

Convergence -- Redefining Communications and Regulation

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Redefining AT&T



global communications
+ entertainment

A Global Company

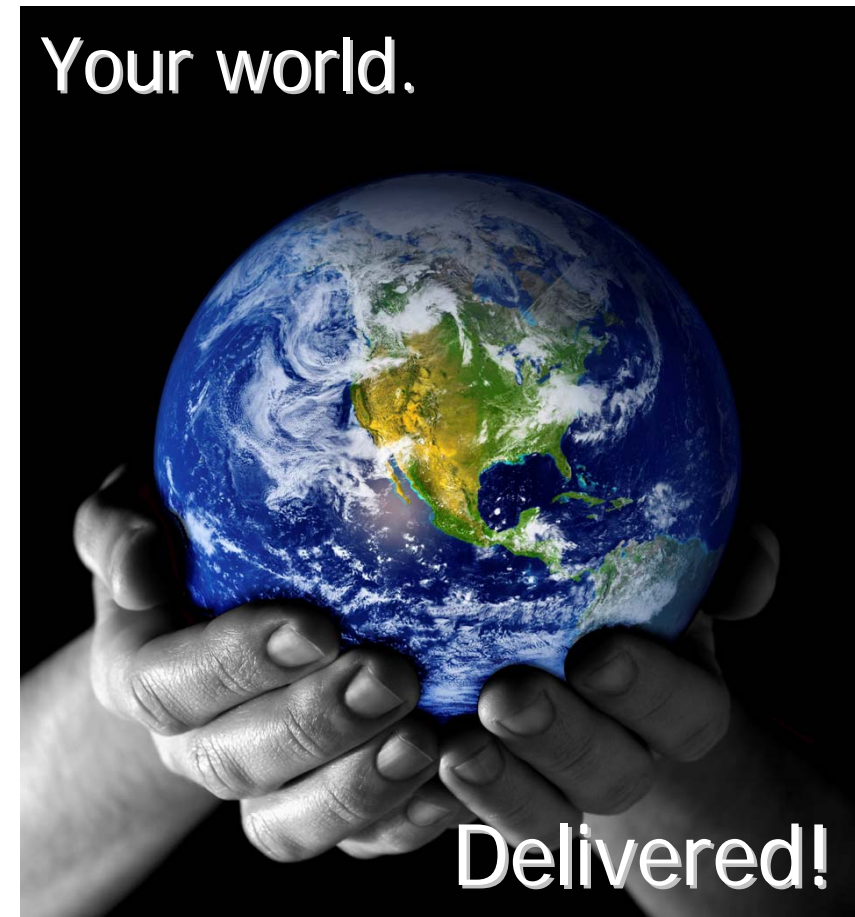
- Global backbone networks carries more than 10.17 petabytes of data traffic on an average business day
- Network includes 36 Internet data centers across the globe
- Largest provider of broadband in the U.S. and a major Wi-Fi provider with nearly 50,000 hot spots in 80 countries
- One of the world's largest providers of IP-based communications services for businesses, with an extensive portfolio of VPN, VoIP, hosting, security and other global offerings

Investing more than \$750 million in 2007 to accelerate the delivery of global IP network worldwide

A Communications Company

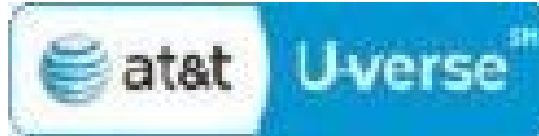
Not just telephones – anytime, anywhere, anyhow communication

- More wireless customers than wireline
- 1.1 million iPhone customers
- 3G wireless service covering more than 170 metro areas
- Launched new, first-of-kind Video Share service
- 100% broadband coverage by end of year with 37% of AT&T consumers buying broadband
- Largest WiFi network, with 10,000 U.S. hotspots



An Entertainment Company

AKIMBO
your wish is on demand™



**Broadband
TV**

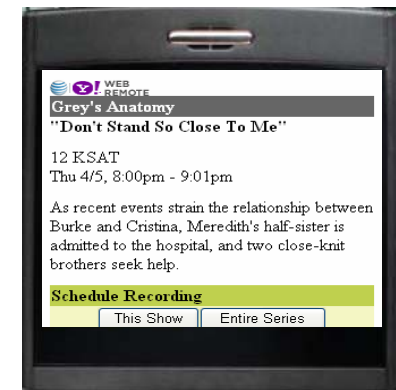
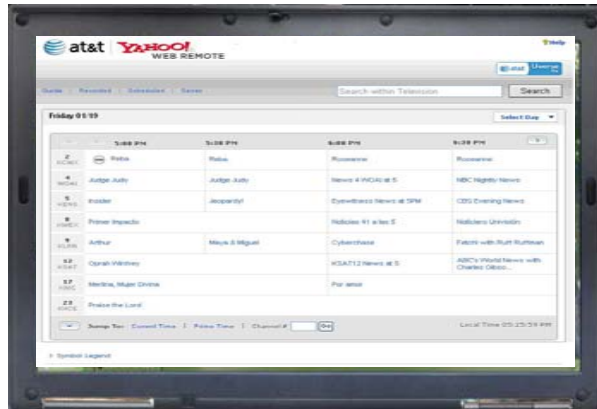


delivering **convergence** with an
intelligent platform at the core

3 Screen Video: Anytime, Anywhere



Seamless Integration and Control

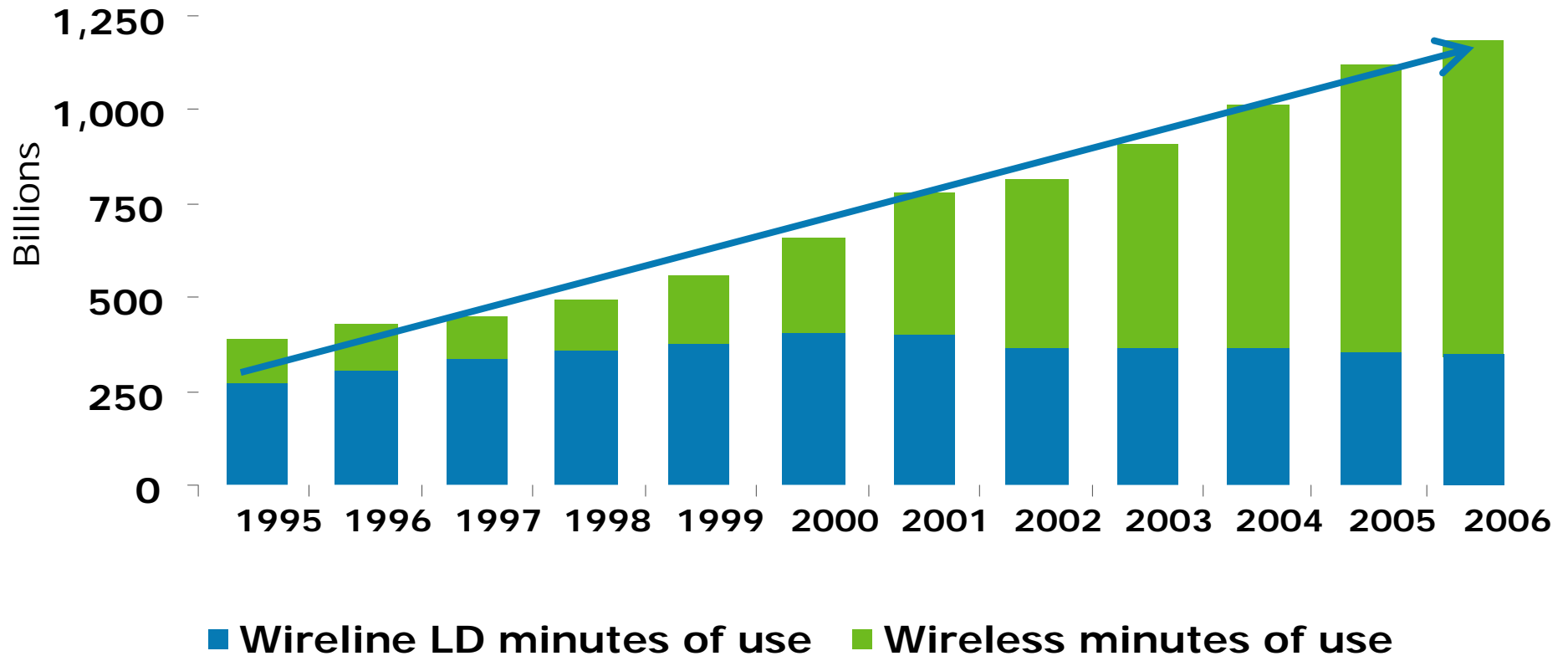


The services you need

To control your experience

A fundamental shift and unprecedented surge in **traffic**

Voice Growing 10% Annually, with Shift to Wireless

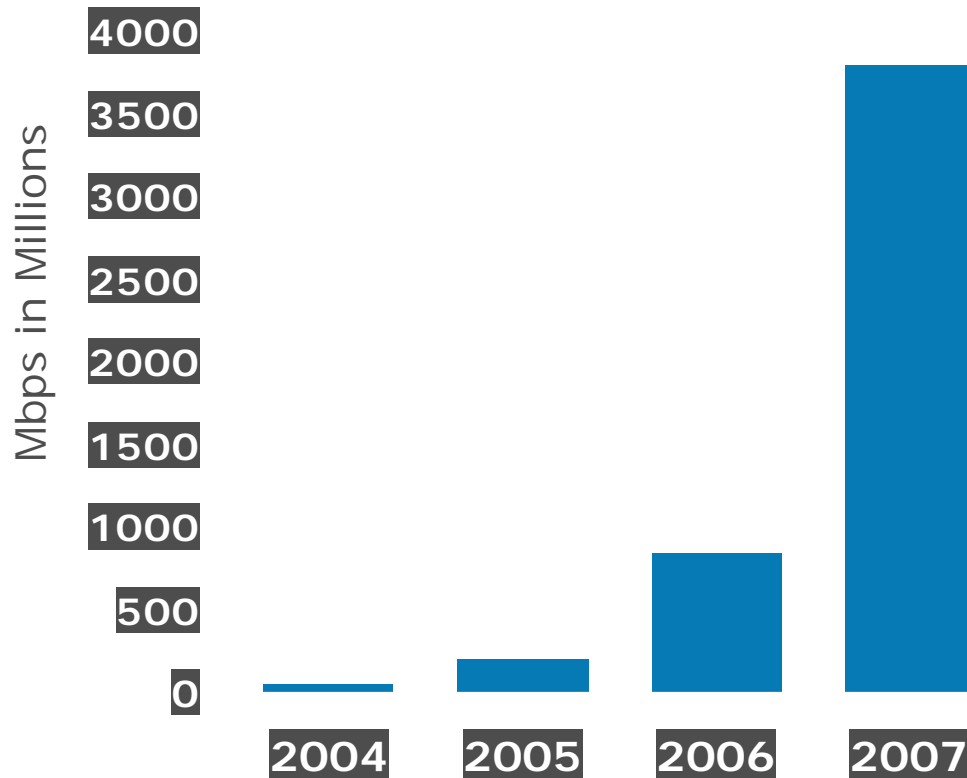


Sources: TIA, CTIA, NECA & FCC

Wireless Data Traffic Growing Exponentially

Usage Quadrupling Every Year

AT&T Wireless Data Traffic



Driven by new applications:

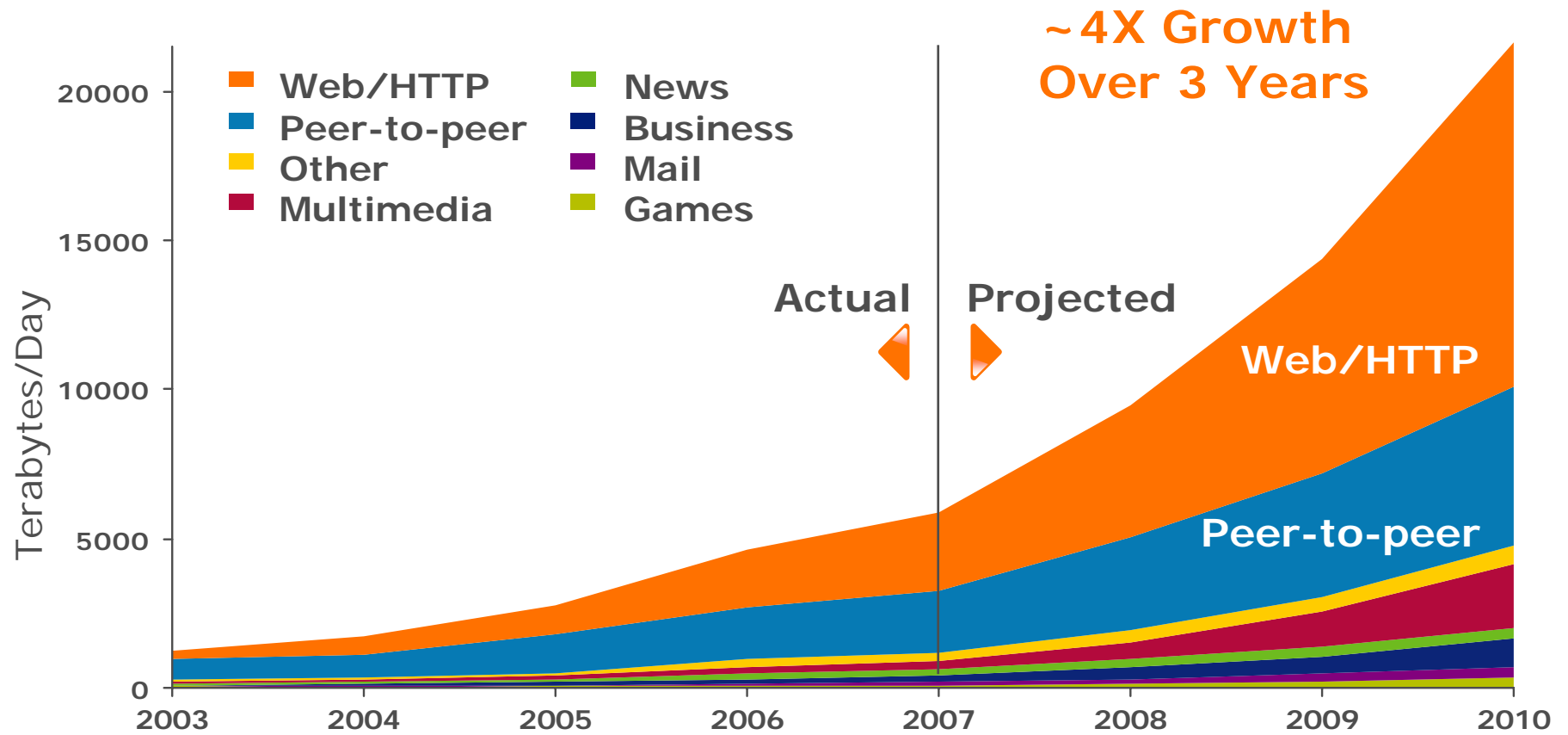
Internet

Video

Photo Sharing

Messaging

AT&T IP Backbone Projected Traffic Growth

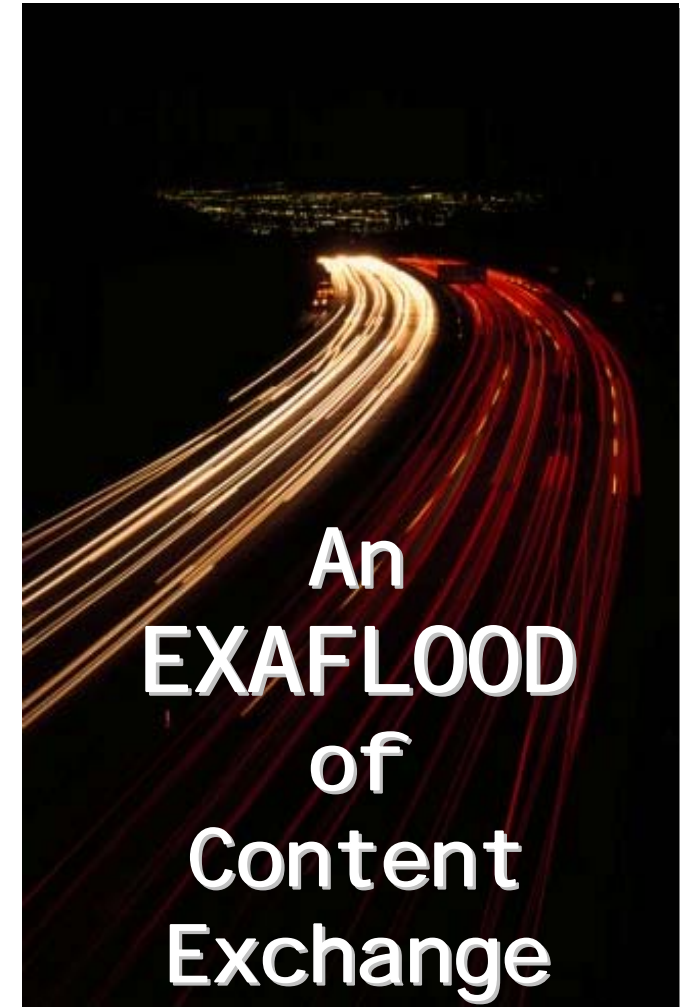


10 terabytes equal the entire printed collection of the Library of Congress

Source: Netflow iTAS. Average Quarterly traffic

Internet Use is Growing Exponentially

- Bernstein Research predicts a **60% bandwidth demand growth** over the next 3-5 years.
- By 2010, **20 typical households** will generate more traffic than the entire Internet moved in 1995, Network World reports.
- IDC predicts that between 2006 and 2010, the information added annually to the digital universe will **increase more than six fold** from 161 Exabytes to 988 Exabytes.
- Deloitte notes “the unrelenting growth in Internet traffic during 2007 **may overwhelm some of the Internet’s backbones**: the terabit-capable pipes connecting continents.”



new **market structures** and
new **technologies** require
new thinking ... Regulation 2.0

Regulation 2.0 Principles

- Focus on Consumers
 - Public Safety
 - Security
 - Consumer Protection
- Promote Infrastructure and Innovation
 - Economic development approach to broadband infrastructure
 - Maintain competitive safeguards and promote market entry
 - Manage transition to next-generation broadband networks
- Respond to New Challenges
 - Consistent regulation in a market with converged services and many non-traditional competitors
 - Determining jurisdiction as geographic boundaries disappear