



AT&T Financial and Operational Results



Consolidated

Financial Summary

AT&T Inc.

Dollars in Millions

| | 2005 | 2006 |
|--------------------|-----------|-----------|
| Operating Revenues | \$ 43,764 | \$ 63,055 |
| Operating Expenses | \$ 37,596 | \$ 52,767 |
| Net Income | \$ 4,786 | \$ 7,356 |

Wireline

| | 2005 | 2006 |
|--------------------|-----------|-----------|
| Operating Revenues | \$ 38,454 | \$ 57,478 |
| Operating Expenses | \$ 34,765 | \$ 49,554 |
| Segment Income | \$ 3,689 | \$ 7,924 |

Wireless*

| | 2005 | 2006 |
|--------------------|-----------|-----------|
| Operating Revenues | \$ 34,468 | \$ 37,537 |
| Operating Expenses | \$ 32,641 | \$ 32,965 |
| Segment Income | \$ 1,713 | \$ 4,443 |

* Results reflect 100% of AT&T Mobility's actual results.

Advertising & Publishing

| | 2005 | 2006 |
|--------------------|----------|----------|
| Operating Revenues | \$ 3,684 | \$ 3,685 |
| Operating Expenses | \$ 1,690 | \$ 1,740 |
| Segment Income | \$ 1,989 | \$ 1,928 |

Other

| | 2005 | 2006 |
|--------------------|----------|----------|
| Operating Revenues | \$ 1,731 | \$ 1,878 |
| Operating Expenses | \$ 1,248 | \$ 1,485 |
| Segment Income | \$ 1,112 | \$ 2,413 |

Consolidated Statements of Income -- GAAP

AT&T Inc.

| Dollars in Millions | Three Months Ended | | | | | | | |
|---|--------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | 9/30/05 | 12/31/05 | 3/31/06 | 6/30/06 | 9/30/06 | 12/31/06 | 3/31/07 | 6/30/07 |
| Voice | \$ 5,669 | \$ 7,057 | \$ 8,615 | \$ 8,509 | \$ 8,400 | \$ 8,190 | \$ 10,455 | \$ 10,378 |
| Data | 2,514 | 3,440 | 4,501 | 4,534 | 4,598 | 4,684 | 5,655 | 5,746 |
| Wireless Service | 8 | 11 | 8 | 8 | 8 | 199 | 9,070 | 9,513 |
| Directory | 917 | 902 | 901 | 909 | 906 | 918 | 1,022 | 1,155 |
| Other | 1,196 | 1,499 | 1,731 | 1,810 | 1,726 | 1,900 | 2,767 | 2,686 |
| Total Operating Revenues | 10,304 | 12,909 | 15,756 | 15,770 | 15,638 | 15,891 | 28,969 | 29,478 |
| Operating Expenses | | | | | | | | |
| Cost of Sales | 4,371 | 6,030 | 7,364 | 7,163 | 6,923 | 7,092 | 11,252 | 11,478 |
| Selling, General and Administrative | 2,168 | 3,541 | 3,709 | 3,517 | 3,361 | 3,731 | 7,437 | 7,640 |
| Depreciation and Amortization | 1,803 | 2,206 | 2,492 | 2,486 | 2,437 | 2,492 | 5,616 | 5,416 |
| Total Operating Expenses | 8,342 | 11,777 | 13,565 | 13,166 | 12,721 | 13,315 | 24,305 | 24,534 |
| Operating Income | 1,962 | 1,132 | 2,191 | 2,604 | 2,917 | 2,576 | 4,664 | 4,944 |
| Interest Expense | 349 | 405 | 464 | 472 | 442 | 465 | 873 | 879 |
| Equity in Net Income of Affiliates | 219 | 267 | 334 | 455 | 649 | 605 | 173 | 210 |
| Other Income (Expense) - Net | 12 | 95 | 96 | 110 | 109 | 78 | 504 | 127 |
| Income Before Income Taxes | 1,844 | 1,089 | 2,157 | 2,697 | 3,233 | 2,794 | 4,468 | 4,402 |
| Income Taxes | 598 | (566) | 712 | 889 | 1,068 | 856 | 1,620 | 1,498 |
| Net Income | \$ 1,246 | \$ 1,655 | \$ 1,445 | \$ 1,808 | \$ 2,165 | \$ 1,938 | \$ 2,848 | \$ 2,904 |

Financial and Operating Statistics Summary

AT&T Inc.

| Dollars in Millions, Except Per Share Amounts | Three Months Ended | | | | | | | 6/30/07 |
|--|--------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | 9/30/05 | 12/31/05 | 3/31/06 | 6/30/06 | 9/30/06 | 12/31/06 | 3/31/07 | |
| Capital Expenditures | \$ 1,414 | \$ 1,833 | \$ 1,821 | \$ 2,221 | \$ 2,116 | \$ 2,162 | \$ 3,338 | \$ 4,122 |
| Dividends Declared Per Share | \$ 0.3225 | \$ 0.3325 | \$ 0.3325 | \$ 0.3325 | \$ 0.3325 | \$ 0.3550 | \$ 0.3550 | \$ 0.3550 |
| Dividend Growth | 3.2% | 3.1% | 3.1% | 3.1% | 3.1% | 6.8% | 6.8% | 6.8% |
| End of Period Common Shares Outstanding (000,000) | 3,288 | 3,877 | 3,888 | 3,884 | 3,853 | 6,239 | 6,186 | 6,107 |
| Pretax Interest Coverage ^{1,5} | 6.2 | 3.7 | 5.6 | 6.7 | 8.0 | 6.8 | 6.1 | 5.8 |
| Net Cash Flow to Average Total Debt ^{2,5} | 7.4% | 11.1% | 9.3% | 8.4% | 8.9% | 8.5% | 10.1% | 8.6% |
| Funds From Operations Interest Coverage ^{3,5} | 9.3 | 10.5 | 9.8 | 9.4 | 9.9 | 11.1 | 10.4 | 9.2 |
| Debt Ratio | 36.6% | 35.9% | 36.4% | 35.5% | 36.3% | 34.1% | 35.4% | 35.6% |

Wireless ⁴

| | | | | | | | | |
|--|--------|--------|--------|--------|--------|--------|--------|--------|
| Wireless Voice Customers (000) | 52,292 | 54,144 | 55,810 | 57,308 | 58,666 | 60,962 | 62,217 | 63,673 |
| Net Adds (000) | 867 | 1,820 | 1,679 | 1,498 | 1,358 | 2,357 | 1,191 | 1,456 |
| M&A Activity, Partitioned Customer/Other | (17) | 32 | (13) | - | - | (61) | 64 | - |
| Licensed POPs (000,000) | 294 | 294 | 296 | 296 | 296 | 296 | 296 | 299 |

¹ Pretax income and interest on debt divided by interest on debt.

² Net cash flow equals funds from operations (cash flow from operations before working capital changes) less dividends paid.

³ The sum of funds from operations and cash paid for interest on debt divided by interest incurred on debt.

⁴ Amounts represent 100% of AT&T Mobility's actual results.

⁵ Prior year amounts restated to conform to current period reporting methodology.

Consolidated Balance Sheets

AT&T Inc.

Dollars in Millions

6/30/07

12/31/06

unaudited

Assets

Current Assets

| | | |
|---|----------|----------|
| Cash and cash equivalents | \$ 2,570 | \$ 2,418 |
| Accounts receivable - net of allowances for uncollectibles of \$1,371 and \$1,276 | 15,368 | 16,194 |
| Prepaid expenses | 1,743 | 1,477 |
| Deferred income taxes | 2,360 | 3,034 |
| Other current assets | 2,352 | 2,430 |
| Total current assets | 24,393 | 25,553 |

| | | |
|-------------------------------------|--------|--------|
| Property, Plant and Equipment - Net | 94,055 | 94,596 |
|-------------------------------------|--------|--------|

| | | |
|----------|--------|--------|
| Goodwill | 67,072 | 67,657 |
|----------|--------|--------|

| | | |
|----------|--------|--------|
| Licenses | 35,370 | 34,252 |
|----------|--------|--------|

| | | |
|--|--------|--------|
| Customer Lists and Relationships - Net | 16,683 | 18,922 |
|--|--------|--------|

| | | |
|-------------------------------|-------|-------|
| Other Intangible Assets - Net | 6,064 | 6,566 |
|-------------------------------|-------|-------|

| | | |
|----------------------------------|-------|-------|
| Investments in Equity Affiliates | 2,342 | 1,995 |
|----------------------------------|-------|-------|

| | | |
|------------------------|--------|--------|
| Postemployment Benefit | 14,519 | 14,228 |
|------------------------|--------|--------|

| | | |
|--------------|-------|-------|
| Other Assets | 6,848 | 6,865 |
|--------------|-------|-------|

| | | |
|--------------|------------|------------|
| Total Assets | \$ 267,346 | \$ 270,634 |
|--------------|------------|------------|

Liabilities and Stockholders' Equity

Current Liabilities

| | | |
|--|----------|----------|
| Debt maturing within one year | \$ 7,701 | \$ 9,733 |
| Accounts payable and accrued liabilities | 22,738 | 25,508 |
| Accrued taxes | 5,932 | 3,026 |
| Dividends payable | 2,168 | 2,215 |
| Total current liabilities | 38,539 | 40,482 |

| | | |
|----------------|--------|--------|
| Long-term Debt | 53,970 | 50,063 |
|----------------|--------|--------|

Deferred Credits and Other Noncurrent Liabilities

| | | |
|---|--------|--------|
| Deferred income taxes | 20,475 | 27,406 |
| Postemployment benefit obligation | 28,609 | 28,901 |
| Unamortized investment tax credits | 166 | 181 |
| Other noncurrent liabilities | 13,926 | 8,061 |
| Total deferred credits and other noncurrent liabilities | 63,176 | 64,549 |

Stockholders' Equity

| | | |
|--|----------|---------|
| Common shares issued (\$1 par value) | 6,495 | 6,495 |
| Capital in excess of par value | 91,277 | 91,352 |
| Retained earnings | 31,706 | 30,375 |
| Treasury shares (at cost) | (12,751) | (7,368) |
| Accumulated other comprehensive income | (5,066) | (5,314) |
| Total stockholders' equity | 111,661 | 115,540 |

| | | |
|--|------------|------------|
| Total Liabilities and Stockholders' Equity | \$ 267,346 | \$ 270,634 |
|--|------------|------------|

Consolidated Statements of Cash Flows

AT&T Inc.

| Dollars in Millions, Increase (Decrease) in Cash and Cash Equivalents | Six Months Ended | |
|--|------------------|-----------------|
| | 6/30/07 | 6/30/06 |
| unaudited | | |
| Operating Activities | | |
| Net income | \$ 5,752 | \$ 3,253 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 11,032 | 4,978 |
| Undistributed earnings from investments in equity affiliates | (344) | (752) |
| Provision for uncollectible accounts | 738 | 320 |
| Amortization of investment tax credits | (15) | (14) |
| Deferred income tax (benefit) expense | (546) | 65 |
| Net gain on sales of investments | (64) | (10) |
| Gain on license exchange | (409) | - |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 87 | 545 |
| Other current assets | (665) | (84) |
| Accounts payable and accrued liabilities | (287) | (1,376) |
| Stock-based compensation tax benefit | (107) | (5) |
| Other - net | (171) | 233 |
| Total adjustments | 9,249 | 3,900 |
| Net Cash Provided by Operating Activities | 15,001 | 7,153 |
| Investing Activities | | |
| Construction and capital expenditures | (7,460) | (4,042) |
| Net investments in affiliates | - | (717) |
| Dispositions | 520 | 55 |
| Acquisitions, net of cash acquired | (221) | (115) |
| Proceeds from sale of marketable securities | 471 | - |
| Proceeds from sale of debt and equity securities | 227 | - |
| Investments in debt and equity securities | (189) | - |
| Other | 17 | 7 |
| Net Cash Used in Investing Activities | (6,635) | (4,812) |
| Financing Activities | | |
| Net change in short-term borrowings with original maturities of three months or less | (1,993) | 1,020 |
| Issuance of long-term debt | 5,924 | 1,491 |
| Repayment of long-term debt | (2,065) | (2,540) |
| Purchase of treasury shares | (6,904) | (148) |
| Issuance of treasury shares | 1,252 | 236 |
| Dividends paid | (4,414) | (2,581) |
| Stock-based compensation tax benefit | 107 | 5 |
| Other | (121) | 49 |
| Net Cash Used in Financing Activities | (8,214) | (2,468) |
| Net increase (decrease) in cash and cash equivalents | 152 | (127) |
| Cash and cash equivalents beginning of year | 2,418 | 1,224 |
| Cash and Cash Equivalents End of Period | \$ 2,570 | \$ 1,097 |