



AT&T Broadband

July 2001

Investor Presentation

Safe Harbor

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AT&T and its officers and directors may be deemed to be participants in the solicitation of proxies from AT&T's shareholders with respect to these transactions. Information regarding such officers and directors is included in AT&T's proxy statement for its 2001 annual meeting of stockholders filed with the Securities and Exchange Commission on March 30, 2001. This document is available free of charge at the SEC's internet site or from AT&T as described above.

Management Representatives

<u><i>Title</i></u>	<u><i>Position</i></u>	<u><i>Discussion Topics</i></u>
Mike Armstrong	Chairman and CEO AT&T Corp.	AT&T Broadband Vision
Dan Somers	President and CEO AT&T Broadband	Operations
Greg Braden	EVP Broadband Services and CTO AT&T Broadband	Technology and Telephony
Mike Huseby	EVP and CFO AT&T Broadband	Financial



The AT&T Broadband Vision

Mike Armstrong

Chairman and CEO, AT&T

AT&T Broadband Vision

Be the leading U.S. provider of integrated residential broadband including: video, voice, and data services

- Market opportunity for all broadband services is large and expanding
- Superior facilities-based broadband access to the home
- Large, well-clustered major market focus
- Enhance customer relationships through superior service
- Maximize the powerful AT&T brand

Deliver superior returns for investors

Best Industry Footprint



Operations Snapshot (in mm) ⁽¹⁾

Company	Subs	Homes Passed	Leadership in Top 25 DMAs	Market Share of Top 25 DMAs	% of Subs in Clusters >500K
AT&T Broadband ⁽²⁾	13.8	24.2	12	37%	83%
Time Warner	12.6	21.1	4	16%	31%
Comcast	8.4	13.8	4	16%	66%
Charter	6.9	10.5	1	7%	14%
Cox	6.3	9.9	2	6%	26%
Adelphia	5.5	9.1	1	8%	47%
Cablevision	3.0	4.4	1	9%	100%

(1) Wall Street 2001 estimates.

(2) Pro forma for all announced transactions.

Leadership in top 25 DMAs

Driving EBITDA Margins to Industry Benchmarks

- Improved EBITDA margin(1) from 18.3% in 1Q01 to 23.4% in 2Q01
- Expect to deliver \$500 million in annualized margin improvement by year-end 2001
- Intensified focus on basic video penetration
- Break-even in High Speed Data today
- Break-even in Telephony in nine months
- Deliver positive unlevered free cash flow by year-end 2003
- On target to meet 2001 financial objectives

(1) Normalized EBITDA excluding other income and restructuring charges.



Operational Overview

Dan Somers

*President and CEO
AT&T Broadband*

What Have We Done to Achieve the Vision

- Successful integration of MediaOne with TCI assets
- Re-configured subscriber base focused on major markets
 - 4.1 million subscribers sold
 - 1.4 million subscribers acquired / swapped
- 127,000 plant miles and infrastructure rebuilt to support “triple play”
- Scaling of new and advanced broadband services from 2.2 million customers at the beginning of 2000 to 5.3 million customers today
- Rationalized cost structure
 - Headends reduced from 200 to 40, serving 11 million customers
 - Call centers reduced from 200 to 30
 - Employees reduced from 53,000 to 43,000
- Reorganization of management structure
- Overhead reduced to \$250 million annually, including AT&T allocations

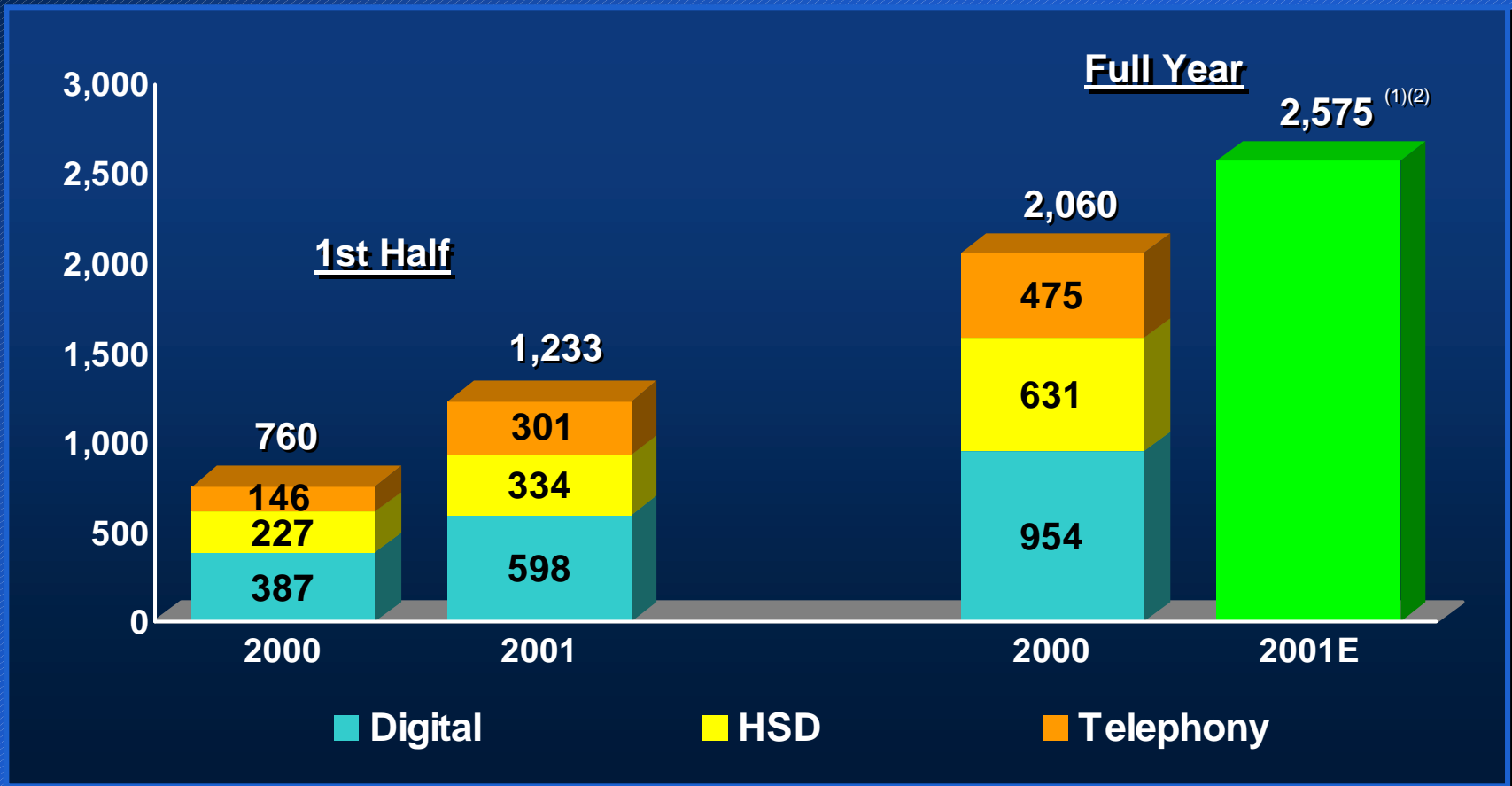
What Is the Impact

- Approximately \$150 million of margin improvement realized to date
- Total of \$500 million of margin improvement expected to be realized on a run-rate basis by year-end 2001
- Completed reorganization of corporate and field structure to rightsize organization

<u>Action</u>	<u>Decision to Implement</u>	<u>Impact Beginning</u>
End of Telephony promotion	August 2000	Feb 2001
First round of headcount reductions	December 2000	Feb 2001
Video price increase	October 2000	Feb 2001
Second round of headcount reductions	March 2001	May 2001
Core video growth initiatives	April 2001	May 2001
High speed data price increase	April 2001	June 2001
Video equipment rate increase	April 2001	July 2001

Sustained Growth In Advanced Services

2000-2001 Advanced Service Net Additions (in thousands)

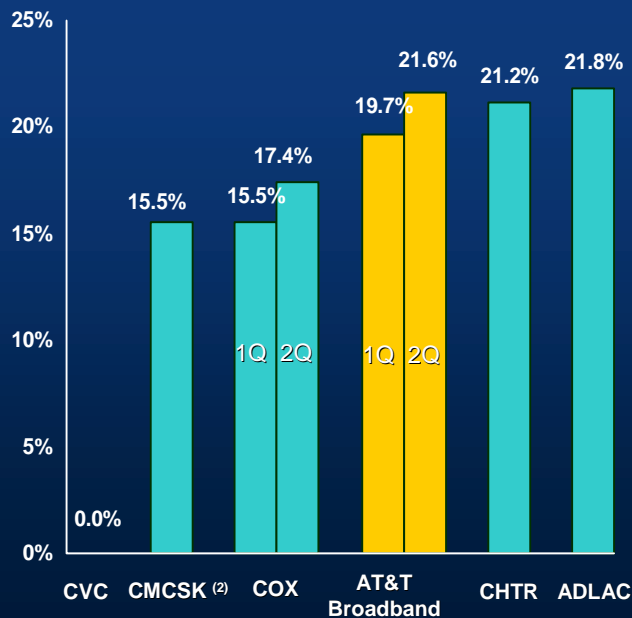


(1) Guidance assumes 2000 base will be further adjusted for impact of any transactions closed after 2Q01.

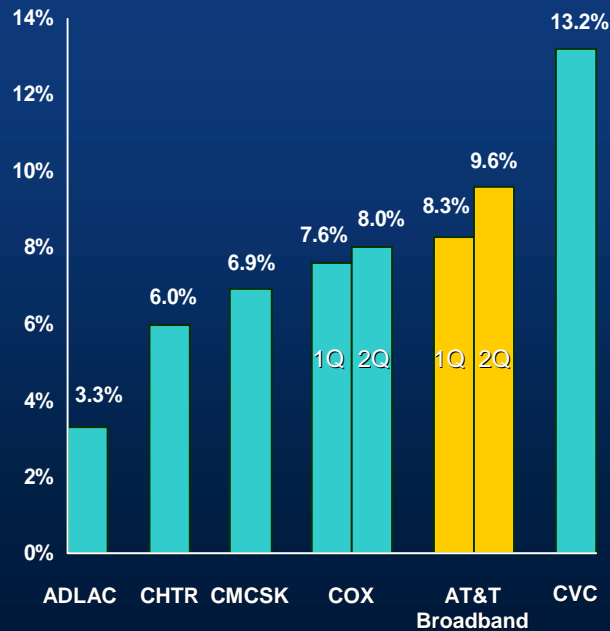
(2) Growth based on current guidance of 25% year-over-year growth.

Leading Provider of Advanced Services

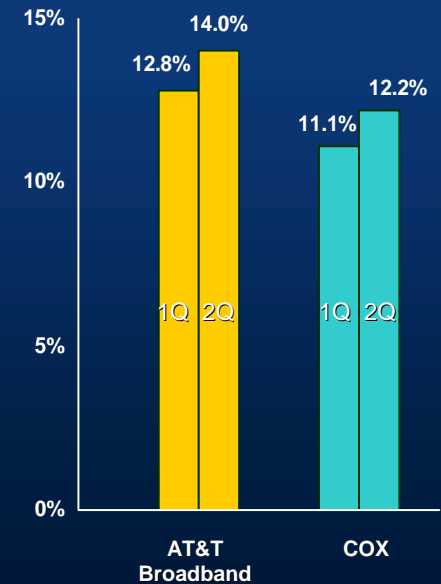
Digital Penetration⁽¹⁾



Data Penetration



Telephony Penetration



Note: All peer comparisons are as of 1Q01 unless otherwise noted.

Source: Wall Street research and company reports as of 1Q01 and 2Q01.

(1) Digital penetration of basic subscribers.

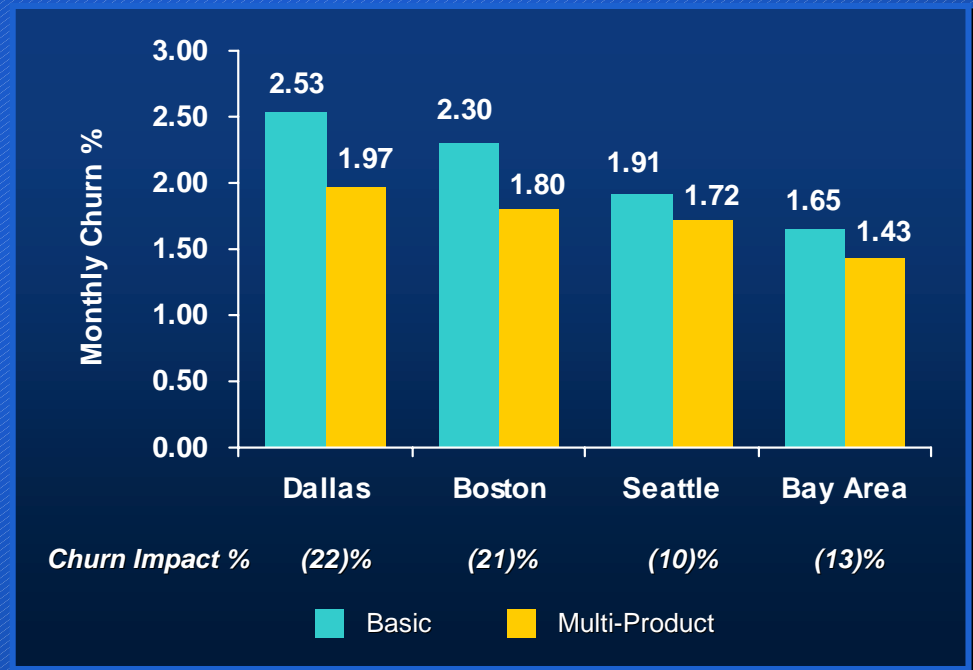
(2) For comparability purposes, adjusts reported number of Digital boxes deployed by 1.3 boxes per home, based on Wall Street estimates

Bundling Reduces Video Churn

**Video churn is reduced by 10% – 22%
for multi-product customers**

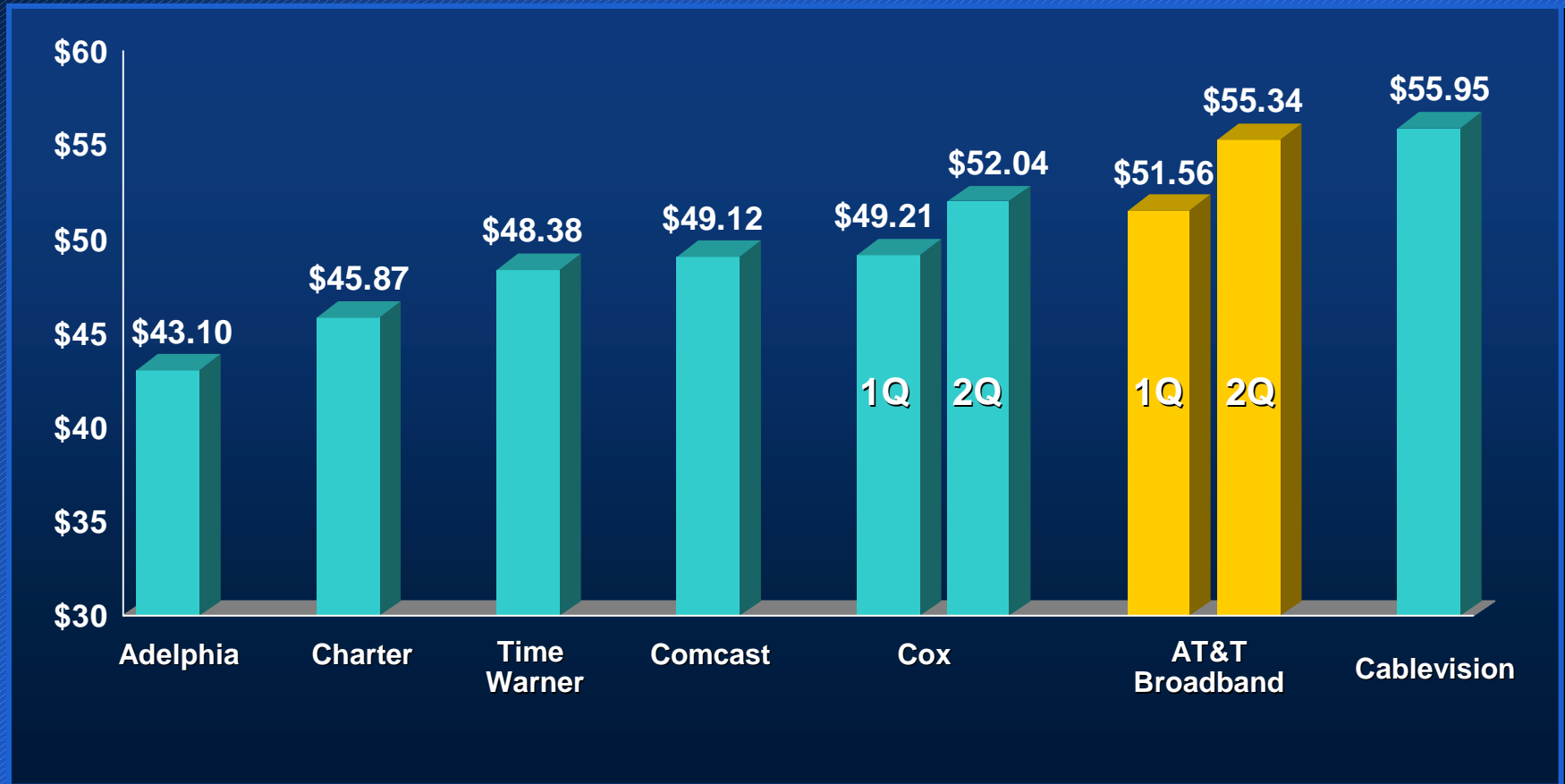
- Lower churn results in cost savings of approximately \$145 per saved video customer
- Lower churn results in:
 - Fewer customer acquisitions to hit targets
 - Savings on marketing & sales costs and installation
 - Elimination of truck-rolls to disconnect customer and cost to refurbish set-top box

Multi-Product vs. Basic Customer Churn



Leading Revenue Per Subscriber

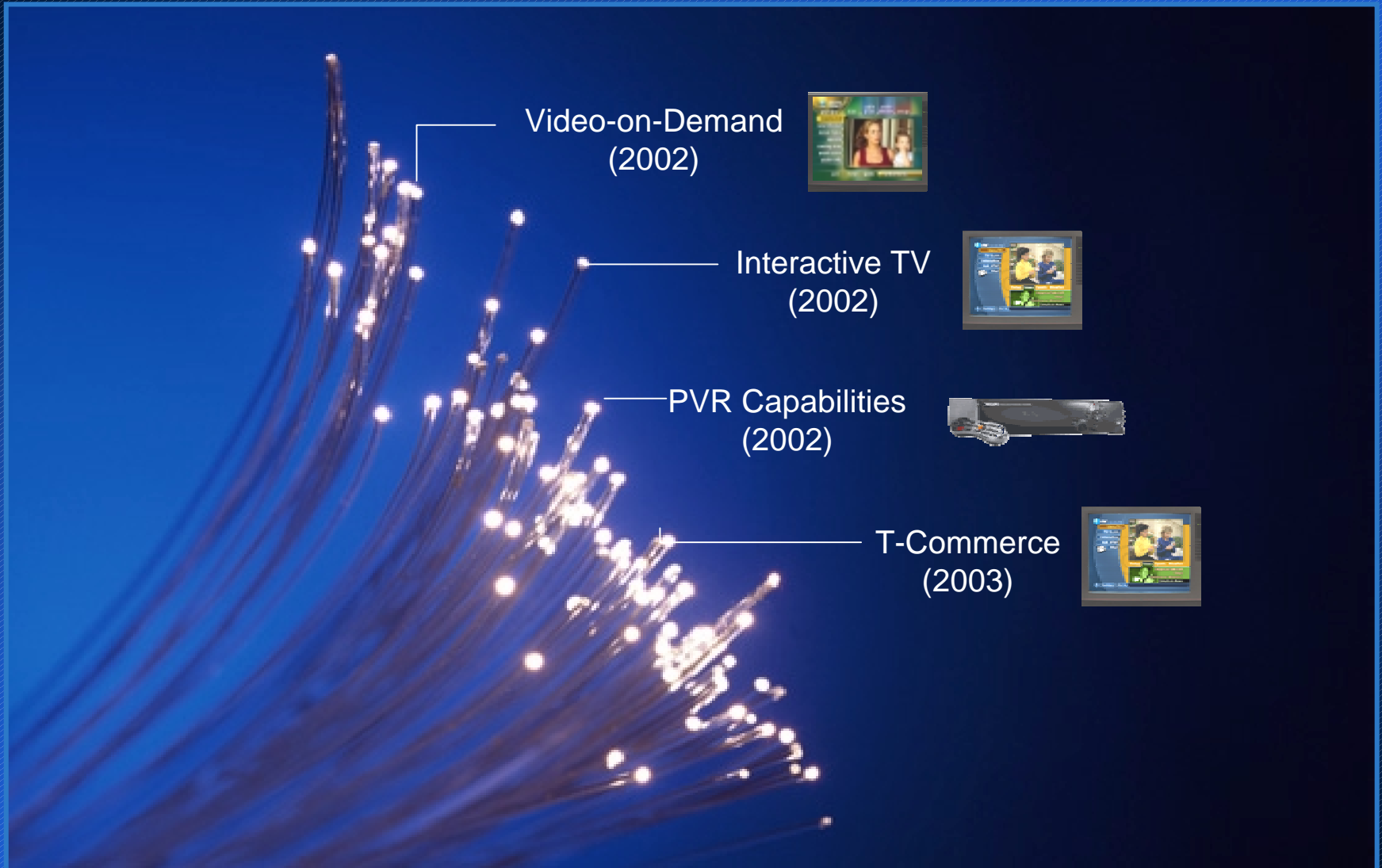
Total Revenue per Basic Cable Customer



Advanced services drive ARPU well above industry average

Note: All peer comparisons are as of 1Q01 unless otherwise noted.

New Services in Progress



Best Industry Footprint



83% of Customers are in the Top 25 DMAs

Market Review: Boston



2.9 million homes passed, 5th largest DMA

Market Characteristics

- Very attractive demographics with average income of \$69,000
- Leader in bundling
- Plant upgrades nearly complete, able to offer complete bundle
- Operating as one integrated system with one virtual call center
- Competitive market

Actions

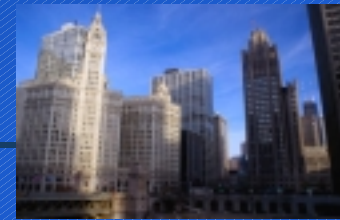
- Integrating Cablevision acquisition
- Reduced call centers from 8 to 1
- Launched Digital in 2000
- More powerful product offering relative to competition

YTD Results

- 13% revenue growth
- 69% basic penetration
- 16% digital penetration: +5 p.p.
- 14% data penetration: +3 p.p.
- 11% telephony penetration: +4 p.p.
— >100K customers
- Below average DBS penetration

Boston is our strongest performing market and will continue to grow as advanced services penetration increases

Market Review: Chicago



3.5 million homes passed, 3rd largest DMA

Market Characteristics

- Attractive demographics with average income of \$58,000
- Footprint covering nearly the entire DMA
- Strong telephony roll-out
- Backbone and headend segments of rebuilds nearly complete
- Under-penetrated in Basic: primarily downtown areas

Actions

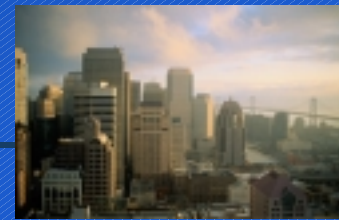
- Integrated operations of 7 MSOs
- Headends reduced from 64 to 2
- Call centers reduced from 16 to 3
- Dispatch locations reduced from 19 to 9
- 20% workforce and contractor reduction

YTD Results

- 14% revenue growth
- 50% basic penetration
- 22% digital penetration: +6 p.p.
- 10% data penetration: +3 p.p.
- 18% telephony penetration: +8 p.p.
 - Some suburbs have 40% penetration

Chicago is in the final stages of its integration effort. We are now beginning to realize the operational and financial benefits.

Market Review: Bay Area



2.7 million homes passed, 6th largest DMA

Market Characteristics

- Very attractive demographics with average income of \$78,000
 - Regional economic issues
- Footprint covers most of the metro area
- Above average penetration in all of the advanced services
- Competitive market
- Backbone and headend segments of rebuild nearly complete

Actions

- Plant continues to require significant investment
- Focus on basic video growth
- Streamlined fulfillment areas from 9 to 5
- Reduced number of customer care centers from 12 to 1
- One care center with a single toll free number
- 17% headcount reduction

YTD Results

- Almost 16% revenue growth
- 63% basic penetration
- 23% digital penetration: +2 p.p.
- 15% data penetration: +3 p.p.
- 19% telephony penetration: +5 p.p.
 - Many communities in high 20s

The Bay Area is showing strong product growth, penetration and financial trends. Significant momentum is in place.

Significant Upside in Video Penetration

Video penetration of 56% vs. 63% for the industry

Actions Currently Under Way:

- National Marketing Campaign
- Sales Force Financial Incentives
- Enhanced Programming
- Signal Theft Audit
- Retention Initiatives
- Increasing Network Quality

Every 1.3 p.p. increase in video penetration is expected to increase our EBITDA margin by 1 percentage point.

Simplified Management Structure

Markets

East Operations



6 Market Leaders



~10 VPs each managing functional areas

West Operations



9 Market Leaders



~10 VPs each managing functional areas

Corporate

■ Technology & Advanced Service Operations

- Upgrades & rebuilds
- Technology & labs
- Centralized operations

■ Corporate Marketing

- National promotions & template
- Support field effort
- Brand management

■ Finance

- Target setting & measurement
- Capital allocation
- IT/Systems

■ Ad Sales

■ Programming

■ Other functions (M&A, HR, PR, Legal, Regulatory)

Experienced Local Management Team in Place

<u>Market</u>	<u>Date Leader in Place</u>	<u>Experience</u>	<u>Related Experience</u>
Denver	6/96	TCI	16
Pittsburgh	4/97	TCI	18
Salt Lake City	1/99	TCI	22
Atlanta	4/00	TCI	5
Boston	5/00	Financial Services	1
Dallas	6/00	TCI	8
Miami	6/00	TCI	17
Portland	6/00	MediaOne	13
San Francisco	7/00	MediaOne	20
Los Angeles	7/00	MediaOne	14
Seattle	7/00	Wireless	21
Sacramento	8/00	MediaOne	12
Chicago	9/00	Wireless	20

Steps to Attain Industry Margins

Recent Margins ⁽¹⁾

1Q01
18.3%



2Q01
23.4%



Margin Initiatives

Actions Already Taken

- Market integration
- Facility consolidation
- Headcount reduction
- Outsourcing opportunities
- Pricing actions
- Advanced services unit cost reduction

Actions Underway

- Basic video initiatives
- Back-office and IT systems integration
- Data and telephony: Scaling and profitability

Margin Goals



38-40%

(1) Excludes other income and restructuring charges in both quarters

Positioned For Continued Growth

- Foundation is established
- Demand for advanced services remains strong
- Operational execution is driving financial results

Actions already underway result in tangible second quarter progress and position us for future financial returns

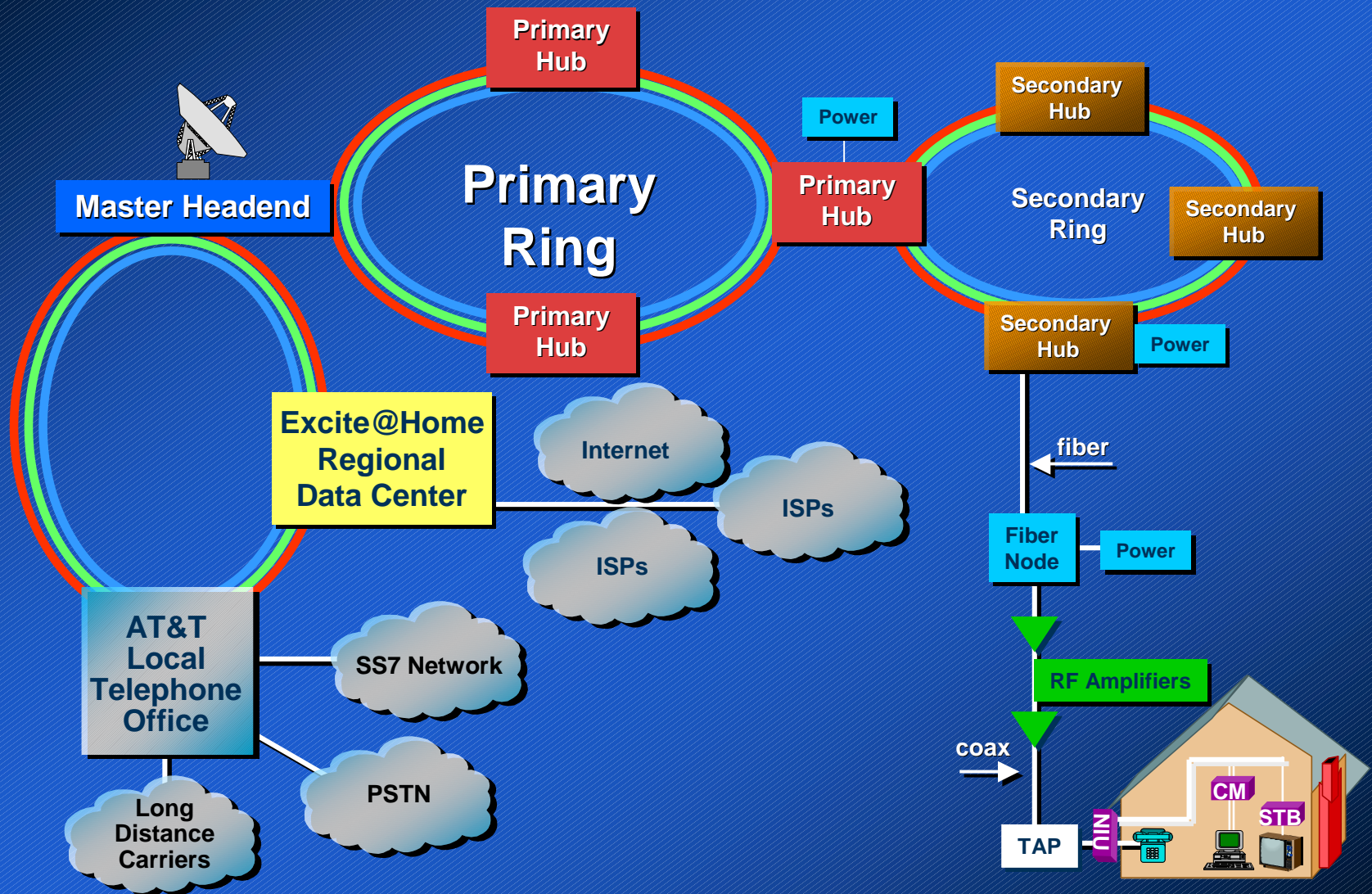


Technology and Telephony

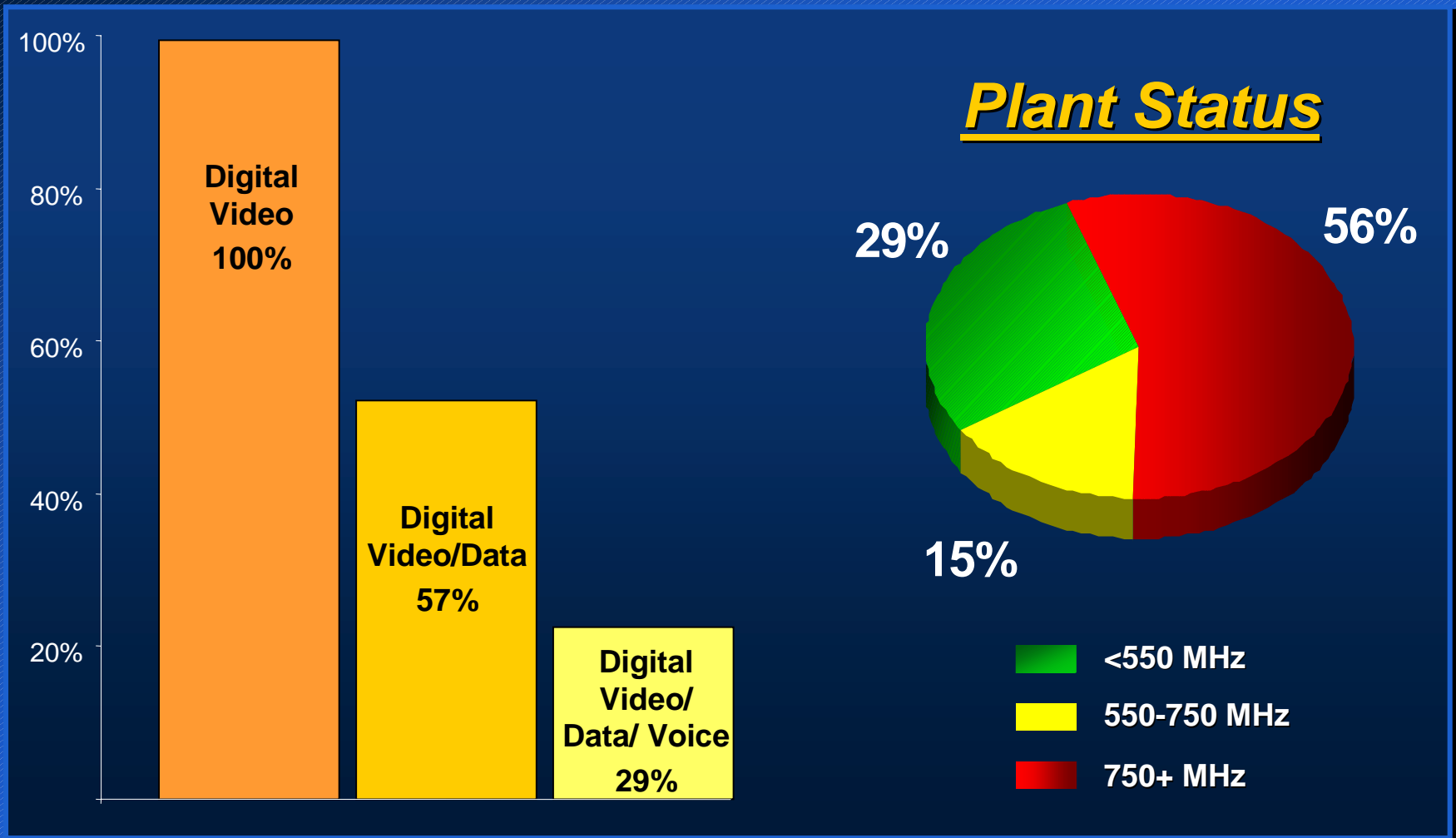
Greg Braden

***EVP Broadband Services
and CTO***

Full Service Broadband Network Architecture



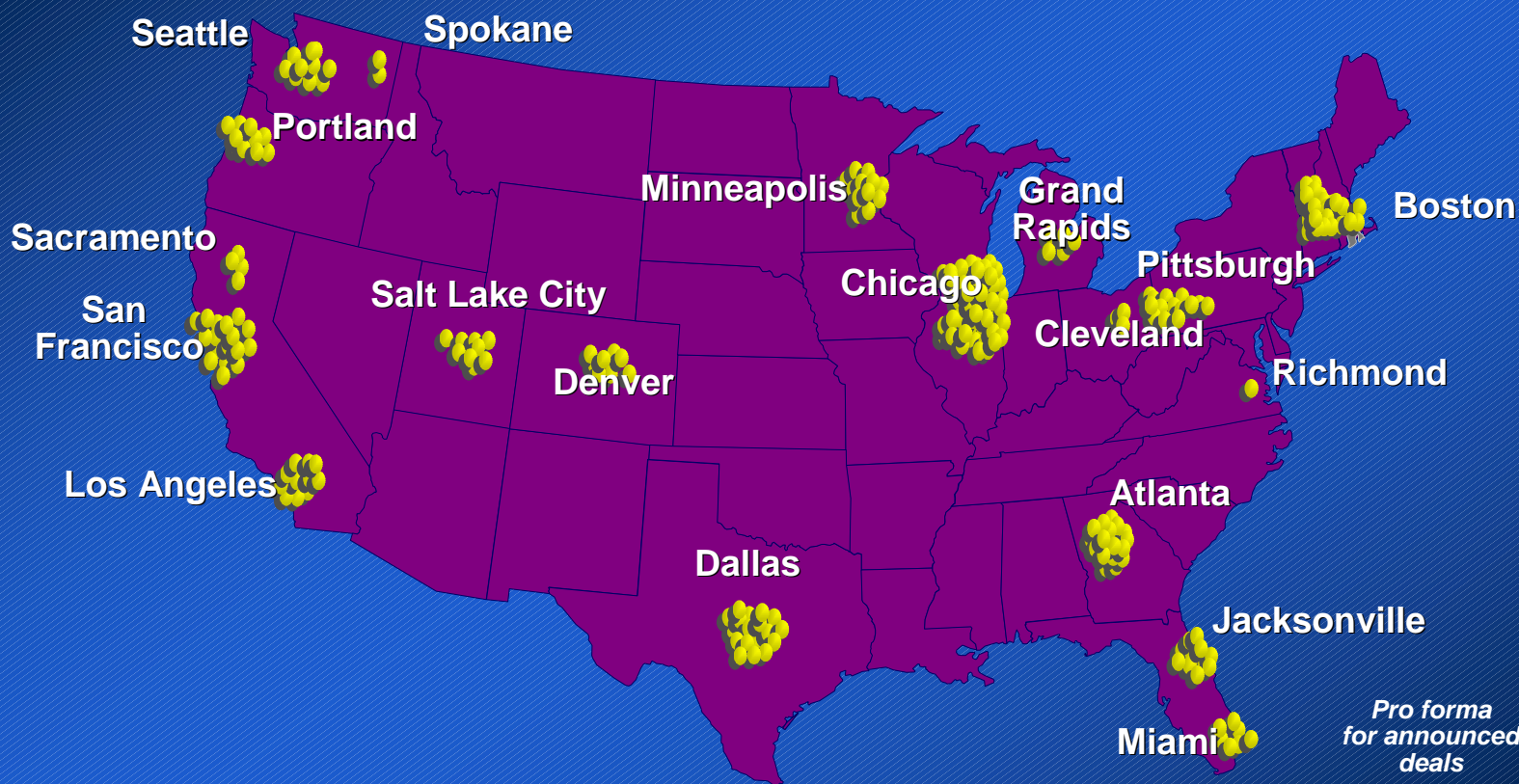
Capacity: Full Service Capable Homes



Note: All data as of 2Q01.

Transformation: Master Headends In Major Markets (Past)

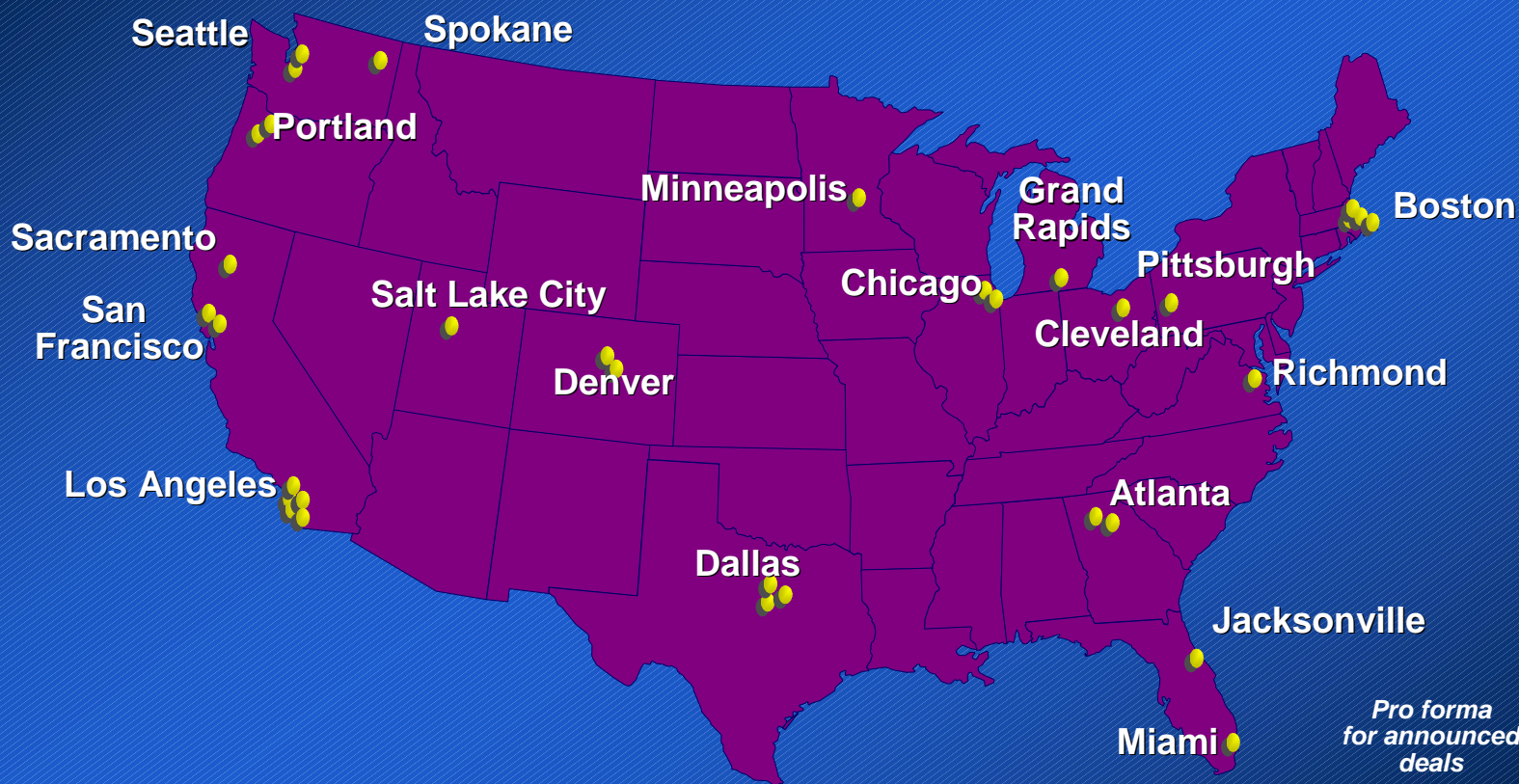
Our network originally had more than 200 highly fragmented delivery systems. . .



. . .resulting in 55,000 subscribers per headend

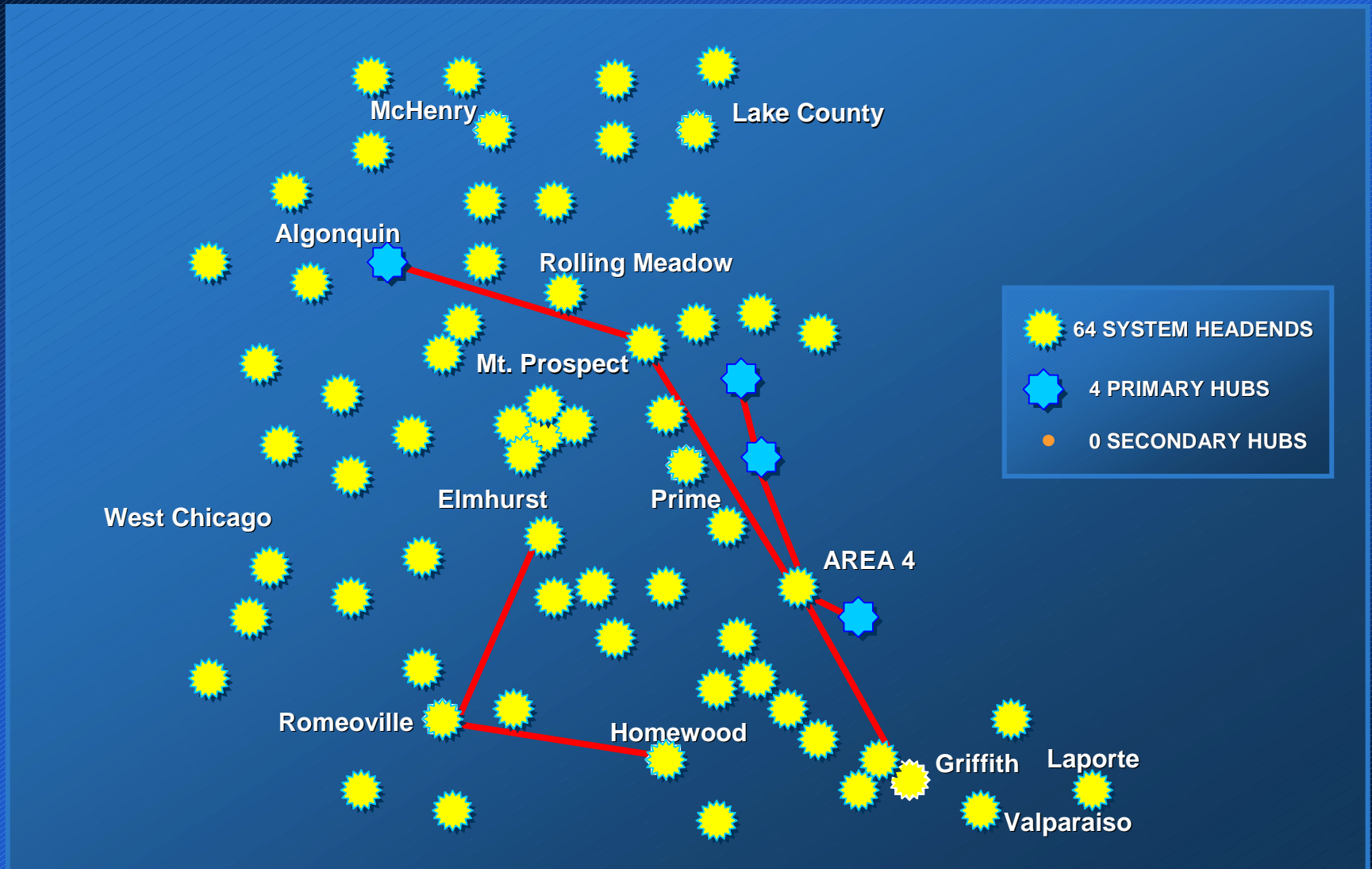
Transformation: Master Headends In Major Markets (Present)

Today, our network is designed to have approximately 40 headends serving over 11 million customers...

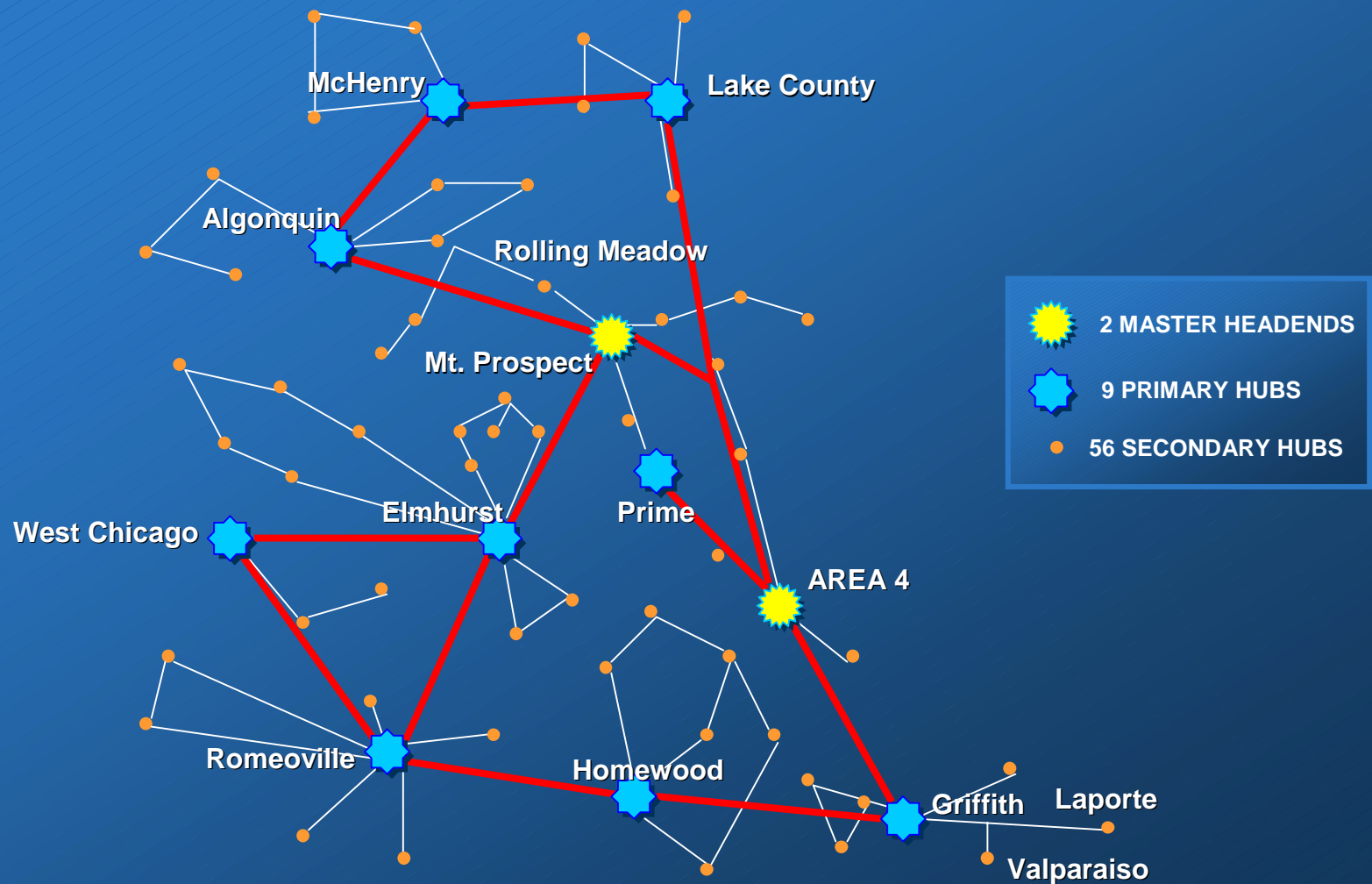


...resulting in 275,000 subscribers per headend

Transformation: Greater Chicago Network (Past)



Transformation: Greater Chicago Network (Present)



Transformation: Systems and Operations

Ordering, Billing and Provisioning

- Reducing from 24 systems to single, integrated desktop
- From manual process to automation

Network Surveillance and Management

- Deploying network surveillance, capacity management, analysis and trouble resolution tools
- Established tiered network management structure

Key Operations Consolidation

- Telephony provisioning work centers reducing from 16 to 2 → 30% headcount reduction
- Accelerating use of E-care for all services

Improved systems, streamlined processes, optimal balance between centralized operations and localized control

Operational Performance

Customer Growth Since 2000

Voice Customer
Reported Troubles (CRT)
(2000-2001 YTD)

77%

Voice Average Field
Install Time
(2000-2001 YTD)

42%

Data Defects per Million
(DPM)
(2001 YTD)

99%

Data Average Field
Install Time
(2001 YTD)

16%

Telephony

775,000
or
1,077%

Data

964,000
or
230%

AT&T Broadband exceeds RBOC performance in 11 technical testing categories, equals it in the 12th

Voice Services: Questions an MSO Must Ask

1. Should an MSO offer voice services?
2. If the MSO offers voice, what is the scope – Full-service primary line or limited second-line only service?
3. How should the MSO offer voice services – What is the timing? What is the technology?

Voice Services: Smart Play for Cable Operators

- Significant revenue and margin opportunity
 - Market size in excess of \$100 billion annually
 - Market almost entirely served by the RBOCs
- Significant contribution to financial growth
- Optimizes core broadband network
- Improves performance of all broadband products
 - Voice customers pull through other broadband products
 - 56% own 2 products
 - 24% own 3 products
 - Product bundles including voice reduce video churn between 10% and 22%
- Positions us strategically to compete against the RBOCs

Voice Services: Primary Line vs. Second Line Telephony

- Primary Line play creates maximum market opportunity
 - 5 - 10X greater voice revenue per customer
 - 7 - 8X greater cash flow per customer
 - Less than 10% additional upgrade and rebuild capital required
- Provides foundation for long-term competitive position
 - Counters RBOC data and full-service voice DSL play
- Operationally no more difficult than second line service

Voice Services: Circuit Switched Today is Better Than Waiting

- Ability to obtain market share is greater today, before RBOCs bundle their voice and DSL products
- Voice over IP requires the same operational expertise as circuit switched
 - Both require significant learning curve - starting early is critical
 - Voice over IP synergy with Data operations expected to yield 5+% savings in operating expense
- Flexible migration to Voice over IP minimizes stranded capital risk

Voice over IP expected to be available in 2003, and AT&T Broadband has easy migration path to adopt when readily scaleable

Voice Services: Circuit Switched Today is Better Than Waiting

Primary line Voice over IP capital costs estimated to be 10-20% less than circuit switched

<u>Capital Cost</u>	<u>Customer Equipment</u>	<u>Headend</u>	<u>Other</u>	<u>Total</u>
Circuit Switched ⁽¹⁾⁽²⁾ Cost / Sub	\$300	\$125	■ Switch ■ Transport \$250	\$675
Primary Line VoIP Forecast ⁽¹⁾ Cost / Sub	\$300 – \$350	\$40 – \$60	■ Call Agent ■ Media GW ■ Transport \$190 – \$210	\$530 – \$620

Sharing customer equipment between voice and data services yields higher savings

(1) Excludes approximately \$125 of capitalized labor for installations

(2) Circuit switched capital costs are based on current pricing

Telephony Ahead of Plan

<u>Services</u>	<u>Original (5 yr Plan) ⁽¹⁾</u>	<u>Today (2 yrs into Plan)</u>	<u>Future (3 yrs from today)</u>	<u>Cox Today</u>
Break Even / Margin	4Q02	In 9 Months	35% +	Mid-20%
Penetration	30%	14% at 2Q01	30% +	12%
ARPU	~ \$50	\$50 at 2Q01	\$65	\$50
Capex per Customer	\$750	\$675	\$530-\$620	\$700

With 850,000 telephony subscribers and achieving break-even ahead of plan, we are positioned to realize significant financial returns

(1) Announced as of June 1998, at the time of the TCI merger announcement. The starting point for the original plan projections were the first telephony trials, which started in late 1999



Financial Review

Mike Huseby

EVP & CFO

Financial Trends are Improving

- Strong advanced services growth continues to drive year-over-year revenue

Revenue Growth

Q101 - 10.9% (11.7% excluding advertising sales)

Q201 - 13.7% (15.0% excluding advertising sales)

- Strong cost management and scaling of new products drove margin improvement

EBITDA Margin ⁽¹⁾

Q101 - 18.3%

Q201 - 23.4%

- EBITDA was up 33% sequentially over Q101 (26.7% including restructuring)
- Year-to-date capital spending of \$1.7 billion
- Divestitures of non-strategic cable systems on track and essentially completed

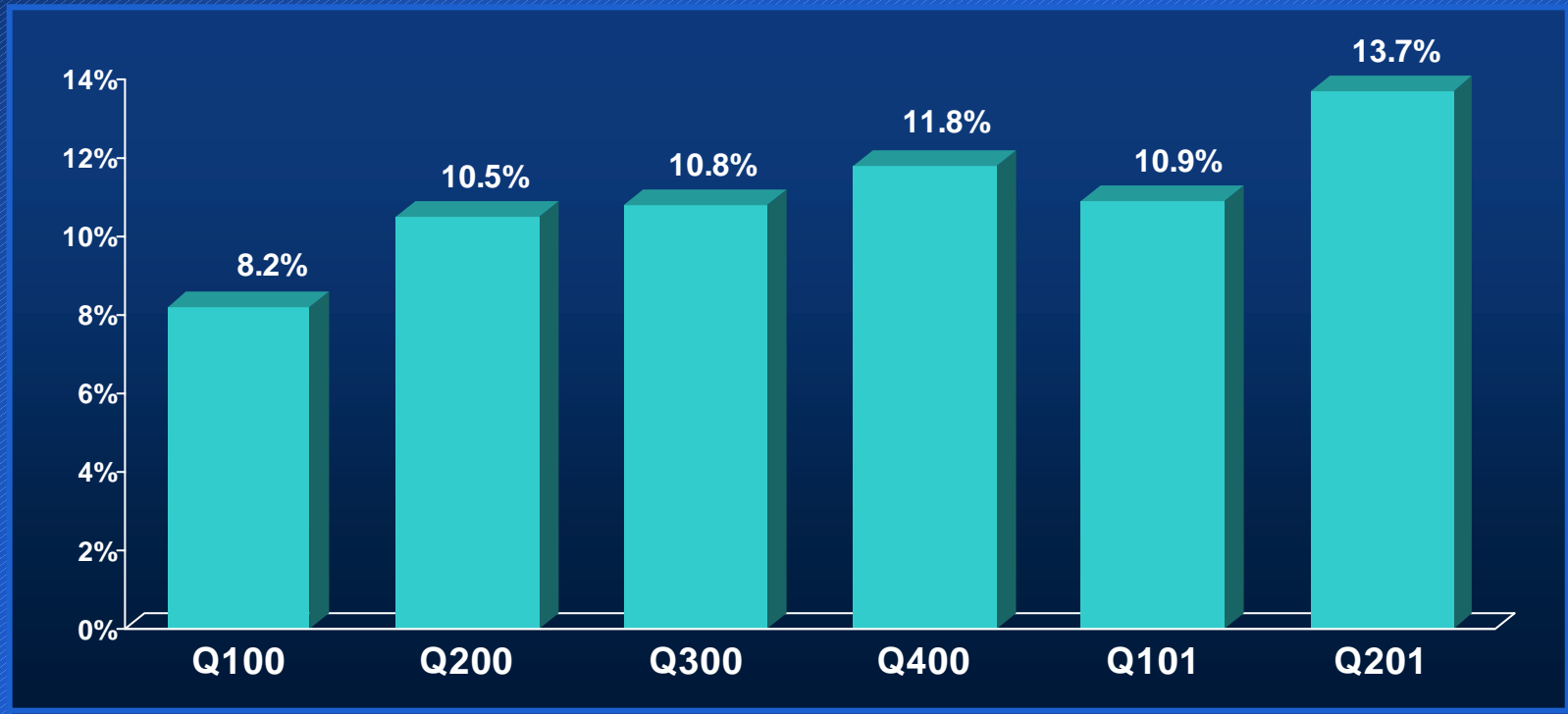
Strong momentum is in place for the second half

(1) Normalized EBITDA excluding restructuring charges and other income. Including restructuring and other income, EBITDA margin was 16.0% and 19.5% for Q101 and Q201, respectively.

Revenue Growth Trend

- Quarter-over-quarter same store revenue growth remains strong
- Q101 impacted by seasonality of advertising
- Current trends and forecast on track to hit street guidance by year-end

Normalized Annual Revenue Growth ⁽¹⁾



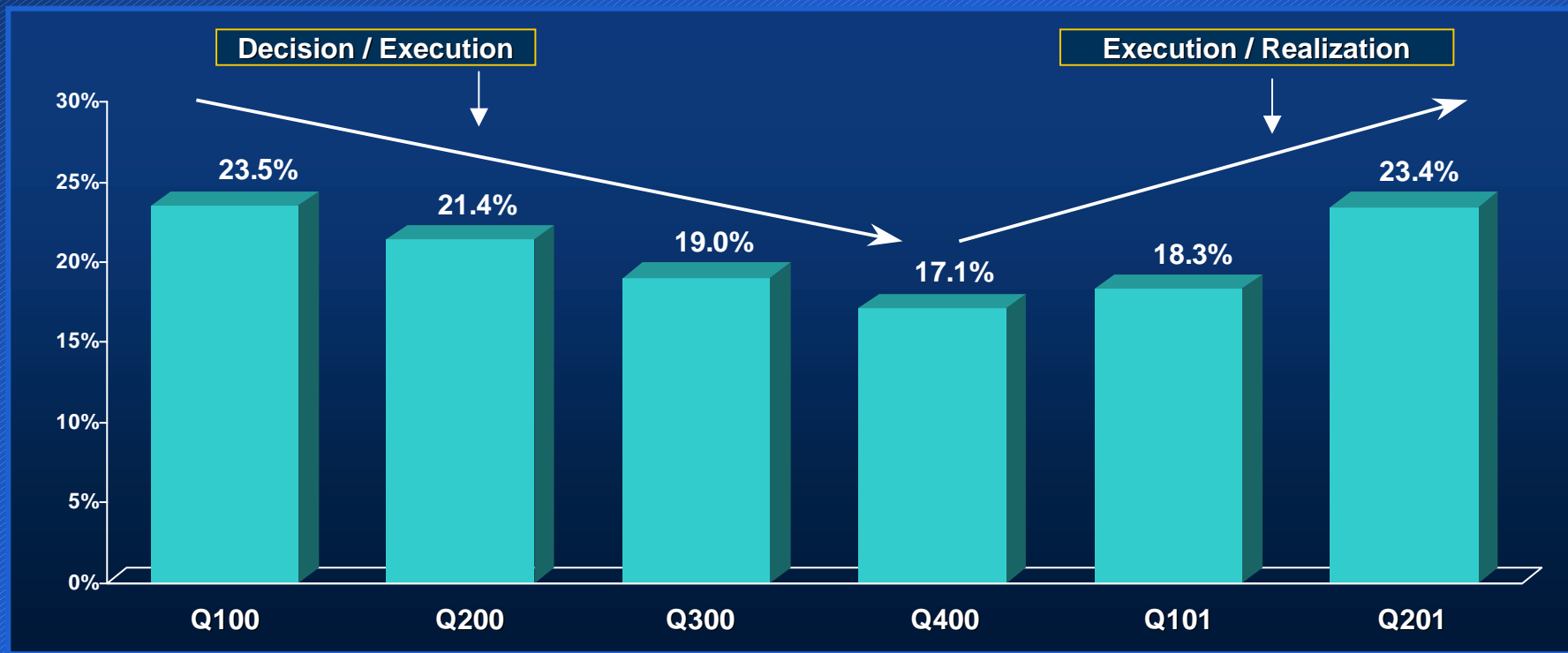
(1) Normalized year-over-year for 2001 basis.

EBITDA Margin Trend

EBITDA margin improvement driven by:

- Integration of major markets = operational efficiencies
- Scaling of advanced services
- Cost management controls including headcount reductions
- Pricing management

Normalized EBITDA Margin ⁽¹⁾



(1) Excludes restructuring charges and other income.

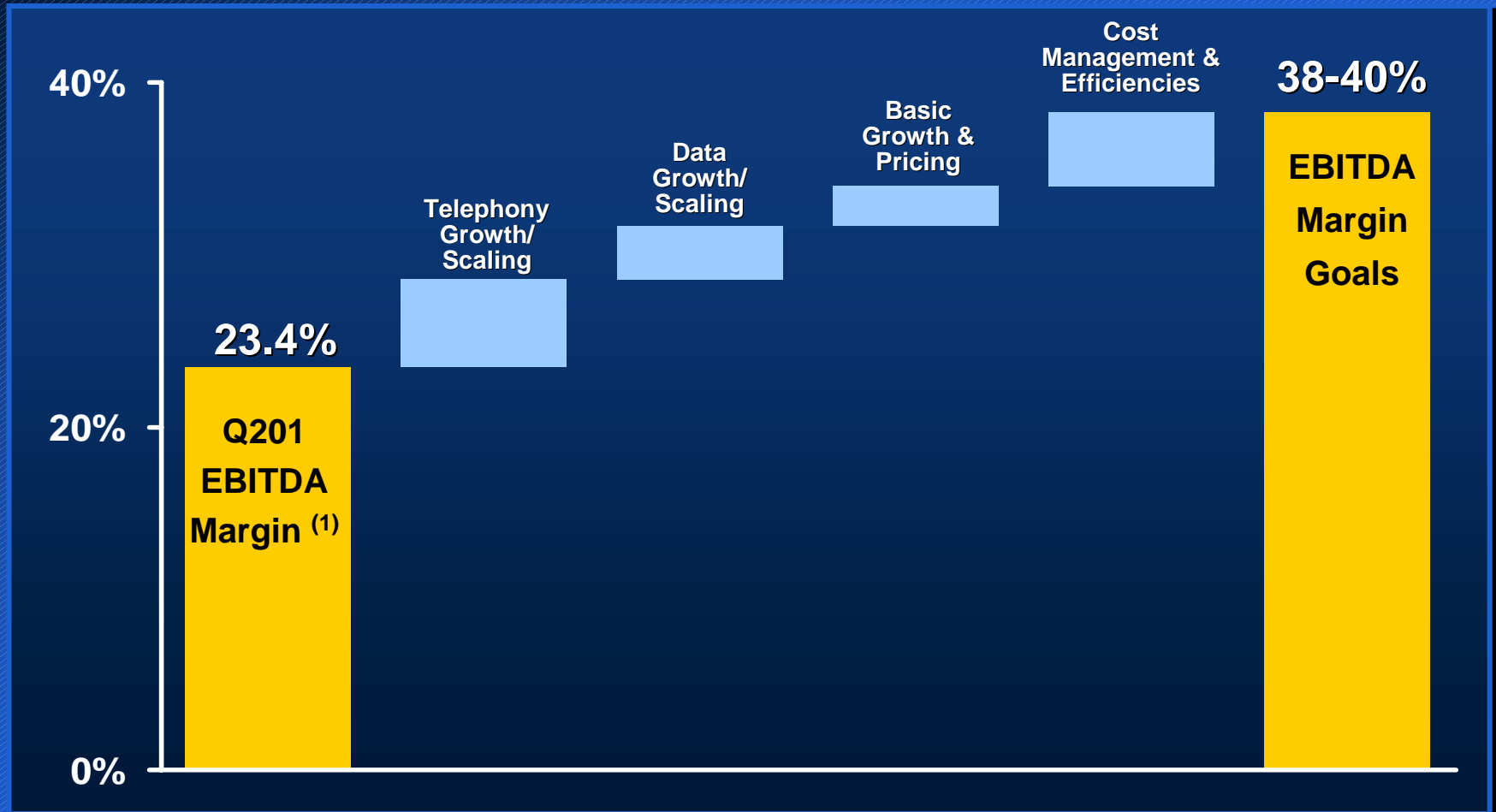
Tangible Margin Improvement – 2nd Quarter 2001

	<u>% Prior to Restructuring⁽¹⁾</u>
1Q01 EBITDA Margin	18.3%
Headcount Reductions	1.0%
Advanced Services Growth	2.2%
Video Price Increases	1.3%
Ad Sales	1.2%
Property Divestitures / Other	(0.6)%
<hr/>	
2Q01 EBITDA Margin	23.4%

Margins increased 5.1 percentage points. Actions already taken will continue to have future impact.

(1) Excludes other income and restructuring charges from both quarters. Q1 and Q2 margins were 16% and 19.5% respectively including restructuring.

Path to Industry Margins



Achievement of margin goals is due to actions that are both completed and underway.

(1) Excludes other income and restructuring charges

Actions to Achieve Margin Goals

Actions Taken

Future Actions

Telephony Growth/Scaling

- RGU growth
- Reduced promotions
- IT system conversions

- Bundling
- Cross-product synergies
- Long distance in former MediaOne properties

Data Growth/Scaling

- RGU growth
- \$6 price increase effective June 2001
- Customer care efficiencies

- Tiered pricing
- Multiple ISP (open access)
- Bundling
- Cross-product expense synergies

Video Growth & Pricing

- Price increase: Feb. 15
- Equipment rate increase: July 1
- Nationwide campaign launched July 7
- Best practices formalized
- Incentive sales compensation
- Signal theft program

- Pricing to market
- Digital (pricing/packaging)
- Video on Demand trials
- Ad sales – major markets

Cost Management/ Efficiencies

- Headcount reductions
- Market integration benefits
- Call center consolidation & rate reductions

- Field tech/dispatch
- Cross-product synergies
- IT systems enhancements

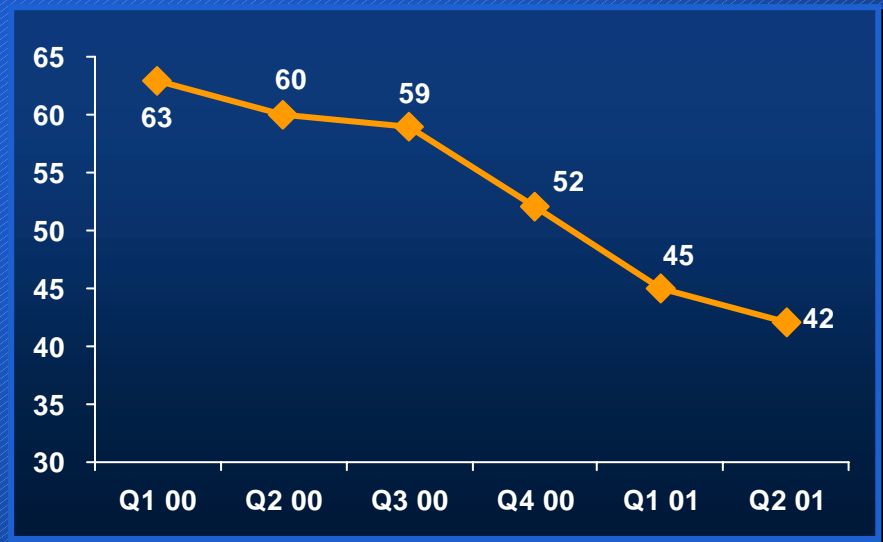
Data Financial Performance

- Subscriber net additions of 738,000 over the last 12 months
- EBITDA positive in Q3
- Monthly revenue per subscriber has increased 12% since Q400
 - Recent \$6 price increase will begin to impact results in Q301
- Monthly expense per subscriber has decreased 33% since Q100

2001 Monthly Revenue/Subscriber (\$)



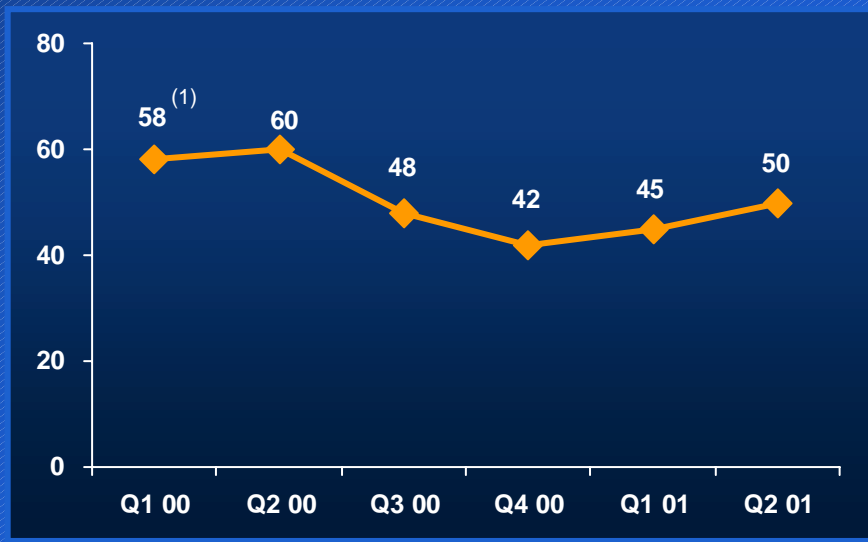
2001 Monthly Expense/Subscriber (\$)



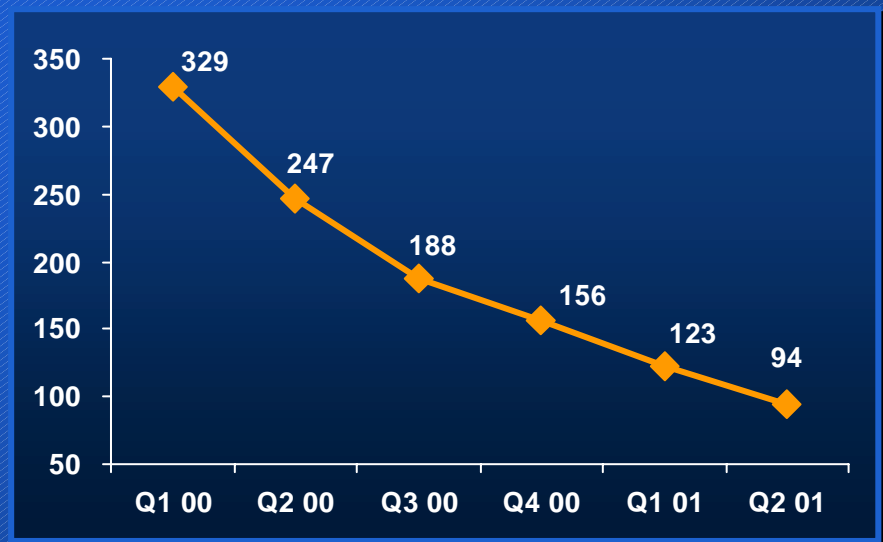
Voice Financial Performance

- Subscriber net additions of 630,000 over the last 12 months
- Monthly revenue per subscriber has increased 21% since Q400
 - Pricing promotions roll-off resulting in higher revenue per subscriber
- Monthly expense per subscriber has decreased 71% since Q100
- Projected to turn EBITDA positive in 9 months

2001 Monthly Revenue/Subscriber (\$)



2001 Monthly Expense/Subscriber (\$)



(1) Adjusted for one-time access revenue allocation.

Capital Spending

- 1H01 capital spending of \$1.7 billion
- Full year 2001 capital spending estimate of \$3.6 billion
- Approximately 2/3 of spend is demand-based
- Variable capital cost per net add is declining
- Expect unlevered free cash flow positive by year-end 2003

Capital management to optimize returns

A Sustainable Growth Story

- Results support strategy and transformation actions
 - Revenue growth
 - Cash flow growth
 - Advanced services growth
- Margin improvement expected to continue
- Telephony strategy benefits
 - Significant capital investment already made
 - Cash flow break-even in 9 months
- Revenue and EBITDA per subscriber and per home passed expected to lead industry in 2003

What We Plan to Deliver

1. Aggressively serving the most attractive markets with the most comprehensive and valuable service offerings
2. Leading in fulfillment of accelerating customer demand for advanced services
3. Driving EBITDA margins to industry benchmarks

**AT&T Broadband is best positioned to deliver
the highest value for its shareholders**



AT&T Broadband

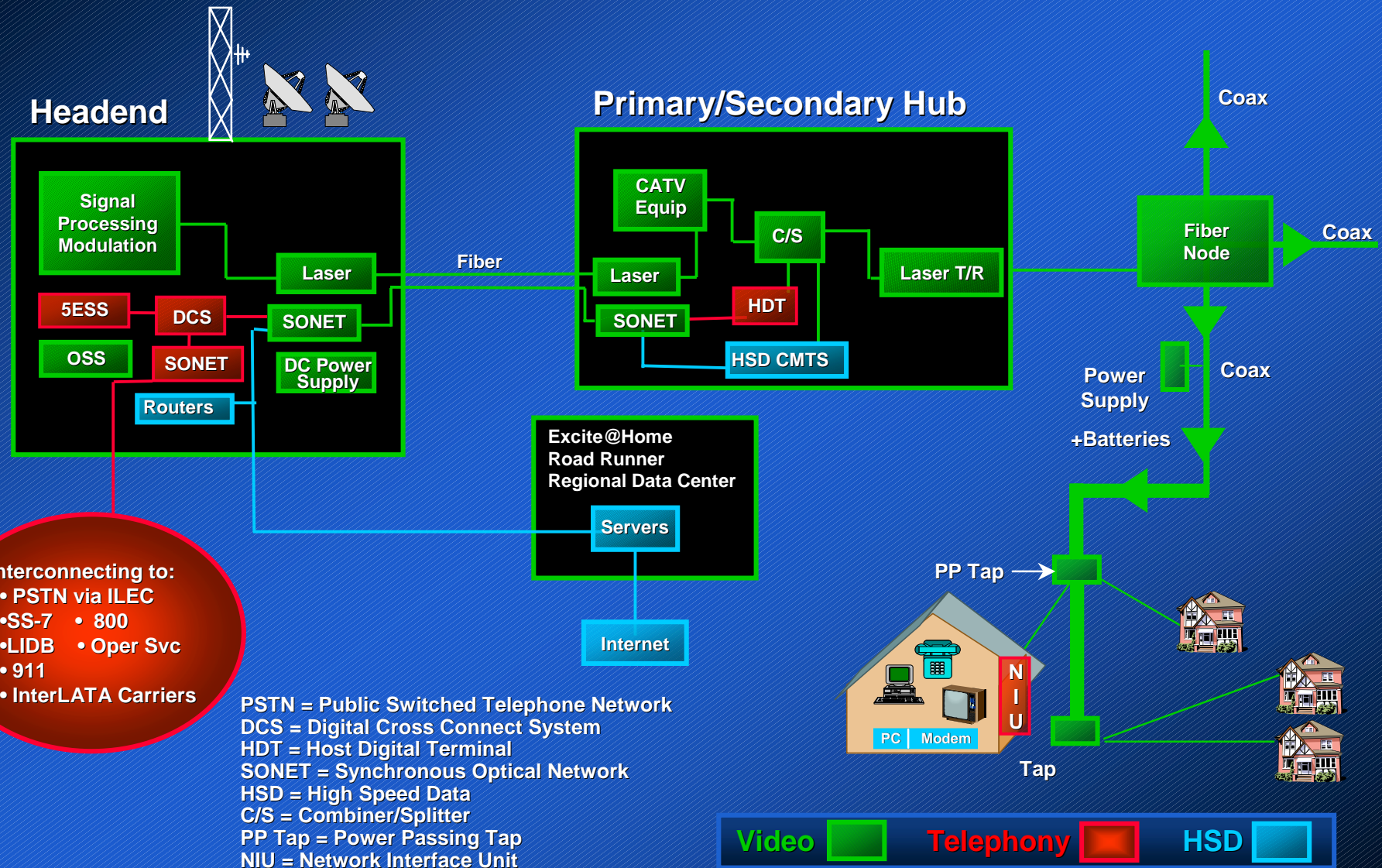
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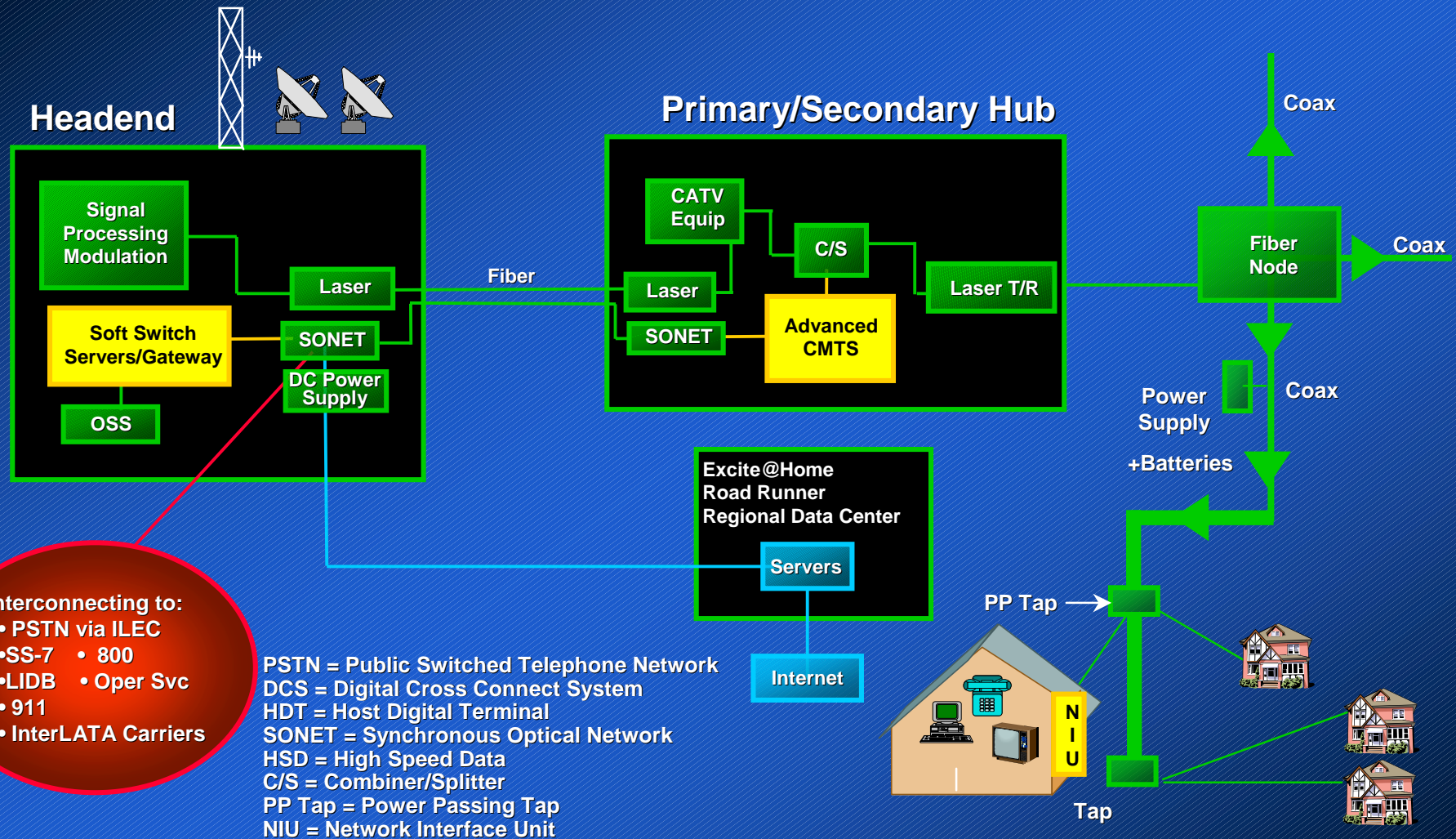


Appendix

Network Architecture (with Circuit Switched Telephone)



Network Architecture (with Voice Over IP)





AT&T Broadband

July 2001

Investor Presentation