

# AT&T Investor Update

1Q08 Earnings Conference Call  
April 22, 2008



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# Agenda

Introduction

Rich Dietz  
Senior Vice President-Investor Relations

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Results

Rick Lindner  
Senior Executive Vice President  
and Chief Financial Officer

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Q and A

# Cautionary Language Concerning Forward-Looking Statements

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# EPS Summary

**Double-digit growth** in adjusted earnings per share for 12 consecutive quarters

	1Q08	1Q07
Reported EPS	\$0.57	\$0.45
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Adjustments:		
Merger integration costs		0.02
Noncash merger-related costs	0.13	0.21
Gain from wireless transactions		(0.04)
Workforce reduction	0.04	
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Adjusted EPS	\$0.74	\$0.65

Pretax adjustments to earnings:

- In 1Q07, merger integration, noncash intangible amortization and purchase accounting effect of \$2,306 million. Gain from wireless transactions of \$(409) million.
- In 1Q08, noncash intangible amortization of \$1,208 million, workforce reduction charge of \$374 million.

Totals may not foot due to rounding. Further details are available at [www.att.com/investor.relations](http://www.att.com/investor.relations).

# Rick Lindner

Senior Executive Vice President and  
Chief Financial Officer  
AT&T Inc.



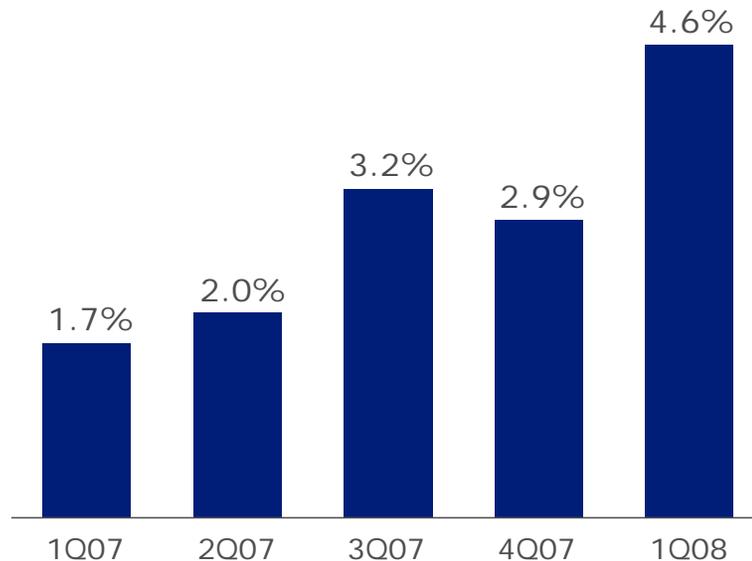
# 1Q08 Highlights: Strong Results, Delivering on Targets

- Consolidated pro forma **revenue growth ramp** to 4.6%
- **Strong wireless quarter** with 18.3% increase in wireless revenues; step up in OIBDA service margin to 41.7%
- **Premier spectrum position** with Aloha Partners transaction and successful auction results; 700 MHz spectrum will cover 100% of the top 200 markets
- **Further advances in enterprise revenue growth**, led by a 22.9% increase in IP data revenues
- **Double-digit broadband revenue growth** with 491,000 net adds
- **Strong ramp in AT&T U-verse<sup>SM</sup> TV growth** with 379,000 subscribers at end of 1Q08; on track to exceed 1 million in service by year's end
- **More than \$6 billion in value returned to shareowners** in the first quarter, including more than \$4 billion in share repurchases

# Revenue Growth Ramp, Solid Momentum Looking Ahead

## Consolidated Adjusted Revenue Growth Rates

Year-Over-Year, Pro Forma



Revenues for 2007 are adjusted to exclude merger-related directory accounting impact. 2007 comparisons are to 2006 pro forma results, which combine revenues from AT&T, BellSouth and Cingular Wireless consistently for all periods.

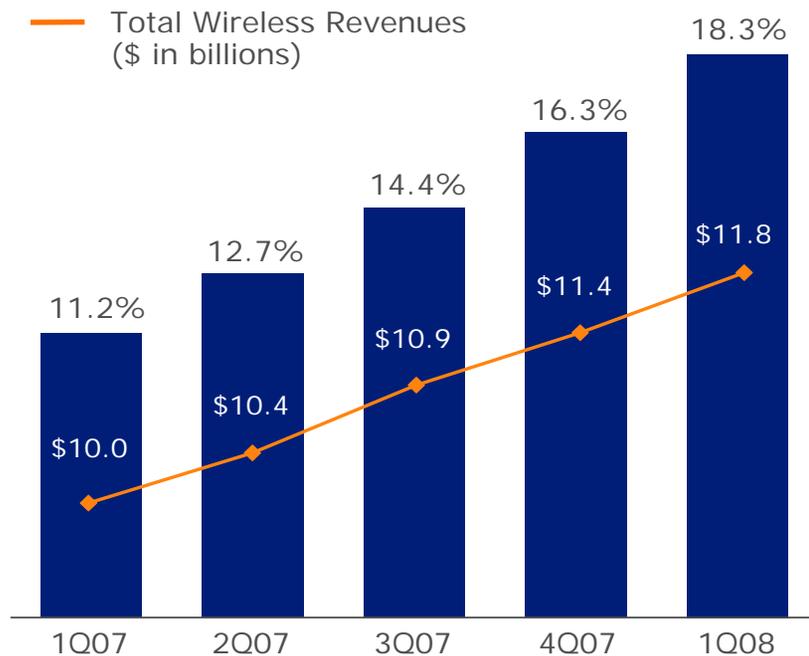
**On track to deliver mid-single-digit pro forma growth in consolidated revenues for the full year 2008.**

**Major drivers:**

- Strong upper-teens wireless growth
- Positive growth in enterprise revenues
- Wholesale revenue trends improving
- Stable regional consumer and business trends

# Accelerating Wireless Revenue Growth

## AT&T Wireless Revenues Year-Over-Year Growth



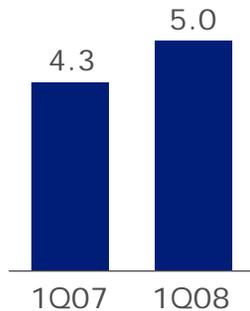
### Wireless Service Revenues, YOY Growth Rates (\$ in billions)

\$9.1	\$9.5	\$9.9	\$10.2	\$10.6
13.5%	14.9%	13.7%	15.7%	17.1%

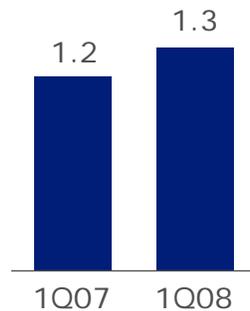
- **Strong subscriber growth:** Subscribers up 14.7% with 7.4 million net adds over past year
- **Solid ARPU growth:** Seven consecutive quarters with year-over-year increases in service ARPU; 1Q08 postpaid ARPU up nearly 5%
- **Robust wireless data growth:** Data services now account for 21.5% of total service revenues
- **Prepaid strength:** Total prepaid revenues up more than 25% versus first quarter of 2007; prepaid data revenues up more than 50%

# Continued Solid Subscriber Growth

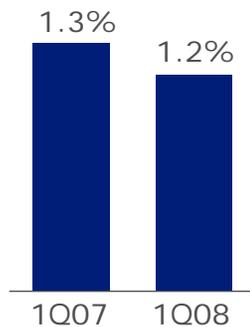
**Gross Adds**  
(in millions)



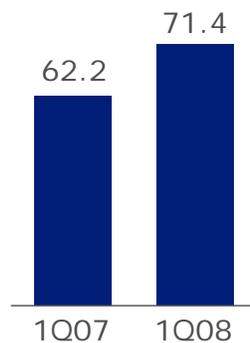
**Net Adds**  
(in millions)



**Postpaid Churn**



**Total Subscribers**  
(in millions)

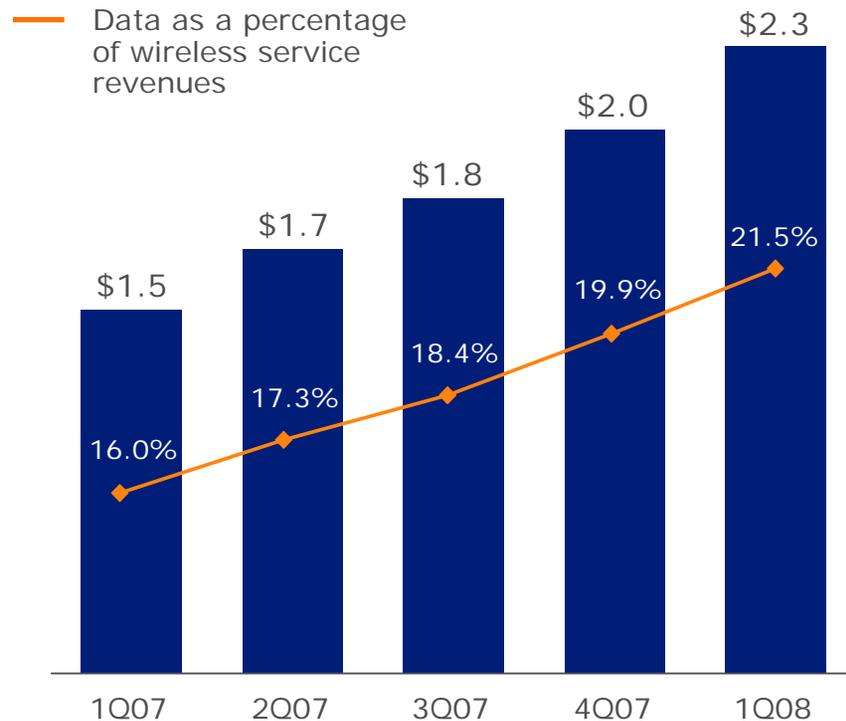


**Improved subscriber metrics reflect quality of network, innovative services, distribution strength and rich device selection**

- **Strong flow share** with gross adds up 15.7% versus 1Q07; AT&T consistently leads U.S. wireless providers in flow share
- **1.3 million net adds**, up 8.7% versus 1Q07; TDMA network shutdown reduced total subscribers by approximately 330,000
- **Postpaid churn at 1.2%**, down from year-earlier quarter and flat sequentially

# Wireless Data Revenues up 57.3%

**Wireless Data Revenues**  
(\$ in billions)



**Continued explosive growth in data services encompassing both business and consumer subscribers**

- Early in adoption curve, significant data revenue opportunity ahead
- Approximately 16% of postpaid subscribers now use integrated devices, with ARPU roughly double the company average

## 1Q08 YOY Wireless Data Revenue Growth

Internet access	>100%
E-mail	>60%
Messaging	>50%
Data access	>50%
Media Bundle	>40%

# Premier Spectrum Position With Clear, Cost-Efficient Technology Road Map

## 2008: 3G, HSPA Release 6

- 850 MHz spectrum formerly used for TDMA integrated with 3G, significantly enhancing service
- HSPA R6 speeds provide a DSL-like experience

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## 2009-2010: HSPA Release 7

- Peak speeds up to 28 Mbps
- Achieved largely through a software upgrade

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## Beyond 2010: LTE

- Designed to evolve from HSPA, backward compatible to GSM and HSPA
- Peak speeds ~100 Mbps

## AT&T Spectrum Position After Aloha, Auction Acquisitions

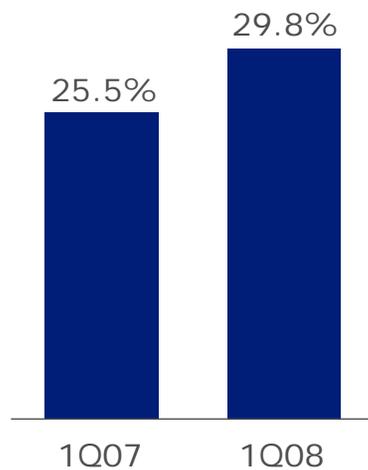
- Contiguous, unencumbered 700 MHz spectrum in 100% of top 200 markets
- Average 90 MHz of spectrum in top 100 markets

## Logical, Cost-Efficient Path to LTE

- Interim steps to substantially increase speeds
- Backward compatible

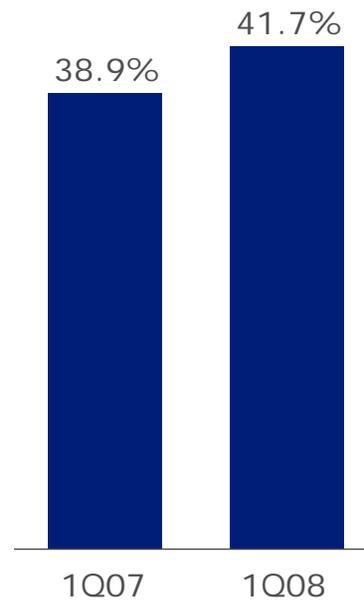
# Wireless Margin Expansion

## Adjusted Operating Income Margin



15.2%      25.0%

## Adjusted OIBDA Service Margin



37.5%      41.7%

Unadjusted Results

**Service OIBDA margin in the low 40% range, achieved with high gross adds and shift to more advanced integrated devices. Major drivers:**

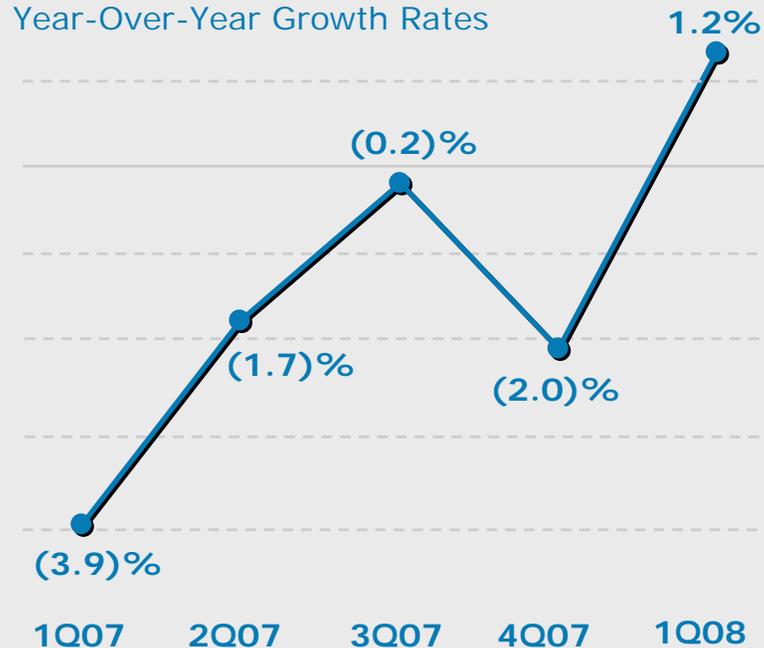
- Strong revenue growth
- Improved network cost structure
- Continued operational improvements in areas such as customer service and billing

Merger integration and amortization costs excluded from adjusted operating income margins: \$1,022 million in 1Q07 and \$568 million in 1Q08.  
Excluded from adjusted OIBDA service margin: \$124 million in 1Q07.

# Further Step Up in Enterprise Growth

## Total Enterprise Revenues

Year-Over-Year Growth Rates



## Recurring Enterprise Service Revenues

Excludes acquisition impacts and CPE sales

(3.0)% (0.7)% 0.4% 1.5% 2.1%

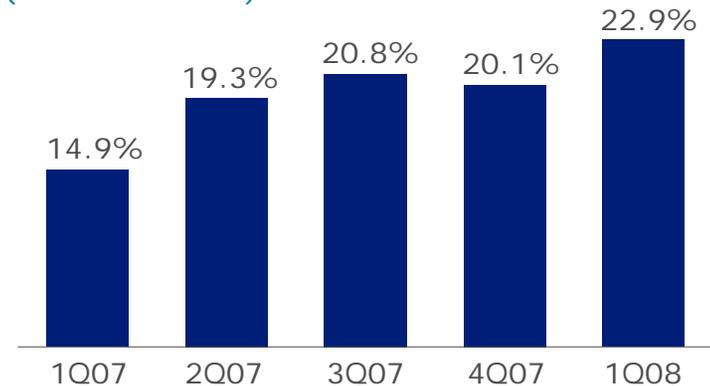
## Positive enterprise momentum:

- Demand continues to be solid
- New order volumes remain solid
- Major contract wins include five-year agreement with Shell, Starbucks agreement

## Enterprise IP Data Revenues

Year-Over-Year Growth Rates

(2006 Pro forma)



# Improving Wholesale Trends

## Wholesale Revenues

Year-Over-Year Growth Rates

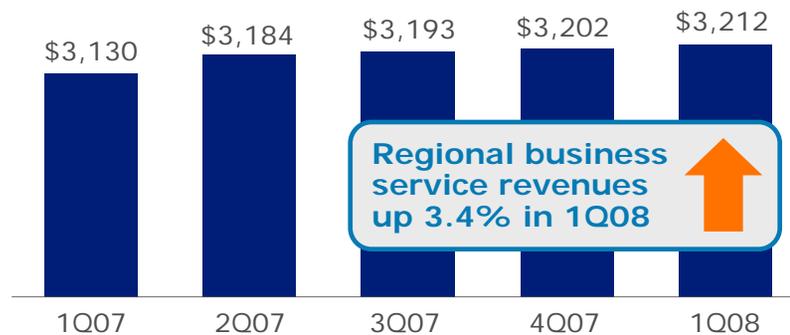


**Wholesale revenues stabilizing, with significant 1Q08 improvement in year-over-year growth rate, sequential growth in total wholesale revenues**

- Improved fundamentals driven by data services, wireless growth and reduced impacts from carrier traffic migration
- Merger conditions pass one-year anniversary in second quarter
- Positive impacts from IBM agreement expected to ramp in second half of 2008

# Sustained Growth in Regional Business

**Regional Business Total Revenue**  
(\$ in millions)



**Total regional business revenues up 2.6%; small/midsize business revenues up approximately 5%**

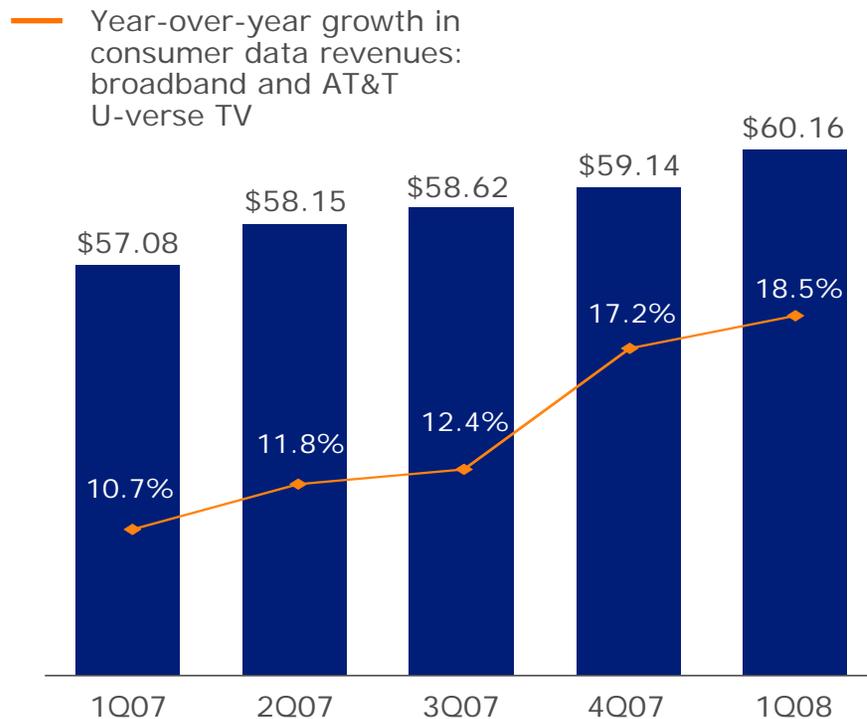
- Growth driven by increases in both voice and data
- 6.3% increase in data revenues, with IP data revenues up >15%
- Strong double-digit growth in Ethernet, VPN, managed Internet services
- Increased focus on business bundles, including wireless
- Launched AT&T Business in a Box<sup>SM</sup>, which delivers VoIP functionality, VPN and other capabilities to small/midsize firms

**Regional Business Data Revenue**  
(\$ in millions)



# Regional Consumer Driven by Broadband and Video Connections

## Regional Consumer Revenue Per Primary Voice Line

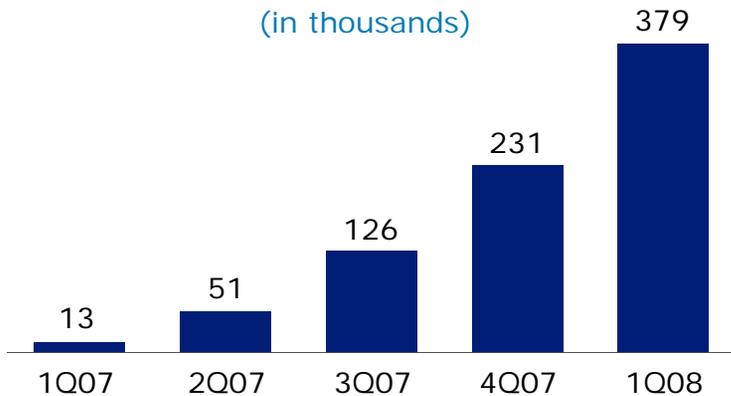


## Continued stability in regional consumer revenues, with improved ARPU driven by growth in broadband and bundled video

- Average revenue per primary line up 5.4%, continuing trends of recent quarters
- Accelerating growth in AT&T U-verse TV
- Increased growth in broadband connections
  - Strong gains in broadband/wireless bundle
  - High broadband attach rate with AT&T U-verse TV

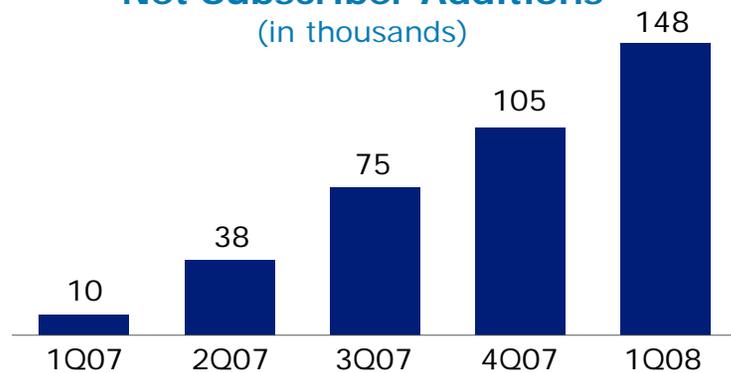
# Accelerated Ramp in AT&T U-verse TV

**AT&T U-verse TV  
Subscribers in Service**  
(in thousands)



- Network deployment now reaches more than 9 million living units
- More than 10% penetration reached in established market areas in less than 12 months
- On track to reach target of more than 1 million subscribers by the end of 2008

**AT&T U-verse TV  
Net Subscriber Additions**  
(in thousands)

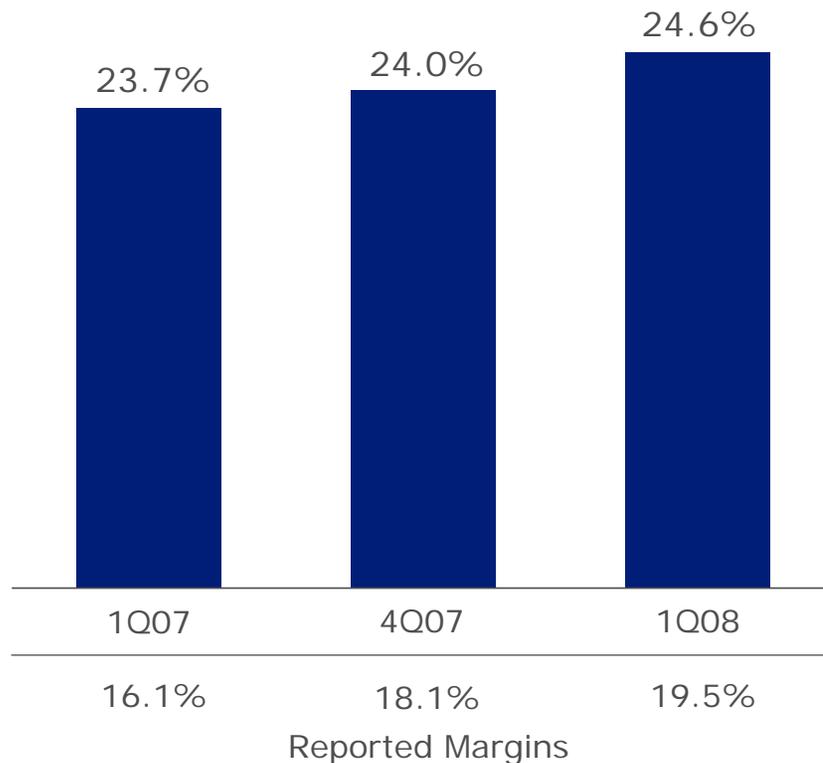


**AT&T U-verse Services Available  
in 43 Markets Across U.S.**



# Margin Expansion

## AT&T Adjusted Operating Income Margin

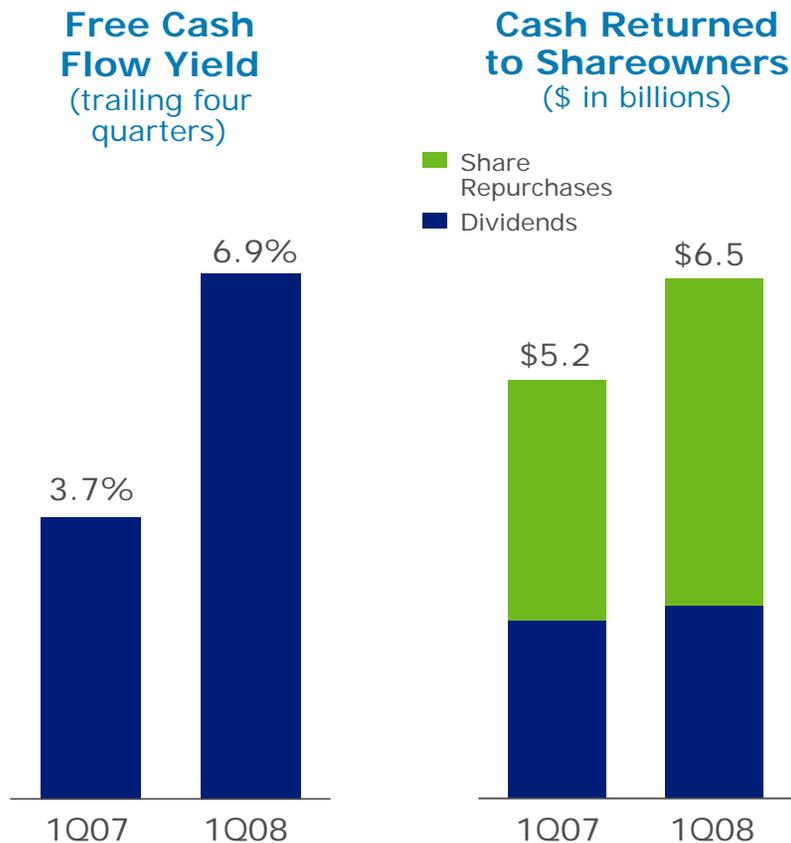


Merger integration and amortization costs and other one-time items excluded from adjusted operating income margins: \$2,306 million in 1Q07, \$1,800 million in 4Q07 and \$1,582 million in 1Q08.

## Consolidated margin expansion driven by:

- Continued improvement in wireless margins
- Execution of merger synergy initiatives and operational cost initiatives
- On track for incremental 2008 expense savings of more than \$2 billion

# Strong Free Cash Flow, Cash Returned to Shareowners



**Strong cash flow allows for investments in operations while returning substantial value to shareowners**

- Expect capital expenditures in mid-teens as a percentage of revenue
- \$4.1 billion in share repurchases in 1Q08
- Continued strong balance sheet and credit metrics

# Summary: Strong Results, Solid Momentum

- **Improving operations across key growth areas:** wireless, enterprise, broadband and video
- **Revenue growth ramp:** mid-single-digit consolidated revenue growth
- **Margin expansion:** cost initiatives on track, reorganization of local telephone operations
- **Double-digit adjusted EPS growth:** 12 consecutive quarters; expect continued double-digit growth
- **Strong free cash flow:** allows for substantial return of value to shareowners and investment in the future of the business

**Focus on execution, strong record  
of delivering on targets**

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