 percent, reflecting rapid adoption of wireless integrated devices and increased usage of wireless Internet access, messaging and related services.
- AT&T's wireless integrated devices in service more than doubled over the past year led by strong results from Apple iPhone 3G, a U.S. exclusive for AT&T. In the second half of 2008, AT&T activated 4.3 million iPhone 3G devices, including 1.9 million in the fourth quarter. Approximately 40 percent of the iPhone activations were for customers new to AT&T. iPhone 3G continues to deliver high-value subscribers with significantly higher ARPU (average monthly revenues per subscriber) and lower churn than AT&T's postpaid subscriber average.
- AT&T further accelerated its ramp of AT&T U-verse TV with a 264,000 fourth-quarter net subscriber gain, the company's best quarterly increase to date, to reach more than 1 million in service. AT&T's U-verse network deployment for delivery of integrated, next-generation, IP-based TV, broadband and voice services now reaches 17 million living units.

- Wireline IP data revenues grew 14.2 percent and were driven by rapid expansion in AT&T U-verse services and continued solid growth in business products such as Virtual Private Networks (VPNs) and managed Internet services.

FOURTH-QUARTER REPORTED RESULTS

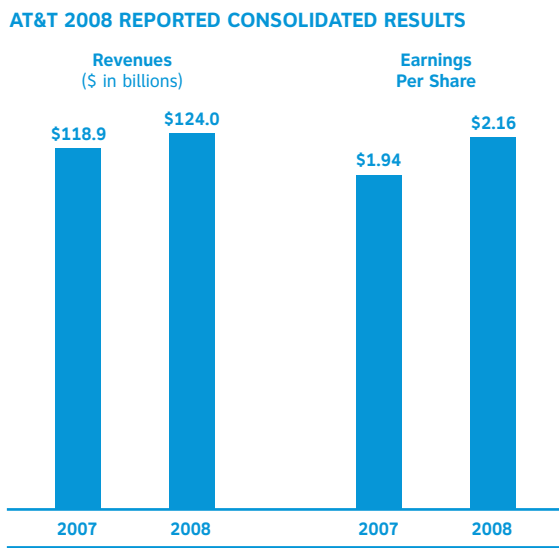
For the quarter ended Dec. 31, 2008, AT&T's consolidated revenues totaled \$31.1 billion, up 2.4 percent versus reported results in the year-earlier quarter and up 2.2 percent compared with fourth-quarter 2007 pro forma revenues, which exclude merger-related accounting impacts on directory revenues.

Consolidated revenue growth was driven by 13.2 percent wireless growth and a 14.2 percent increase in wireline IP data revenues, which include AT&T U-verse services and business offerings such as VPNs and managed Internet services. Gains in these areas more than offset pressures from the macro-environment, including impacts on access lines and wireline voice usage.

Compared with results for the year-earlier quarter, AT&T's reported operating expenses for the fourth quarter of 2008 were \$26.2 billion versus \$24.9 billion; reported operating income was \$4.9 billion versus \$5.5 billion; and AT&T's reported operating income margin was 15.8 percent, compared with 18.1 percent.

AT&T's reported fourth-quarter 2008 net income totaled \$2.4 billion versus \$3.1 billion in the year-earlier quarter, and reported earnings per diluted share totaled \$0.41, compared with \$0.51 in the fourth quarter of 2007.

AT&T's full-year reported earnings per share increased 11.3 percent, reflecting solid revenue growth and cost improvements.



FOURTH-QUARTER ADJUSTED RESULTS

AT&T's adjusted earnings for the fourth quarter of 2008 exclude noncash, pretax costs related to acquisitions totaling \$1.1 billion or \$0.12 per diluted share; a charge of \$445 million or \$0.05 per diluted share for merger-related trust investment losses; and a charge of \$617 million or \$0.07 per diluted share for severance costs associated with workforce reductions, which is reflected in the Other segment.

Adjusted results for the fourth quarter of 2007 excluded pretax cash merger-related integration costs totaling \$381 million or \$0.04 per diluted share; noncash, pretax merger-related costs totaling \$1.4 billion or \$0.15 per diluted share; and a merger-related directory accounting impact of \$36 million.

Compared with results for the year-earlier quarter, AT&T's adjusted operating expenses for the fourth quarter of 2008 totaled \$24.5 billion versus \$23.1 billion; adjusted operating income was \$6.6 billion, compared with \$7.3 billion; and AT&T's adjusted operating income margin was 21.1 percent versus 24.0 percent. AT&T's adjusted fourth-quarter 2008 net income totaled \$3.8 billion versus \$4.3 billion in the year-earlier quarter, and adjusted earnings per diluted share totaled \$0.64, compared with \$0.71 in the fourth quarter of 2007.

AT&T's fourth-quarter 2008 reported and adjusted margins and earnings reflect continued revenue growth and progress with previously outlined cost initiatives, offset by hurricane-related expenses and effects on wireless results from iPhone 3G. Impacts from the company's iPhone 3G initiative reduced pretax fourth-quarter earnings by approximately \$450 million or \$0.05 per share, and costs related to hurricanes reduced pretax earnings by approximately \$120 million or \$0.01 per share. In addition, foreign exchange impacts lowered equity income by approximately \$90 million or \$0.01 per share.

CASH FROM OPERATIONS, BALANCE SHEET

AT&T's cash from operating activities for the fourth quarter of 2008 totaled \$10.9 billion, capital expenditures totaled \$5.5 billion and free cash flow (cash from operations minus capital expenditures) totaled \$5.4 billion. For the full year 2008, cash from operating activities totaled \$33.7 billion, capital expenditures totaled \$20.3 billion and free cash flow totaled \$13.3 billion.

For the full year, dividends paid totaled \$9.5 billion, shares repurchased totaled 164.2 million for \$6.1 billion and AT&T ended the year with 5.9 billion shares outstanding.

In December, AT&T's board of directors approved a 2.5 percent increase in the company's dividend, from \$0.40 to \$0.41 a share on a quarterly basis (\$1.60 to \$1.64 a share on an annual basis), marking AT&T's 25th consecutive annual dividend increase, a record unmatched among major telecom companies.

AT&T's balance sheet continues to be strong. AT&T reduced total debt by \$1.8 billion in the fourth quarter and \$5.2 billion during the second half of 2008. At the end of the year, AT&T's long-term debt was \$60.9 billion and total debt was \$75.0 billion. Cash and cash equivalents

at the end of the quarter totaled \$1.8 billion. AT&T's fourth-quarter debt-to-total-capitalization ratio was 43.8 percent, and the company's debt-to-EBITDA ratio was 1.7.

FULL-YEAR 2008 RESULTS

To simplify its presentation of financial results, and in recognition of the fact that its major merger integration projects are now largely complete, in 2009, AT&T will no longer adjust results for merger-related costs and instead will present reported results accompanied by details on key factors impacting results.

Compared with 2007 full-year results, AT&T's reported 2008 consolidated revenues totaled \$124.0 billion, up 4.3 percent; full-year operating expenses were \$101.0 billion, up 2.5 percent; net income was \$12.9 billion, up 7.7 percent; and diluted earnings per share totaled \$2.16, up 11.3 percent.

AT&T's 2008 consolidated revenues were up 3.4 percent versus 2007 revenues adjusted for directory accounting effects. Compared with 2007 full-year adjusted results, 2008 adjusted operating expenses were \$95.4 billion, compared with \$91.3 billion; adjusted net income was \$16.7 billion versus \$17.0 billion; and adjusted diluted earnings per share totaled \$2.81, compared with \$2.76.

2009 OUTLOOK

In 2009, despite a challenging environment, AT&T expects to deliver solid results. AT&T expects to grow consolidated revenues, make significant progress in its key growth initiatives, keep an aggressive focus on cost management and continue its strong record of returning substantial value to shareowners. Specific expectations for the full year, based on 2008 reported results, include the following:

- Continued consolidated revenue growth in the low single-digit range, led by gains in wireless and IP data services.

- A significant increase in wireless margins as the iPhone 3G customer base matures, with continued revenue growth. AT&T expects to achieve wireless service OIBDA margins in the low 40 percent range by the end of 2009, with a longer-term expectation of reaching the mid 40 percent range.
- Stable reported consolidated earnings and margins excluding pension and retiree benefit costs. AT&T expects approximately \$0.19 of incremental noncash pressure to 2009 reported earnings per share due to increased expenses related to pension and retiree benefits. This reflects 2008 plan returns and AT&T's consistent accounting approach that accelerates recognition of the effects of large changes in plan asset valuations. AT&T does not anticipate significant pension funding requirements in 2009.
- Stable free cash flow while executing a disciplined capital program that focuses investment in key growth initiatives. Total capital expenditures for 2009 are expected to be down 10 to 15 percent versus 2008 levels. AT&T expects to make continued good progress on its U-verse network build in 2009. Deployment currently reaches 17 million living units, and the company expects to reach its previously announced target of 30 million living units in 2011, a year later than its original plan.

ADDITIONAL BACKGROUND ON ADJUSTED AND PRO FORMA COMPARISONS

AT&T's adjusted earnings for the full year 2008 exclude merger-related costs of \$4.5 billion or \$0.49 per diluted share; a charge of \$445 million or \$0.05 per diluted share for merger-related trust investment losses; and a charge of \$991 million or \$0.11 per diluted share for severance costs associated with workforce reductions.

Adjusted results for the full year 2007 excluded merger-related costs of \$7.5 billion or \$0.80 per diluted share; gains from wireless transactions of \$409 million or \$0.04 per diluted share; and a merger-related directory accounting impact of \$656 million or \$0.07 per diluted share.

Advertising & Publishing results for 2007 were affected by accounting adjustments following AT&T's late 2006 acquisition of BellSouth. In accordance with purchase

accounting rules, deferred revenues and expenses for all BellSouth directories delivered prior to the close of the merger were eliminated from 2007 consolidated results. This elimination of amortizations reduced fourth-quarter 2007 consolidated revenues by \$53 million and consolidated operating expenses by \$17 million. It reduced full-year 2007 consolidated revenues by \$964 million and consolidated operating expenses by \$308 million.

AT&T manages its print directory business using amortized results. As a result, 2007 amortized results are shown in the Advertising & Publishing segment on AT&T's Statement of Segment Income. In 2008, both consolidated and segment results reflect amortization accounting.

AT&T's fourth-quarter wireless growth was highlighted by a net subscriber gain of 2.1 million and 51.2 percent growth in wireless data revenues, which drove significant improvement in postpaid subscriber ARPU.

Wireless

AT&T delivered strong wireless subscriber and revenue growth in the fourth quarter accompanied by sequential margin expansion. Results were driven by increased penetration of integrated devices led by iPhone 3G, a U.S. exclusive for AT&T, and continued rapid growth in wireless data services such as wireless Internet access, e-mail, messaging and related services.

INDUSTRY-LEADING SUBSCRIBER GROWTH

AT&T posted a fourth-quarter net gain in total wireless subscribers of 2.1 million to reach 77.0 million in service, up 7.0 million over the past year. This represents the largest 2008 subscriber increase among U.S. wireless providers.

Subscriber results included solid improvement in retail postpaid subscriber trends versus the year-earlier quarter. Versus results for the fourth quarter of 2007, gross postpaid subscriber additions increased 10.0 percent to 3.5 million, average monthly postpaid churn was stable at 1.2 percent and net postpaid subscriber additions were up 13.9 percent to 1.3 million.

Total gross fourth-quarter subscriber flow totaled 5.8 million versus 6.0 million in the year-earlier quarter, and total wireless subscriber churn was 1.6 percent, down from 1.7 percent in the fourth quarter of 2007.

STRONG IPHONE 3G ACTIVATIONS, GROWTH IN INTEGRATED DEVICES

AT&T's postpaid subscriber growth reflects the dramatic success of iPhone 3G, which was launched in July 2008. AT&T's fourth-quarter iPhone 3G activations totaled 1.9 million, and the company's total iPhone activations over the last half of 2008 were 4.3 million. Approximately 40 percent of AT&T's iPhone 3G activations have been to customers who are new to the company.

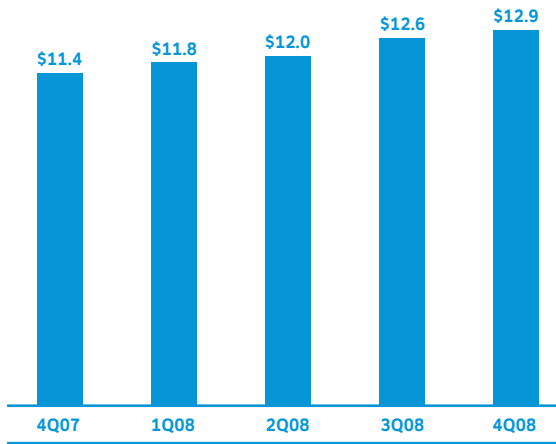
AT&T's iPhone exclusive continues to deliver subscribers with ARPUs that are on average approximately 1.6 times higher and churn rates that are significantly lower than those for the company's overall postpaid subscriber base.

During the fourth quarter, nearly 60 percent of the company's postpaid net adds came from customers choosing an integrated device. Over the past year, 3G integrated devices on AT&T's wireless network more than doubled. At the end of 2008, 24.9 percent of AT&T's postpaid wireless subscribers had an integrated device, up from 13.0 percent one year earlier.

AT&T WIRELESS REVENUES

Dollars in billions

Strong subscriber gains and rapid adoption of data services drove AT&T's 13.2 percent fourth-quarter growth in total wireless revenues.



RAPID EXPANSION IN WIRELESS DATA

Powered by AT&T's premier wireless data network and its attractive device lineup, AT&T's wireless data revenues grew 51.2 percent versus the year-earlier fourth quarter to \$3.1 billion. This marked AT&T's 12th consecutive quarter with wireless data revenue growth above 50 percent. Data represented 26.6 percent of AT&T's fourth-quarter wireless service revenues, up from 19.9 percent in the year-earlier quarter.

Wireless text messages on the AT&T network were nearly 80 billion in the fourth quarter, more than double the total for the

year-earlier fourth quarter. Internet access revenues and multimedia message volumes also continued their robust growth.

For the full year 2008, AT&T's wireless data revenues totaled \$10.6 billion, up \$3.6 billion or 52.5 percent versus 2007 results.

To spur continued strong growth in wireless data services, AT&T has expanded its 3G network coverage to nearly 350 cities. AT&T's 3G network is the nation's fastest, according to data compiled by leading independent wireless research firms, and allows typical download speeds of up to 1.7 megabits per second. AT&T also offers the broadest global coverage of any U.S. provider, with voice roaming available in more than 200 countries; access to e-mail, the Web and other data applications in more than 160 countries; and access to mobile broadband 3G networks in more than 65 countries.

WIRELESS REVENUE GROWTH, POSTPAID ARPU GAINS

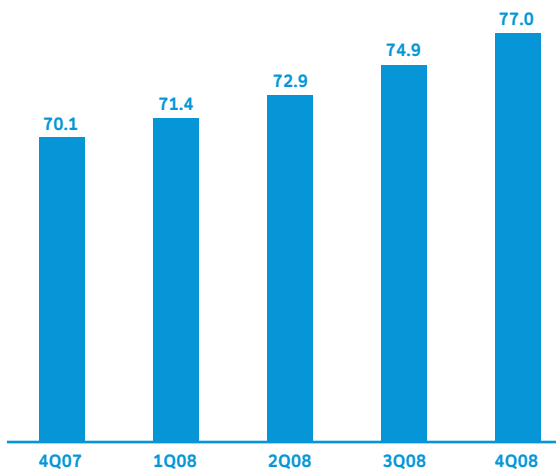
Driven by subscriber gains and data growth, AT&T's total wireless revenues increased 13.2 percent to \$12.9 billion in the fourth quarter, and wireless service revenues, which exclude handset and accessory sales, grew 13.3 percent to \$11.5 billion. For the full year 2008, total wireless revenues were \$49.3 billion, up \$6.7 billion or 15.6 percent versus 2007 results.

Total wireless subscriber ARPU was up 1.1 percent versus the fourth quarter of 2007, and AT&T continues to expand its industry-leading postpaid wireless subscriber ARPU. Reflecting strong wireless data growth led by the iPhone and other integrated devices, fourth-quarter total postpaid ARPU increased 3.9 percent versus the year-earlier quarter to \$59.59. Postpaid data ARPU was \$16.30, up \$4.29 or 35.7 percent versus the fourth quarter of 2007, and up \$1.60 or 10.9 percent sequentially.

AT&T WIRELESS SUBSCRIBERS

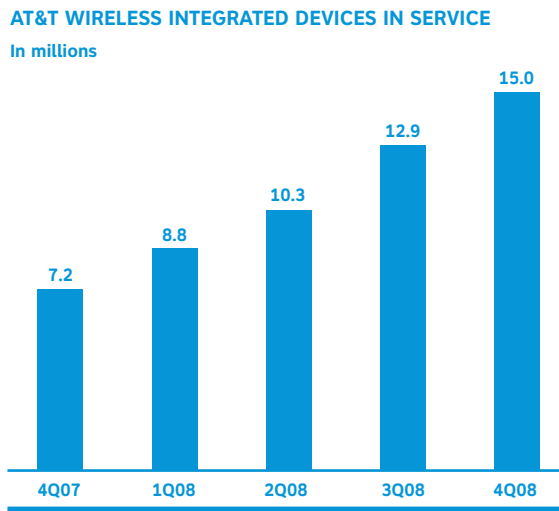
In millions

AT&T increased its wireless subscriber base by 2.1 million in the fourth quarter and by 7.0 million over the past year.





AT&T is the industry leader in integrated devices, a key driver for wireless data adoption. Over the past year, the company's wireless integrated devices in service more than doubled.



WIRELESS MARGIN EXPANSION

On a reported basis, fourth-quarter wireless operating expenses totaled \$10.2 billion, operating income was \$2.7 billion and AT&T's wireless operating income margin was 20.9 percent versus 17.0 percent in the year-earlier fourth quarter. On an adjusted basis, fourth-quarter wireless operating expenses totaled \$9.7 billion, operating income was \$3.2 billion and AT&T's wireless operating income margin was 24.6 percent versus 25.7 percent in the year-earlier fourth quarter.

Consistent with previously outlined expectations, the successful ramp of AT&T's iPhone 3G initiative helped drive

a substantial sequential improvement in AT&T's wireless OIBDA margins. AT&T's fourth-quarter unadjusted wireless OIBDA service margin was 35.8 percent, up from 33.5 percent in the third quarter of 2008 and 35.3 percent in the year-earlier quarter.

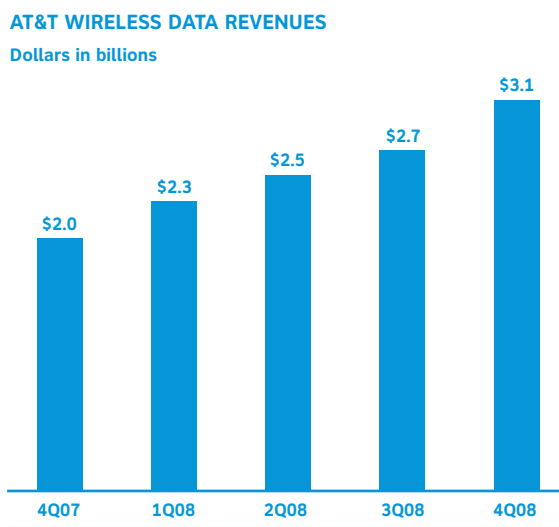
In addition to operational improvements, fourth-quarter 2008 margins included approximately \$450 million of pressure associated with iPhone 3G, down from approximately \$900 million in the third quarter of 2008, and approximately \$30 million of expenses due to hurricanes, down from approximately \$55 million in the third quarter of 2008. Without the iPhone and hurricane impacts, AT&T's fourth-quarter 2008 wireless OIBDA service margin would have been approximately 41 percent. (OIBDA service margin is operating income before depreciation and amortization, divided by total service revenues.)

WIRELESS INNOVATION

AT&T is defining and delivering to customers the next generation of wireless powered by advanced network capabilities, a compelling device lineup and innovative services. In addition to its highly successful launch of Apple iPhone 3G, in recent months AT&T:

- Launched as an AT&T exclusive the BlackBerry® Bold™ smartphone, which offers global 3G capabilities and comes pre-loaded with popular applications, including AT&T Navigator, YELLOWPAGES.COM Mobile and selections from AT&T Mobile Music service — XM Radio Mobile™ and MusicID.
- Collaborated with Lenovo and Ericsson to make AT&T's 3G service available on a full range of Lenovo ThinkPad notebooks, which come factory-equipped with Ericsson built-in mobile broadband modules that are enabled for AT&T LaptopConnect. All three of the ThinkPad SL notebooks and all notebooks in Lenovo's T and X series are included in the offering.

AT&T's wireless data revenues grew 51.2 percent year over year, driven by increased usage of wireless Internet and data access, messaging and media bundles.



- Joined with Dell to offer the award-winning Inspiron Mini 9 with built-in mobile broadband access to AT&T's 3G network. AT&T LaptopConnect customers with a two-year service agreement can also connect to the AT&T Wi-FiSM network, the nation's largest Wi-Fi network with thousands of hotspots across the country, at no extra cost.
- Launched a new line of Quick Messaging mobile phones, including the Pantech MatrixTM, Samsung PropelTM, Pantech SlateTM and AT&T QuickfireTM.
- Joined with LG Electronics to launch the LG InciteTM, a new Windows Mobile device with domestic and international 3G capabilities, which gives users a choice of on-screen virtual keyboards — a full, QWERTY keyboard in landscape mode and a 20-key keyboard in portrait view.
- Launched the Samsung EternityTM, an advanced touch-screen phone with support for AT&T Mobile TV. The Eternity is a multimedia-rich device that provides customers with mobile broadband Web access, AT&T Navigator, AT&T Mobile Music with Napster Mobile and a 3 megapixel camera.

Fourth-quarter results for AT&T's wired operations were highlighted by 14.2 percent growth in IP data revenues, which were driven by a strong ramp in AT&T U-verse subscribers and growth in business products such as VPNs and managed Internet services.

Wireline

AT&T's fourth-quarter wireline results included continued double-digit growth in IP data revenues, a further ramp in AT&T U-verse TV subscribers and a sustained turnaround in wholesale revenues. Gains in these areas were offset by an expected decline in voice revenues.

Fourth-quarter revenues in AT&T's wireline segment totaled \$17.1 billion versus \$17.7 billion in the year-earlier quarter. Total wired business revenues — which combine enterprise, wholesale and regional business results — were \$11.2 billion in the fourth quarter of 2008, representing a decline of 1.5 percent versus the year-earlier quarter. While the ramp in AT&T U-verse subscribers and gains in broadband continue to drive overall growth in revenues per consumer household, which were up 3.4 percent in the fourth quarter, total wireline consumer revenues were down 5.3 percent year over year, reflecting pressure on wired voice lines.

Compared with results for the year-earlier quarter, on a reported basis, fourth-quarter wireline operating expenses totaled \$14.7 billion versus \$14.8 billion; operating income was \$2.4 billion versus \$2.9 billion; and AT&T's wireline operating income margin was 13.8 percent versus 16.4 percent.

Adjusted wireline results for the fourth quarter of 2007 excluded merger-related integration and amortization expenses. For the fourth quarter of 2008, adjusted wireline results exclude merger-related expenses.

Compared with results for the year-earlier quarter, fourth-quarter adjusted wireline operating expenses totaled \$14.3 billion versus \$14.2 billion; adjusted operating income was \$2.7 billion versus \$3.4 billion; and AT&T's adjusted wireline operating income margin was 16.1 percent versus 19.4 percent. In addition to operational drivers, fourth-quarter 2008 results include approximately \$90 million in costs related to hurricanes.

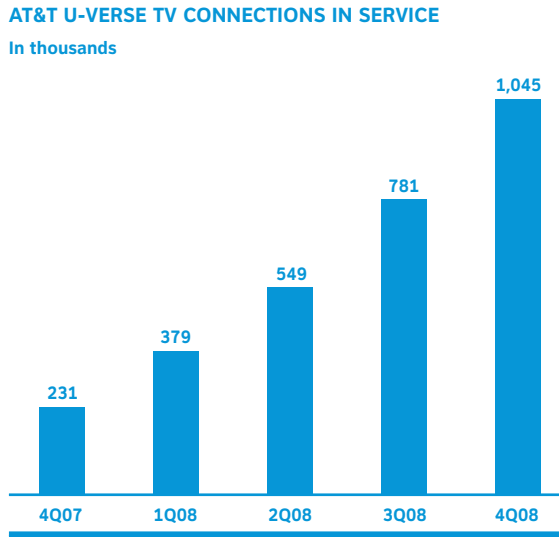
The following wireline highlights include ongoing shifts in customer categories to reflect AT&T's management of customer relationships.

STRONG AT&T U-VERSE RAMP

AT&T further accelerated its ramp in U-verse TV growth with a net gain of 264,000 subscribers in the fourth quarter, up from 232,000 added in the third quarter of 2008, to reach more than 1 million.



AT&T accelerated subscriber growth in its advanced IP-based TV service in 2008, as customers responded positively to the high-quality viewing experience and rich set of features.



This growth reflects the high quality of the AT&T U-verse video experience and a host of attractive features, including Total Home DVR, which was launched across the company's U-verse footprint in the second half of 2008. AT&T U-verse TV also features an extensive High Definition channel lineup, the ability to record up to four programs at once and to schedule recordings from a PC or wireless device, built-in picture-in-picture, fast channel changing and YELLOWPAGES.COM TV for fast and easy searches to find local businesses and other information.

AT&T U-verse services expanded in 2008 with the introduction and ongoing rollout of AT&T U-verse Voice, a managed IP-based service that is delivered over AT&T's fiber-rich network. Its features include a single, combined voice mailbox for AT&T U-verse Voice and AT&T wireless messages with U-verse Messaging, which can be accessed from any phone line — wired or wireless — or PC, and the ability to view call logs from a customer's PC or TV screen.

On Oct. 1, AT&T announced that AT&T U-verse TV scored highest in customer satisfaction among residential television customers in the North Central, South and West regions in the J.D. Power and Associates 2008 Residential Television Service Satisfaction StudySM. Customers evaluated AT&T's performance and reliability, customer service, cost of service, billing and offerings and promotions.

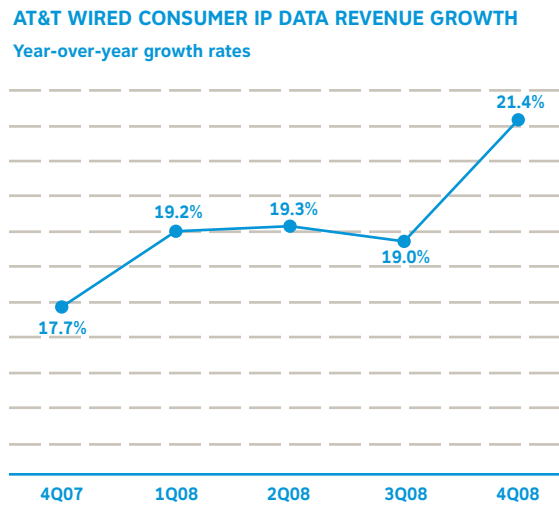
BROADBAND GROWTH

AT&T's U-verse growth continues to drive overall growth in broadband connections.

In the fourth quarter, the company's total broadband connections, which include wireline subscribers and wireless customers with 3G LaptopConnect cards, increased by 357,000 to reach 16.3 million in service, up 1.5 million or 10.3 percent over the past year. The number of 3G LaptopConnect cards in service nearly doubled over the past year, with an increase of 599,000 over the past year and 121,000 in the fourth quarter.

Sales of bundles that combine wireless with wired broadband service continue to be strong, and AT&T U-verse TV continues to have a high attach rate for broadband, at greater than 90 percent in the fourth quarter. AT&T expanded its U-verse broadband options in 2008 with the launch of two higher speed Internet access packages, AT&T U-verse High Speed Internet Max (downstream speeds up to 10 Mbps) and Max 18 (downstream speeds up to 18 Mbps).

Driven by a strong AT&T U-verse ramp, growth in consumer IP data revenues — which include U-verse and broadband services — accelerated in the fourth quarter.



In addition, AT&T's wired and wireless broadband subscribers benefit from access to AT&T's industry-leading Wi-Fi footprint, with nearly 20,000 hotspots in the United States and access to more than 80,000 hotspots around the world.

WHOLESALE TURNAROUND

Over the past year, AT&T delivered a major upturn in wholesale revenue trends, and in the fourth quarter the company extended the turnaround. Wholesale revenues grew 1.0 percent versus the year-earlier fourth quarter. This marks AT&T's second consecutive quarter of growth in this category and compares with a year-over-year decline of 8.5 percent reported in the year-ago fourth quarter.

The turnaround reflects solid demand for data services offsetting expected declines in local voice. AT&T is one of the largest wholesale transport and communications service providers in the world, maintaining connections to more than 600 carriers in more than 220 countries and territories, and delivers a full portfolio of end-to-end, reliable and highly secure network, voice, data and IP solutions to carriers, wireless operators, cable providers, systems integrators, Internet service providers and content providers.

In addition, revenues from AT&T's global network alliance with IBM, which was announced in 2007, continue to ramp. AT&T expects the ramp in revenues from the IBM agreement will continue in 2009.

ENTERPRISE TRENDS

AT&T's enterprise and regional business operations continued to generate double-digit growth in IP data revenues in the fourth quarter, which were offset by expected economic pressures primarily reflected in voice and legacy data volumes.

In enterprise, VPN revenue growth was above 20 percent, continuing trends of recent quarters. Total enterprise revenues in the fourth quarter were \$4.5 billion, down 3.7 percent versus results for the year-earlier quarter.

Enterprise sales flow and adoption of new services continues to be solid, and nearly 60 percent of AT&T's frame customers have made the transition to IP-based solutions, which let these companies easily add applications such as video on top of their infrastructures. In addition, more companies are turning to AT&T for integrated wired and wireless business solutions.

In 2008, the company took important steps to further expand its product portfolio and enhance its service capabilities around the globe. This includes new services such as AT&T Synaptic HostingSM, the company's next-generation utility computing services, and the AT&T Telepresence Solution, which enables businesses to interact and collaborate with others, using the power of Cisco TelePresence to deliver, within a specially designed environment, life-size images via High Definition video (1080p) and spatial audio.

In December, AT&T announced an expanded global reach for AT&T's Ethernet portfolio with the availability of a virtual private local area network service in 14 countries across Europe and the Asia Pacific region.

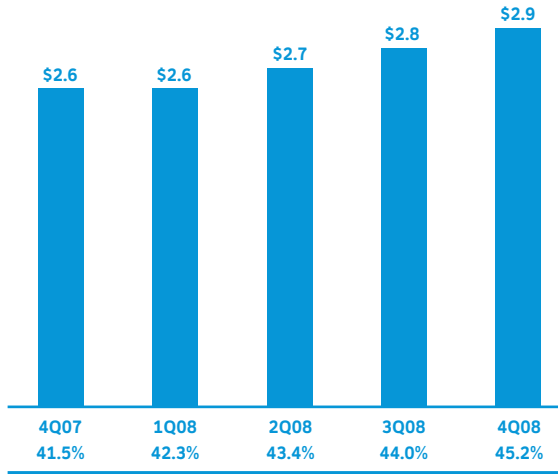
Earlier in the fourth quarter, AT&T announced the completion of its transition of IP traffic to a next-generation, consolidated IP/MPLS backbone network, which delivers a dramatic expansion in capacity to meet the ever-growing demand for IP connectivity from consumers and businesses. The new full-mesh optical platform includes the world's largest deployment of 40-gigabit-per-second



AT&T's IP data service revenues, which include U-verse services and business products such as VPNs and managed Internet services, grew 14.2 percent year over year.

AT&T WIRELINE IP DATA REVENUES

Dollars in billions



IP data as a percentage of total wireline data revenues

transport, the fastest backbone technology available today. The company's entire U.S. ultra-long haul network — more than 80,000 fiber-optic wavelength miles — now uses this 40-gigabit network technology, known as OC-768.

Regional business revenues declined 0.9 percent versus the year-earlier fourth quarter to \$3.2 billion. Regional business data revenues grew 7.0 percent, consistent with results in recent quarters, led by Ethernet and IP data services, which made up 55.4 percent of AT&T's regional business data revenues and grew 18.3 percent versus the year-earlier fourth quarter.

AT&T's portfolio of communications services for its regional business customers includes wireless, broadband Internet access, business e-mail services, Web hosting, unified messaging, remote data storage and network security options.

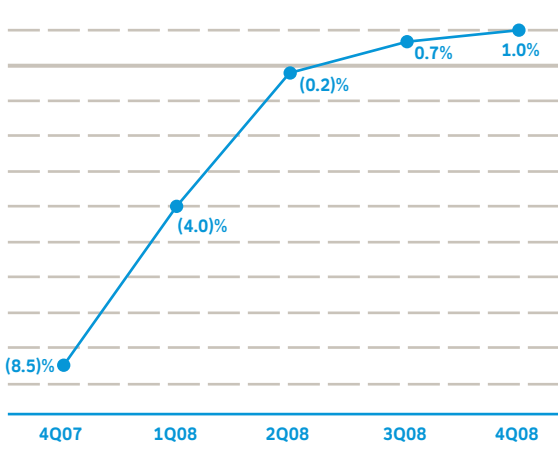
In December, AT&T launched U-verse High Speed Internet Max 18 service for small businesses over the AT&T U-verse platform. The service, which features speeds of up to 18 Mbps downstream, is available in more than 70 U.S. markets. AT&T U-verse High Speed Internet Business Edition can serve up to 50 Internet user connections in the customer's business, depending on the applications needed.

Also in the fourth quarter, AT&T added a range of new e-commerce professional services to its portfolio of Web design and Web hosting solutions for small and midsize businesses. The new Web hosting professional services include support for site and database migrations, one-stop e-commerce site builds, database builds, expanded managed system and server administration, code-execution monitoring and third-party code debugging and support.

NATIONAL MASS MARKETS

Revenues from AT&T's national mass markets category, which includes the remainder of the former AT&T's stand-alone long distance and local bundled business, totaled \$582 million in the fourth quarter, representing a decline of 26.4 percent year over year. Results are as expected and consistent with trends over the past several quarters. National mass markets represented 3.4 percent of total wireline revenues in the fourth quarter and accounted for 35.7 percent of AT&T's year-over-year decline in total wireline revenues.

AT&T WHOLESALE REVENUES — YEAR-OVER-YEAR GROWTH RATES



AT&T delivered a substantial turnaround in its wholesale revenue growth rate in 2008, driven by solid demand and increased revenues from the company's global network services agreement with IBM.



PRODUCT CATEGORIES

WIRELINE DATA SERVICES

AT&T's data revenues, which include results from several customer categories, grew 4.9 percent versus results for the year-earlier fourth quarter to \$6.5 billion.

Data growth was led by a 14.2 percent increase in revenues from IP-based services, with continued gains in managed Internet, VPN, hosting and AT&T U-verse services. Wired IP and Ethernet services, which make up 47.6 percent of total wireline data revenues, grew 15.2 percent.

Data transport service revenues increased 2.3 percent year over year, and packet-switched data revenues, which include Frame Relay and ATM services, were down 17.2 percent, consistent with industry trends.

In the fourth quarter, 73.4 percent of AT&T's data revenues came from retail business and consumer customers. These retail data revenues were up 5.9 percent versus results for the year-earlier quarter.

WIRELINE VOICE SERVICES

AT&T's fourth-quarter wireline voice revenues, which include retail local voice and long distance as well as wholesale voice, totaled \$9.0 billion, representing a decline of 10.0 percent versus results for the fourth quarter of 2007. These results continue trends in recent quarters, reflecting the industrywide migration of voice usage from wired to wireless platforms, customer transitions to broadband and VoIP services and increased local voice competition.

AT&T is a leader in local search, with more than 1,250 print directories and YELLOWPAGES.COM, its fast-growing online search service.

Advertising & Publishing

AT&T's Advertising & Publishing segment offers businesses a full suite of local search options, including print and Internet Yellow Pages in addition to Web site design, search engine marketing and mobile search.

AT&T's Advertising & Publishing operations deliver 173 million directories to residences and businesses in 22 states and have a premier online presence nationwide with YELLOWPAGES.COM, which offers consumers access to local business information, the latest business listings, city guides, maps and driving directions. Combined, these print and online products receive approximately 5 billion consumer searches a year for local business information and over the year, we provided more than 1 million advertisers with valuable sales leads to help their businesses grow.

Advertising & Publishing revenue trends reflect migration from print to electronic search, including rapid growth at AT&T's YELLOWPAGES.COM. In the fourth quarter, Advertising & Publishing's Internet revenues increased 31.6 percent versus the year-earlier quarter, and total Advertising & Publishing revenues declined 9.8 percent, in part reflecting revenues lost through the sale of a sales agency business that serves independent telephone companies. That transaction closed in the second quarter of 2008. Excluding revenues from this sold unit, fourth quarter Advertising & Publishing revenues would have declined 6.3 percent year over year.

Compared with results in the year-earlier quarter, fourth-quarter reported operating expenses totaled \$885 million versus \$966 million; operating income totaled \$443 million, compared with \$507 million; and the segment's operating income margin was 33.4 percent versus 34.4 percent.

Adjusted results for Advertising & Publishing exclude merger-related noncash amortization costs in both quarters. Compared with results in the year-earlier quarter, fourth-quarter 2008 adjusted operating expenses totaled \$709 million versus \$790 million; adjusted operating income totaled \$619 million, compared with \$683 million; and adjusted operating income margin was 46.6 percent versus 46.4 percent.

In November, AT&T announced a realignment of its advertising sales and product responsibilities under two new business units to better help businesses take advantage of the full suite of advertising opportunities in print, Internet, TV and wireless. Under the new alignment, AT&T's Advertising & Publishing business unit has been renamed AT&T Advertising Solutions and is responsible for all AT&T advertising sales. In addition, AT&T's YELLOWPAGES.COM business unit has been renamed AT&T Interactive to reflect its expanded role, which includes the development, management and delivery of online and mobile advertising products across all of AT&T's media platforms, including AT&T's broadband, wireless and U-verse customer bases.

AT&T's Other segment includes results from its Sterling Commerce unit, customer information services and equity investments in Telmex, América Móvil and Telmex Internacional.

Other

AT&T's Other segment includes results from AT&T's Sterling Commerce operations and AT&T's customer information services operations, both of which are included in segment revenues and operating expenses. Customer information services include operator services and directory assistance. Sterling Commerce is one of the world's largest providers of multi-enterprise collaboration solutions, serving the retail, consumer packaged goods, manufacturing, financial services, health care and telecommunications industries.

The Other segment also includes AT&T's proportionate share of results from Telmex, América Móvil and Telmex Internacional, which are shown in the Equity in Net Income of Affiliates line for this segment. AT&T's equity interest in each company is more than 8 percent.

América Móvil is one of the leading providers of telecommunications services in Latin America. At the end of the third quarter of 2008, América Móvil had 172.6 million wireless subscribers in countries throughout the region, including 54.4 million in Mexico.

Telmex is the leading telecommunications company in Mexico. Telmex and its subsidiaries provide a wide range of telecommunications services, data and video transmission, Internet access and integrated telecommunications solutions. Telmex Internacional has telecommunications operations in Argentina, Brazil, Chile, Colombia, Ecuador, Mexico, Peru and Uruguay.

On a reported basis, Other segment income totaled (\$475) million in the fourth quarter versus \$347 million in the year-earlier quarter. Segment revenues totaled \$486 million, compared with \$571 million for the fourth quarter of 2007, and operating expenses totaled \$1.1 billion versus \$367 million in the year-earlier quarter. These results reflect AT&T's \$617 million charge for severance in the fourth quarter of 2008, which is included in Other segment results.

On an adjusted basis, Other segment income totaled \$146 million in the fourth quarter versus \$409 million in the year-earlier quarter. Adjusted operating expenses totaled \$446 million versus \$305 million in the year-earlier quarter.

Fourth-quarter Equity in Net Income of Affiliates in the Other Segment totaled \$106 million, down from \$143 million in the year-earlier quarter, reflecting solid operational results partially offset by negative foreign exchange impacts.

AT&T Inc.
Consolidated Statements of Income

(Dollars in Millions Except per Share Amounts)

(Unaudited)	Three Months Ended			Twelve Months Ended		
	12/31/08	12/31/07	% Change	12/31/08	12/31/07	% Change
Operating Revenues						
Wireless service	\$11,523	\$10,151	13.5%	\$ 44,249	\$ 38,568	14.7%
Voice	8,796	9,801	-10.3%	37,321	40,798	-8.5%
Data	6,202	5,925	4.7%	24,372	23,206	5.0%
Directory	1,302	1,389	-6.3%	5,416	4,806	12.7%
Other	3,253	3,083	5.5%	12,670	11,550	9.7%
Total Operating Revenues	31,076	30,349	2.4%	124,028	118,928	4.3%
Operating Expenses						
Cost of services and sales (exclusive of depreciation and amortization shown separately below)	12,923	11,889	8.7%	49,895	46,705	6.8%
Selling, general and administrative	8,211	7,745	6.0%	31,187	30,242	3.1%
Depreciation and amortization	5,044	5,223	-3.4%	19,883	21,577	-7.9%
Total Operating Expenses	26,178	24,857	5.3%	100,965	98,524	2.5%
Operating Income	4,898	5,492	-10.8%	23,063	20,404	13.0%
Interest Expense	813	868	-6.3%	3,390	3,507	-3.3%
Equity in Net Income of Affiliates	107	147	-27.2%	819	692	18.4%
Other Income (Expense) – Net	(498)	1	—	(589)	615	—
Income Before Income Taxes	3,694	4,772	-22.6%	19,903	18,204	9.3%
Income Taxes	1,290	1,636	-21.1%	7,036	6,253	12.5%
Net Income	\$ 2,404	\$ 3,136	-23.3%	\$ 12,867	\$ 11,951	7.7%
Basic Earnings Per Share						
Weighted Average Common	\$ 0.41	\$ 0.52	-21.2%	\$ 2.17	\$ 1.95	11.3%
Shares Outstanding (000,000)	5,893	6,054	-2.7%	5,927	6,127	-3.3%
Diluted Earnings Per Share						
Weighted Average Common	\$ 0.41	\$ 0.51	-19.6%	\$ 2.16	\$ 1.94	11.3%
Shares Outstanding with Dilution (000,000)	5,920	6,095	-2.9%	5,958	6,170	-3.4%

AT&T Inc.
Statements of Segment Income

(Dollars in Millions)

(Unaudited)

	Three Months Ended			Twelve Months Ended		
	12/31/08	12/31/07	% Change	12/31/08	12/31/07	% Change
Wireless						
Segment Operating Revenues						
Service	\$11,541	\$10,186	13.3%	\$44,410	\$38,678	14.8%
Equipment	1,318	1,169	12.7%	4,925	4,006	22.9%
Total Segment Operating Revenues	12,859	11,355	13.2%	49,335	42,684	15.6%
Segment Operating Expenses						
Cost of services and equipment sales	4,817	4,301	12.0%	18,078	15,991	13.1%
Selling, general and administrative	3,914	3,458	13.2%	14,403	12,594	14.4%
Depreciation and amortization	1,443	1,669	-13.5%	5,770	7,079	-18.5%
Total Segment Operating Expenses	10,174	9,428	7.9%	38,251	35,664	7.3%
Segment Operating Income	2,685	1,927	39.3%	11,084	7,020	57.9%
Equity in Net Income of Affiliates	1	4	-75.0%	6	16	-62.5%
Minority Interest	(70)	(55)	-27.3%	(256)	(198)	-29.3%
Segment Income	\$ 2,616	\$ 1,876	39.4%	\$10,834	\$ 6,838	58.4%

Wireline
Segment Operating Revenues

Voice	\$ 9,007	\$10,011	-10.0%	\$38,198	\$41,630	-8.2%
Data	6,459	6,157	4.9%	25,352	24,075	5.3%
Other	1,606	1,489	7.9%	6,304	5,878	7.2%
Total Segment Operating Revenues	17,072	17,657	-3.3%	69,854	71,583	-2.4%
Segment Operating Expenses						
Cost of sales	8,021	7,622	5.2%	31,929	31,018	2.9%
Selling, general and administrative	3,319	3,805	-12.8%	13,624	15,159	-10.1%
Depreciation and amortization	3,380	3,340	1.2%	13,150	13,416	-2.0%
Total Segment Operating Expenses	14,720	14,767	-0.3%	58,703	59,593	-1.5%
Segment Income	\$ 2,352	\$ 2,890	-18.6%	\$11,151	\$11,990	-7.0%

Advertising & Publishing

Segment Operating Revenues	\$ 1,328	\$ 1,473	-9.8%	\$ 5,502	\$ 5,851	-6.0%
Segment Operating Expenses						
Cost of sales	395	431	-8.4%	1,716	1,645	4.3%
Selling, general and administrative	310	354	-12.4%	1,282	1,421	-9.8%
Depreciation and amortization	180	181	-0.6%	789	924	-14.6%
Total Segment Operating Expenses	885	966	-8.4%	3,787	3,990	-5.1%
Segment Income	\$ 443	\$ 507	-12.6%	\$ 1,715	\$ 1,861	-7.8%

Other

Segment Operating Revenues	\$ 486	\$ 571	-14.9%	\$ 2,043	\$ 2,229	-8.3%
Segment Operating Expenses	1,067	367	—	2,929	2,040	43.6%
Segment Operating Income (Loss)	(581)	204	—	(886)	189	—
Equity in Net Income of Affiliates	106	143	-25.9%	813	676	20.3%
Segment Income (Loss)	\$ (475)	\$ 347	—	\$ (73)	\$ 865	—

AT&T Inc.
Consolidated Balance Sheets

(Dollars in Millions Except per Share Amounts)

	12/31/08	12/31/07
	(Unaudited)	
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,792	\$ 1,970
Accounts receivable – net of allowances for uncollectibles of \$1,270 and \$1,364	16,047	16,185
Prepaid expenses	1,538	1,524
Deferred income taxes	1,014	2,044
Other current assets	2,165	2,963
Total current assets	22,556	24,686
Property, Plant and Equipment – Net	99,088	95,890
Goodwill	71,829	70,713
Licenses	47,306	37,985
Customer Lists and Relationships – Net	10,582	14,505
Other Intangible Assets – Net	5,824	5,912
Investments in Equity Affiliates	2,332	2,270
Postemployment Benefit	—	17,291
Other Assets	5,728	6,392
Total Assets	\$265,245	\$275,644
Liabilities and Stockholders' Equity		
Current Liabilities		
Debt maturing within one year	\$ 14,119	\$ 6,860
Accounts payable and accrued liabilities	20,032	21,399
Advanced billing and customer deposits	3,849	3,571
Accrued taxes	1,874	5,027
Dividends payable	2,416	2,417
Total current liabilities	42,290	39,274
Long-Term Debt	60,872	57,255
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	19,196	24,939
Postemployment benefit obligation	31,930	24,011
Other noncurrent liabilities	14,610	14,798
Total deferred credits and other noncurrent liabilities	65,736	63,748
Stockholders' Equity		
Common shares issued (\$1 par value)	6,495	6,495
Capital in excess of par value	91,728	91,638
Retained earnings	36,591	33,297
Treasury shares (at cost)	(21,410)	(15,683)
Accumulated other comprehensive income (loss)	(17,057)	(380)
Total stockholders' equity	96,347	115,367
Total Liabilities and Stockholders' Equity	\$265,245	\$275,644

AT&T Inc.
Consolidated Statements of Cash Flows

(Dollars in Millions, Increase [Decrease] in Cash and Cash Equivalents)

(Unaudited)

	Twelve Months Ended		
	12/31/08	12/31/07	12/31/06
Operating Activities			
Net income	\$ 12,867	\$ 11,951	\$ 7,356
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	19,883	21,577	9,907
Undistributed earnings from investments in equity affiliates	(654)	(297)	(1,946)
Provision for uncollectible accounts	1,796	1,617	586
Deferred income tax expense (benefit)	5,889	(240)	(87)
Net (gain) loss from impairment and sale of investments	517	(11)	(10)
Gain on license exchange	—	(409)	—
Changes in operating assets and liabilities:			
Accounts receivable	(1,421)	(1,491)	519
Other current assets	827	(1,020)	30
Accounts payable and accrued liabilities	(5,563)	672	(2,213)
Stock-based compensation tax benefit	(15)	(173)	(18)
Other – net	(470)	2,066	1,564
Total adjustments	20,789	22,291	8,332
Net Cash Provided by Operating Activities	33,656	34,242	15,688
Investing Activities			
Construction and capital expenditures			
Capital expenditures	(19,676)	(17,717)	(8,320)
Interest during construction	(659)	(171)	(73)
Net Investments in affiliates	—	—	(1,104)
Acquisitions, net of cash acquired	(10,972)	(2,873)	368
Dispositions	1,615	1,594	756
Proceeds from sale of securities, net of investments	68	455	—
Sale of other investments	436	—	—
Other	45	36	7
Net Cash Used in Investing Activities	(29,143)	(18,676)	(8,366)
Financing Activities			
Net change in short-term borrowings with original maturities of three months or less	2,017	(3,411)	3,649
Issuance of long-term debt	12,416	11,367	1,491
Repayment of long-term debt	(4,010)	(6,772)	(4,242)
Purchase of treasury shares	(6,077)	(10,390)	(2,678)
Issuance of treasury shares	319	1,986	589
Dividends paid	(9,507)	(8,743)	(5,153)
Stock-based compensation tax benefit	15	173	18
Other	136	(224)	198
Net Cash Used in Financing Activities	(4,691)	(16,014)	(6,128)
Net increase (decrease) in cash and cash equivalents	(178)	(448)	1,194
Cash and cash equivalents beginning of year	1,970	2,418	1,224
Cash and Cash Equivalents End of Year	\$ 1,792	\$ 1,970	\$ 2,418

AT&T Inc.
Supplementary Operating and Financial Data

(Dollars in Millions Except per Share Amounts)

(Unaudited)	Three Months Ended			Twelve Months Ended		
	12/31/08	12/31/07	% Change	12/31/08	12/31/07	% Change
Wireless						
Wireless Customers (000)				77,009	70,052	9.9%
Net Customer Additions (000)	2,095	2,675	-21.7%	6,699	7,315	-8.4%
M&A Activity, Partitioned Customers and Other Adjs. (000)	43	1,711	-97.5%	258	1,775	-85.5%
Postpaid Customers (000)				60,098	55,310	8.7%
Net Postpaid Customer Additions (000)	1,342	1,178	13.9%	4,634	3,982	16.4%
Postpaid Churn	1.2%	1.2%	—	1.2%	1.3%	-10 BP
Licensed POPs (000,000)				304	299	1.7%

In-Region Wireline¹

Total Consumer Revenue Connections (000) ⁷						
Retail Consumer Voice Connections ²				27,479	31,005	-11.4%
Retail Consumer Additional Voice Connections ²				3,359	4,004	-16.1%
Consumer Wired Broadband Connections ³				12,972	12,082	7.4%
Video Connections: ⁴						
Satellite Connections				2,190	2,116	3.5%
U-verse Video Connections				1,045	231	—
Total Consumer Revenue Connections (000)				47,045	49,438	-4.8%
Net Consumer Revenue Connection Changes (000)	(503)	(160)	—	(2,393)	577	—

Broadband and Video

Total Broadband Connections (000) ^{5,7}				16,322	14,802	10.3%
Net Broadband Connection Changes (000) ^{5,7}	357	525	-32.0%	1,520	2,632	-42.2%
Total Video Connections (000) ⁴				3,235	2,347	37.8%
Net Video Connection Changes (000) ⁴	272	235	15.7%	888	837	6.1%

AT&T Inc.

Construction and Capital expenditures						
Capital expenditures	\$ 5,288	\$ 5,593	-5.5%	\$ 19,676	\$ 17,717	11.1%
Interest during construction	\$ 204	\$ 46	—	\$ 659	\$ 171	—
Dividends Declared per Share	\$0.4100	\$0.4000	2.5%	\$ 1.6100	\$ 1.4650	9.9%
End of Period Common Shares Outstanding (000,000)				5,893	6,044	-2.5%
Debt Ratio ⁶				43.8%	35.7%	810 BP
Total Employees				302,660	309,050	-2.1%

¹In-region wireline represents access lines served by AT&T's incumbent local exchange companies.

²Includes consumer U-verse Voice over IP connections.

³Wireline consumer broadband connections include DSL lines, U-verse high speed Internet access and satellite broadband.

⁴Video connections include sales under agency agreements with EchoStar and DirecTV customers and U-verse connections.

⁵Total broadband connections include DSL lines, U-verse high speed Internet access, satellite broadband and 3G LaptopConnect cards.

⁶Total long-term debt plus debt maturing within one year divided by total debt plus total stockholders' equity.

⁷Prior year amounts restated to conform to current period reporting methodology.

Note: For the end of year 2008, total switched access lines were 55,610, retail business switched access lines totaled 21,826, and wholesale and coin switched access lines totaled 3,170.

First-Quarter 2009 Earnings Date: April 22, 2009

AT&T will release first-quarter 2009 earnings on April 22, 2009, before the market opens.

The company's *InvestorBriefing* and related earnings materials will be available on the AT&T Web site at www.att.com/investor.relations by 8 a.m. Eastern time.

AT&T will also host a conference call to discuss the results at 10 a.m. Eastern time the same day. Dial-in and replay information will be announced on First Call approximately eight weeks before the call, which will also be broadcast live and will be available for replay over the Internet at www.att.com/investor.relations.

Cautionary Language Concerning Forward-Looking Statements

Information set forth in this *InvestorBriefing* contains financial estimates and other forward-looking statements that are subject to risks and uncertainties, and actual results may differ materially. A discussion of factors that may affect future results is contained in AT&T's filings with the Securities and Exchange Commission.

AT&T disclaims any obligation to update or revise statements contained in this *InvestorBriefing* based on new information or otherwise.

This *InvestorBriefing* may contain certain non-GAAP financial measures. Reconciliations between the non-GAAP financial measures and the GAAP financial measures are available on the company's Web site at www.att.com/investor.relations.

AT&T *InvestorBriefing*

The AT&T *InvestorBriefing* is published by the Investor Relations staff of AT&T Inc. Requests for further information may be directed to one of the Investor Relations managers by phone at 210-351-3327.

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