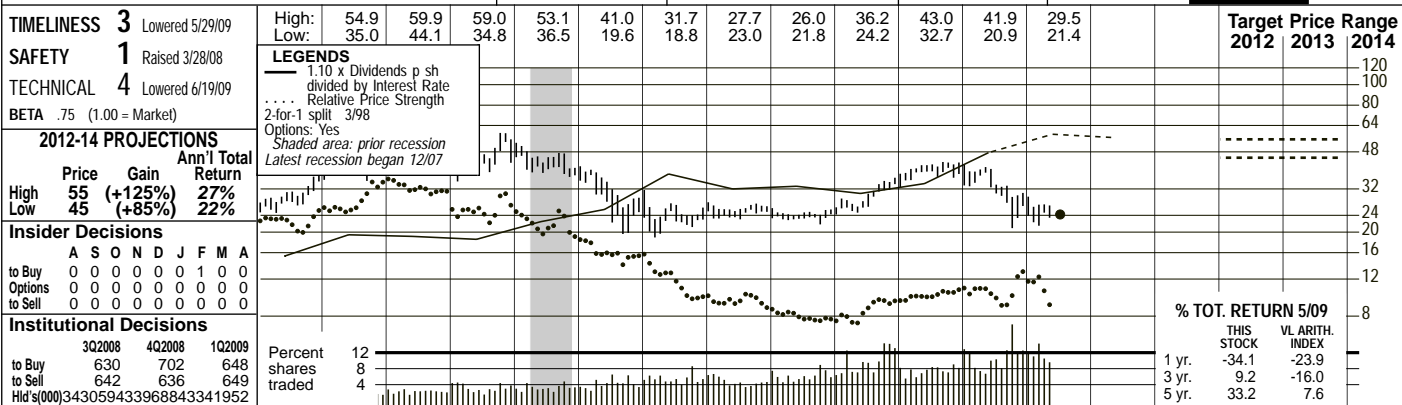


# AT&T INC. NYSE-T

RECENT PRICE **24.22** P/E RATIO **11.5** (Trailing: 11.4 Median: 16.0) RELATIVE P/E RATIO **0.76** DIV'D YLD **6.9%**

**VALUE LINE**



Year	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	© VALUE LINE PUB., INC.	12-14
Revenues per sh <sup>F</sup>	8.91	9.54	10.40	11.58	13.63	14.69	14.42	15.75	16.19	15.60	12.36	12.36	11.31	16.24	19.83	21.05	20.75	21.20		23.05
"Cash Flow" per sh	2.87	3.03	3.33	3.62	4.18	4.63	4.59	5.04	5.32	5.14	3.91	3.77	3.42	4.63	5.36	5.56	5.40	5.70		6.90
Earnings per sh <sup>A</sup>	1.20	1.37	1.55	1.73	1.84	2.08	2.15	2.26	2.35	2.16	1.52	1.47	1.72	2.34	2.76	2.16	2.10	2.40		3.50
Div's Decl'd per sh <sup>B</sup>	.76	.79	.83	.86	.90	.94	.97	1.01	1.02	1.07	1.37	1.25	1.29	1.33	1.42	1.60	1.64	1.68		2.00
Cap'l Spending per sh	1.85	1.93	1.92	2.52	3.14	3.03	3.03	3.88	3.34	2.05	1.58	1.54	1.44	2.14	2.93	3.34	2.90	3.00		3.25
Book Value per sh <sup>C</sup>	6.34	6.86	5.13	5.70	5.38	6.52	7.87	9.00	9.69	10.01	11.57	12.29	14.11	29.76	19.09	16.35	16.80	17.80		23.40
Common Shs Outst'g <sup>D</sup>	1200.5	1218.2	1218.7	1199.7	1837.3	1959.3	3395.4	3386.0	3354.2	3317.6	3305.2	3300.9	3876.9	3882.0	6043.5	5893.0	5900.0	5900.0		5900.0
Avg Ann'l P/E Ratio	16.7	15.0	15.4	14.7	16.2	20.2	24.4	20.3	18.3	14.2	15.6	17.2	13.9	12.6	14.2	15.4				14.0
Relative P/E Ratio	.99	.98	1.03	.92	.93	1.05	1.39	1.32	.94	.78	.89	.91	.74	.68	.75	.95				.95
Avg Ann'l Div'd Yield	3.8%	3.8%	3.5%	3.4%	3.0%	2.2%	1.8%	2.2%	2.4%	3.5%	5.8%	5.0%	5.4%	4.5%	3.6%	4.8%				4.1%

**CAPITAL STRUCTURE as of 3/31/09**  
 Total Debt \$74350 mill. Due in 5 Yrs \$36000 mill.  
 LT Debt \$63560 mill. LT Interest \$3400 mill.  
 (Total interest coverage: 6.9x)

**Pension Assets-12/08** \$46828 mill. **Oblig.** \$50822 mill.

**Pfd Stock** None

**Common Stock** 5,900 mill. shares as of 4/30/09

**MARKET CAP:** \$142.9 billion (Large Cap)

Year	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Revenues (\$mill) <sup>F</sup>	48960	53313	54301	51755	40843	40787	43862	63055	119839	124028	122500	125000	136000					
Net Profit (\$mill)	7439.0	7746.0	7972.0	7219.0	5051.0	4884.0	5803.0	9014.0	17040	12867	12400	14200	20700					
Income Tax Rate	36.3%	36.5%	35.0%	33.0%	32.9%	31.1%	32.1%	32.6%	34.2%	35.4%	36.0%	36.0%	36.0%					
Net Profit Margin	15.2%	14.5%	14.7%	13.9%	12.4%	12.0%	13.2%	14.3%	14.2%	10.4%	10.1%	11.4%	15.2%					
Long-Term Debt Ratio	38.7%	33.0%	34.5%	35.8%	29.6%	34.4%	32.3%	30.2%	33.2%	38.7%	39.0%	38.0%	33.5%					
Common Equity Ratio	59.1%	64.9%	65.5%	64.2%	70.4%	65.6%	67.7%	69.8%	66.8%	61.3%	61.0%	62.0%	66.5%					
Total Capital (\$mill)	45201	46955	49624	51735	54308	61801	80805	165603	172622	157219	162700	170000	208000					
Net Plant (\$mill)	46571	47195	49827	48490	52128	50046	58727	94596	95890	99088	101000	103000	110000					
Return on Total Cap'l	17.6%	17.7%	17.3%	15.1%	10.4%	8.7%	7.8%	5.9%	10.9%	9.3%	8.5%	9.5%	11.0%					
Return on Shr. Equity	26.8%	24.6%	24.5%	21.7%	13.2%	12.0%	10.6%	7.8%	14.8%	13.4%	12.5%	13.5%	15.0%					
Return on Com Equity	27.8%	25.4%	24.5%	21.7%	13.2%	12.0%	10.6%	7.8%	14.8%	13.4%	12.5%	13.5%	15.0%					
Retained to Com Eq	15.5%	14.2%	13.9%	11.0%	1.3%	1.8%	2.8%	3.3%	7.2%	3.5%	2.5%	4.0%	6.5%					
All Div'ds to Net Prof	44%	44%	43%	49%	90%	85%	73%	57%	51%	74%	78%	70%	57%					

**BUSINESS:** AT&T Inc., formerly SBC Communications Inc., is one of the world's largest telecom holding companies and is the largest in the U.S. Its traditional (SBC only) wireline subsidiaries provide services in 13 states, including California, Texas, Illinois, Michigan, Ohio, Missouri, Connecticut, Indiana, Wisconsin, Oklahoma, Kansas, Arkansas, and Nevada. Also owns Cingular (now AT&T Wireless). Acq. PacTel, 4/97; SNET, 10/98; Ameritech, 10/99; AT&T Corp., 11/05; BellSouth, 12/06. Total Consumer Revenue Connections: 46.8 mill. '08 sales mix: Voice, 30%; Data, 20%; Directory advertising, 4%; Wireless & Other, 46%. Has 294,600 empl. Chrmn. & CEO: Randall Stephenson. Inc. DE. Addr.: 208 S. Akard St., Dallas, Texas, 75202. Tel.: 210-821-4105. Internet: www.att.com.

**CURRENT POSITION**

	2007	2008	3/31/09
Cash Assets	1970	1792	3812
Other	22716	20764	19709
Current Assets	24686	22556	23521
Accts Payable	21399	20032	17359
Debt Due	6860	14119	10790
Other	11015	8139	8883
Current Liab.	39274	42290	37032
Fix. Chg. Cov.	831%	680%	676%

**ANNUAL RATES**

	Past 10 Yrs.	Past 5 Yrs.	Est'd '06-'08 to '12-'14
Revenues	3.5%	5.5%	3.0%
"Cash Flow"	2.5%	1.5%	5.0%
Earnings	2.5%	4.0%	6.5%
Dividends	5.0%	4.5%	5.5%
Book Value	14.0%	16.0%	1.0%

**AT&T Inc., the nation's leading telecom provider, appears headed for a decent 2009.** Wireline trends have remained quite weak through the early part of the year, as the economic slump continues to squeeze the carrier's access line base and take a toll on both the consumer and enterprise segments. But wireline margins are actually widening, thanks to aggressive cost-cutting measures, including thousands of headcount reductions, and to further merger synergies stemming from the BellSouth and AT&T Corp. deals. Moreover...

**QUARTERLY REVENUES (\$ mill.)<sup>F</sup>**

Calendar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2006	15755	15771	15638	15891	63055
2007	29378	29784	30328	30349	119839
2008	30744	30866	31342	31076	124028
2009	30571	30449	30530	30950	122500
2010	31200	31050	31250	31500	125000

**The mobility unit is thriving.** The recession, as expected, is keeping a lid on wireless ARPU (average revenue per user). Subscriber growth remains strong, however, bolstered by brisk sales of Apple's iPhones. In addition, the division is becoming more profitable, despite high customer acquisition expenses. That's because a large installed base of iPhones and other AT&T-exclusive smart devices is helping to bring down customer churn and offset dilution from costly handset subsidies. Plus, wireless margins are benefiting from operational improvements and the rollout

of new data applications that are being made possible by today's 3G phones and small PCs. All in all, notwithstanding continued pressure on the wireline unit, we think that share net will dip only slightly in 2009, to \$2.10. Next year, a double-digit earnings gain is likely, as line trends stabilize and margins get even fatter.

**EARNINGS PER SHARE<sup>A</sup>**

Calendar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2006	.52	.58	.63	.61	2.34
2007	.65	.70	.71	.71	2.76
2008	.57	.63	.55	.41	2.16
2009	.53	.52	.52	.53	2.10
2010	.59	.59	.60	.62	2.40

**Expansion of U-verse, the company's IP-based video service, should support growth over the pull to 2012-2014.** In particular, we look for the VoIP offering, launched in most major markets during the fourth quarter, to draw more consumers to the AT&T brand and boost sales of all-in-one product bundles in the years to come. Notably, too, the service ought to enable the carrier to better fend off cable competitors and its principal telecommunications rival, Verizon.

**Top-quality AT&T shares are a good defensive play for long-term investors.** The attractive dividend, which seems to be on safe ground, given the company's healthy balance sheet and solid free cash flow, also makes this Dow stock suitable for income-oriented accounts.

**QUARTERLY DIVIDENDS PAID<sup>B</sup>**

Calendar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	.323	.323	.323	.323	1.29
2006	.333	.333	.333	.333	1.33
2007	.355	.355	.355	.355	1.42
2008	.40	.40	.40	.40	1.60
2009	.41	.41			

**Justin Hellman**

**June 26, 2009**

**COMPANY'S FINANCIAL STRENGTH**

Stock's Price Stability	A+
Price Growth Persistence	100
Earnings Predictability	75

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(A) Basic egs. thru '97; diluted thereafter. Excl. nonrecurr. gains/(losses): '93, (\$1.90); '95, (\$2.32); '97, (\$1.04); '98, (\$0.05); '03, \$1.04; '04, \$0.32; '05, (\$0.30); '06, (\$0.45). Next egs. report due late Jul. (B) Div'ds paid in Feb., May, Aug., and Nov. Incl. one-time div'ds: In '03, \$0.25; '04, \$0.25; '05, \$0.25; '06, \$0.25; '07, \$0.25; '08, \$0.25; '09, \$0.25; '10, \$0.25. (C) Incl. intang. '08: \$71829 mill., \$12.19/sh. (D) Incl. intang. '08: \$71829 mill., \$12.19/sh. (E) '07 quarterly share net does not sum to yearend total due to rounding. (F) Starting in '03, proportionate rev. from Cingular no longer incl. in top line.