

Frost and Sullivan Recognizes AT&T with 2008 North American Company of the Year Award

Frost & Sullivan recognizes AT&T with the 2008 North America Company of the Year Award for their technological leadership, commitment to customers, strategic direction, and overall financial performance as the largest North American telecommunications service provider in North America. Throughout the past year, AT&T has continued work on all aspects of their business in an effort to converge service offerings for residential and enterprise customers alike. While providing quality products and services throughout this process, AT&T has also been able to work towards mobile convergence in order to provide the next generation of offerings to the world. Frost & Sullivan believes that AT&T's actions in this area are leading the way for a converged world of seamless communications.

The wireless business, also known as AT&T Mobility grew rapidly, adding more than 9 million subscribers in 2007. Much of the success in this area can be attributed to several key areas that the company was able to continue to focus on throughout the year: network coverage, performance and reliability, and devices. With over 70 million subscribers, AT&T is the largest digital voice and data network. With mobile data services and usage on the rise, the company has aggressively pursued upgrading their network to third generation (3G) access technologies which will provide their customers with faster speeds. By the end of 2008, AT&T expects to have 3G capabilities available to 350 metropolitan areas, including the 100 largest cities in the U.S. The company also won approximately half of the 700 MHz spectrum that was up for bid earlier in 2008, securing a strong position for its fourth generation (4G) network technology roadmap in the coming years.

Combining the mobile world with the broadband Wireline world, the company recognized Wi-Fi as a valuable product offering for its customers. By the end of 2008, AT&T expects that more than 12 million of its broadband customers will have free access through more than 17,000 Wi-Fi hot spot locations in the U.S. These hot spot locations will include high traffic areas like Starbucks and Barnes & Noble bookstores. Starbucks alone should have more

than 7,000 hot spots by the end of 2008. As a business strategy, the Wi-Fi hot spots should provide an attractive product offering for the active and mobile worker while providing relief on the cellular network. That relief will give customers a better experience and reduce network operating costs at the same time.

Devices were another key driver for growth over the last year. With that in mind, AT&T collaborated with Apple on the highly successful, exclusive U.S. launch of their iPhone. From the time it hit the streets, the iPhone has been one of the largest success stories in recent years. Since it was introduced to the market, AT&T added more wireless subscribers than any other U.S. provider. Although the iPhone is the best selling smart phone in the wireless market, the device has also helped the company attract attention to other devices.

As enterprises continue to push their businesses into international markets, globalization of their communications has also become a key area where companies make their purchasing decisions. As with all carriers, enterprises continue to be the most desired customers due to low churn rates, high revenue products, and reduced payment risk. In this area, AT&T has also excelled over the past year, adding companies like the U.S. Department of Treasury, General Motors, and IBM for up to \$1 billion each.

In the retail space, the company has rapidly expanded their all IP based U-Verse product which has also been successful in attracting new customers. The first pure IP video network in the U.S. delivers interactive TV, broadband and voice. More than 231,000 TV customers were added in 2007, and AT&T expects to have more than 1 million U-verse TV customers by the end of 2008. With the company continuing to dedicate itself to expansion of products,



services, and network technologies, it wants to expand the U-Verse network deployment to 30 million customer locations by the end of 2010.

Financially, AT&T has also had a solid year, despite the network investments, mergers, and acquisitions. Total revenues jumped from \$63 billion to nearly \$119 billion, and operating income nearly doubled as well to nearly \$20 billion. In a slower U.S. market, the company still managed to continue to grow its business in both earnings per share and total return for the year.

As competition continues to get stronger in the North American telecommunications market, AT&T has continued to take the steps needed to stay ahead of their competition. The company has managed to grow virtually every aspect of their business while continuing to invest in technology and products for future years. Whether it's cellular network expansion and upgrades, Wi-Fi hot spots, home broadband and TV, or business class products and services, AT&T has stuck to a somewhat simplistic approach to providing products and services – create networks, products, and services that provide converged and simple solutions for their customers. For its strategic approach to next generation products and services, customer support, and overall company performance throughout the last year, Frost & Sullivan recognizes AT&T with the 2008 North American Company of the Year award.

Award Description

The Frost & Sullivan Award for Company of the Year is presented each year to the company that has demonstrated unparalleled excellence within its industry. The Award is based on numerous factors including the company's business development, competitive strategy, customer satisfaction, and leadership within a particular Frost & Sullivan Industry Research Group (IRG). This company is perceived to exhibit outstanding management and consistent growth. The company must offer high quality products and/or services and have positive social and economic impact on local and national communities. The company's customer service offerings and performance are expected to be of very high caliber. The company should have proven expertise in taking advantage of market changes by capturing and solidifying market presence, or through execution of innovative strategies within the existing competitive landscape.

Research Methodology

In order to select the Award recipient, analysts quantify several market factors for each market participant according to predetermined criteria, paying close attention to their combined operations efforts. This process includes interviews with all the market participants, customers, and suppliers, along with extensive secondary and technology research. The companies' efforts are then analyzed based on the number of new customers, new segments, and commitment to business expansion coupled with market growth. Industry participants are then ranked based on the predetermined measurement criteria. The Award recipient is the company that received the number one industry rank.

Measurement Criteria

In addition to the methodology described above, there are specific criteria used to determine final competitor rankings in this industry. The recipient of this Award has excelled based on one or more of the following criteria:

- Revenue and market-share growth
- Proof of success executing a restructuring strategy
- New market penetration (geographic, product, etc.)
- Marketing, promotion, and visibility of the company through various media
- Evidence of success through strategy innovation
- Technological innovation and leadership
- Increased name recognition
- Improvement in customer satisfaction and loyalty levels