

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.



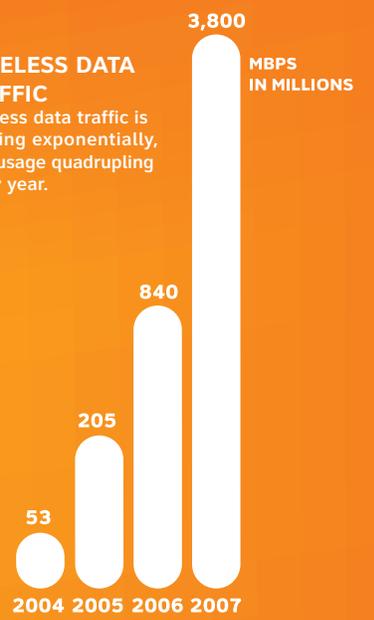
Because we use GSM wireless technology, the world standard, our customers can seamlessly connect from locations in more than 200 countries, including London's Heathrow Airport.

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.





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.”

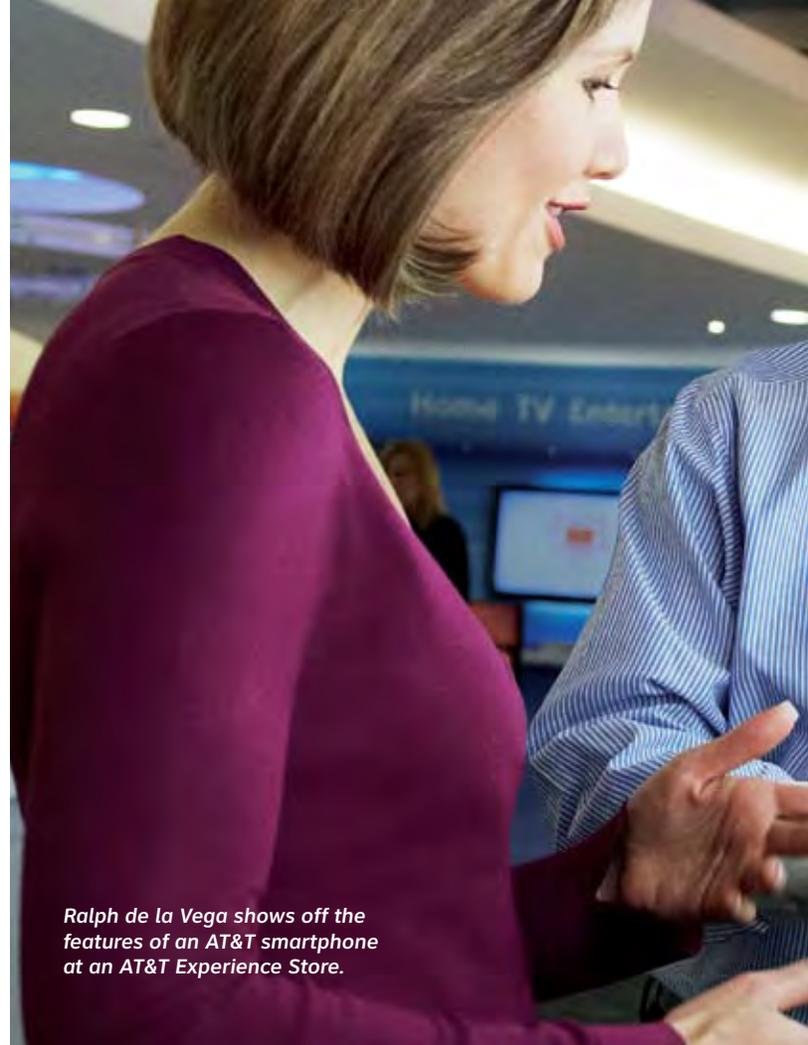
Paige alone sends about 2,000 text messages a month. So, Janet signed up for an unlimited text-messaging plan last fall and now sends text messages to keep tabs on her teens.

“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 “t tyl.” That’s textspeak for “talk to you later.”



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

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.

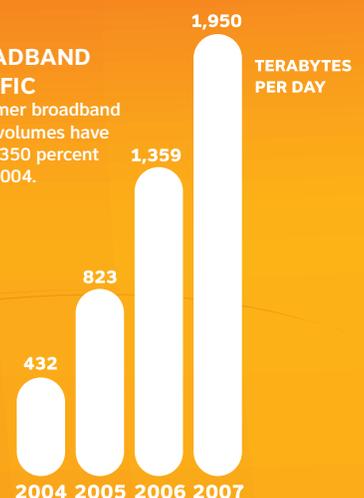
We're upgrading and expanding our global network to deliver a more consistent and reliable broadband experience. And for millions of customers in rural and remote areas, we have significantly expanded our satellite-based broadband service to provide a better alternative to dial-up access.



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.

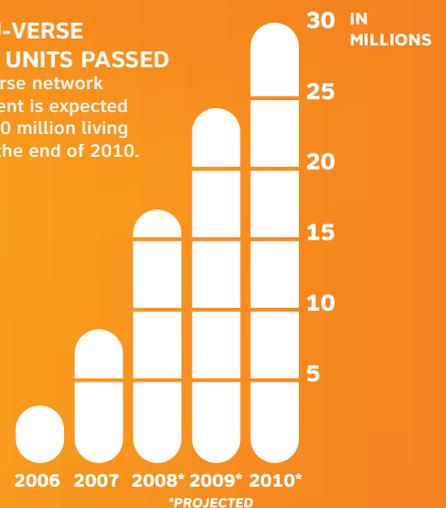


More than 12 million AT&T broadband subscribers enjoy free Wi-Fi access at thousands of locations in the U.S., and by the end of 2008 our U.S. Wi-Fi network will include more than 7,000 Starbucks locations.

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.

