

AT&T Wireless Services, Inc.

Report Date: May 7, 2003
 Press Released: May 7, 2003
 Previous Report: April 5, 2002

RATING

No rating assigned. Reference report only.

Chris Diceman, CFA / Rory Buchalter
 416-593-5577 x2242/x2268
 cdiceman@dbrs.com

UPDATE

AT&T Wireless Services, Inc. (“AT&T Wireless” or the “Company”) has remained an investment grade credit since being spun off from AT&T Corporation (“AT&T Corp.”) in mid-2001, with its strong balance sheet and favourable market position as the third largest player (by subscribers) in the U.S. wireless market. The Company has, however, increased its debt levels significantly to \$11 billion from \$6.7 billion to fund acquisitions and its large free cash flow deficits. In addition, the competitiveness of the wireless market has increased with the national carriers responding with lower prices and larger buckets of minutes to deepen national penetration levels. Despite this pressure, AT&T Wireless has remained a net benefactor, as its subscriber growth in this environment has not sacrificed ARPU and customer turnover (churn) levels, and has been without the incurrence of unreasonable acquisition costs. However, one area that remains a major challenge for the Company will be getting its EBITDA margins into the 30% range like its peers, and to overcome higher costs it incurs in (1) roaming and interconnection, and (2) operating dual networks and back offices. Although, debt levels are not expected to decline significantly over the next year, the Company will continue to experience EBITDA and operating cash flow growth, with (1) subscriber additions; (2) revenue growth in short message services (SMS), data and Internet usage as more subscribers are loaded on its GSM/GPRS network; and (3) lower operating costs. However, churn could pressure this growth going forward, with the expected

introduction of wireless number portability in November 2003. Capex levels are expected to fall significantly to \$3 billion in 2003, allowing the Company to likely generate positive free cash flow of at least \$300 million. Capital intensity will be lower as the majority of the GSM/GPRS overlay has been completed and spending is focused on (1) expanding coverage, (2) upgrading the TeleCorp footprint to GSM/GPRS, and (3) rolling out EDGE technology. In addition, the Company will benefit from capital savings through its joint venture with Cingular. The revised shareholder agreement with NTT DoCoMo, Inc. (“DoCoMo”) and the relief of the NextWave licence obligation of \$2.6 billion also benefit the Company. As a result of the new agreement with DoCoMo, there is a less likely chance that it will be in a position to exercise its put option which would have required the Company to repurchase DoCoMo’s investment at cost plus interest (valued greater than \$6 billion). Overall, the generation of free cash flow and stable debt levels will help AT&T Wireless to (1) improve its credit metrics in 2003, (2) lower its financial risk profile, (3) add to its significant liquidity available (currently \$10 billion), and (4) affirm the Company’s investment grade rating. The Company may look opportunistically to acquire smaller entities to add subscribers or add to its network coverage weighing this against organic growth in these areas. With its financial strength, AT&T Wireless remains a likely integral player in consolidating the wireless industry in the U.S. in the medium term.

CONSIDERATIONS

Strengths:

- Third largest wireless carrier (by subscribers) in the U.S
- Relationship with AT&T Corp. and use of its brand
- Favourable capital structure and strong liquidity position
- Revenue growth in subscribers, data, Internet and usage
- Strategic relationships with DoCoMo and Rogers Wireless

Challenges:

- Operates in a highly competitive environment
- High costs to add new subscribers, subsidies significant
- Churn remains high at 2.3% and pressures profitability
- ARPU pressured with competition greater penetration
- Capital requirements required to expand coverage

FINANCIAL INFORMATION

(US\$ millions)	12 mos. March 31	For the year ended December 31					
	2003 (2)	2002	2001	2000 (1)	1999 (1)	1998 (1)	1997 (1)
Total revenue	15,968.0	15,631.0	13,610.0	10,448.0	7,627.0	5,406.0	4,668.0
EBITDA	4,112.0	3,822.0	3,100.0	1,648.0	1,118.0	856.0	916.0
Gross interest expense	833.0	764.0	603.0	338.0	280.0	176.0	0.0
Core net income	237.8	143.4	(316.0)	(287.1)	(240.0)	(259.9)	46.0
Total debt	11,077.0	11,057.0	6,705.0	5,547.0	4,554.0	3,589.0	3,447.0
% debt in the capital structure	28.2%	28.6%	19.9%	20.2%	25.9%	25.2%	25.3%
Net debt to EBITDA	1.83	2.28	1.08	3.33	4.07	4.16	3.76
EBITDA interest coverage	4.94	5.00	5.14	4.88	3.99	4.86	n/a
Cash flow to total debt	0.28	0.26	0.33	0.25	0.22	0.23	0.25
Total subscribers (thousands)	21,142	20,859	18,047	15,163	9,569	7,174	5,964
ARPU	\$58.70	\$60.20	\$62.60	\$68.20	\$65.80	\$56.60	\$54.00
Cost per gross addition (CPGA)	\$404.0	\$377.0	\$334.0	\$367.0	\$367.0	\$392.0	\$432.0
Monthly churn	2.30%	2.60%	2.90%	2.90%	2.60%	2.70%	2.50%

(1) Assumes preferred equity with AT&T Corp. is debt (\$3 billion in 2000 and \$1 billion in 1999 to 1997). (2) Preliminary unaudited Q1 numbers.

THE COMPANY

AT&T Wireless is the third largest wireless carrier (by subscribers) in the U.S. with over 21 million subscribers. The Company, which was spun off from AT&T Corp. in July 2001, is 16%-owned by NTT DoCoMo of Japan and owns 34% of Rogers Wireless in Canada.

U.S. Wireless

DOMINION BOND RATING SERVICE LIMITED

CONSIDERATIONS

Strengths: (1) AT&T Wireless is the third largest wireless carrier in the U.S. with over 21 million subscribers. The Company operates two networks (TDMA and GSM/GPRS) that cover 70% and 63% of the U.S. population, respectively.

(2) AT&T Wireless benefits from agreements with AT&T Corp., mainly (a) its five-year agreement (signed in 2001) to use the dominant AT&T brand, (b) its master-carrier agreement to use AT&T Corp.'s extensive wireline network, and (c) to bundle wireless services with AT&T Corp. enterprise and consumer subscribers.

(3) AT&T Wireless was spun off from AT&T Corporation leaving it with a favourable capital structure. In addition, the Company benefits from (a) a significant amount of financial flexibility with liquidity of \$10 billion, and (b) a tapered capital profile leading to free cash flow break-even in 2003.

(4) The Company benefits from strong revenue growth opportunities going forward, with (a) subscriber growth (albeit at a slower rate as penetration levels move beyond 50%), (b) great volumes migrating to wireless from wireline, and (c) data and Internet services (e.g., SMS and mMode).

(5) The Company benefits from its strategic relationships with NTT DoCoMo, Inc. and Rogers Wireless. DoCoMo owns 16% of AT&T Wireless and has a technology alliance to develop wireless multimedia and 3G services. The Company owns 34% of Rogers Wireless and has established North American roaming agreements.

Challenges: (1) AT&T Wireless operates in one of the most highly competitive wireless markets. In any major market in the U.S. there are at least six carriers offering service and battling for subscribers. This competitive atmosphere is expected to intensify as subscriber growth rates slow, with little relief until consolidation occurs.

(2) Subscriber acquisition costs (CPGA) have grown for AT&T Wireless with lower subscriber growth as the marketing and fixed portion of these costs remained stable. Handset subsidies and commissions are expected to remain a significant portion of CPGA going forward.

(3) At 2.3%, churn remains high for the Company despite recent improvements. This churn pressures the Company's profitability, as it must reacquire nearly 28% of its subscribers annually just to maintain its subscriber base. Churn levels could be pressured going forward as carriers roll out local number portability in November of 2003.

(4) AT&T Wireless continued to experience ARPU pressure as competition remained intense and as penetration levels increased to include lower-valued subscribers. This trend could continue with no relief of competition and with the addition of subscribers with lower ARPU profiles on prepaid style plans like Go Phone.

(5) The Company is expected to continue to require large amounts of capital and to make acquisitions to increase its population coverage into the 80% level and beyond. Currently peers like Verizon Wireless and Cingular have an advantage with coverage at approximately 80%.

EARNINGS AND OUTLOOK

Income Statement (US\$ millions)	12 mos. March 31		For the year ended December 31				Subscriber Statistics		
	2003 (2)	2002	2001	2000 (1)	1999 (1)	Q1 2003	2002	2001	
Total revenue	15,968.0	15,631.0	13,610.0	10,448.0	7,627.0	Total subs.	21,142	20,859	18,047
EBITDA margin	25.8%	24.5%	22.8%	15.8%	14.7%	Net adds	283	1,973	2,928
EBITDA	4,112.0	3,822.0	3,100.0	1,648.0	1,118.0	ARPU (\$)	58.7	60.2	62.6
EBIT	1,268.0	1,071.0	598.0	(38.0)	(135.0)	CPGA (\$)	404.0	377.0	334.0
Gross interest expense	833.0	764.0	603.0	338.0	280.0	CCPU (\$)	30.6	31.7	33.1
Core net income	237.8	143.4	(316.0)	(287.1)	(240.0)	Churn	2.3%	2.6%	2.9%
Reported net income	(2,009.7)	(2,324.0)	(887.0)	528.0	(461.0)	MOU	508	477	382

(1) Assumes preferred equity with AT&T Corp. is debt (\$3 billion in 2000 and \$1 billion in 1999 to 1997). (2) Preliminary unaudited Q1 numbers.

Summary:

- EBITDA grew to \$3.8 billion in 2002, with:
 - Strong subscriber growth adding nearly two million subscribers;
 - Improved churn as more subscribers signed up for contracts (one year and some for two years)
 - Lower cash operating costs per user (CCPU) as roaming costs were reduced
- However, offsetting these factors were
 - TeleCorp's consolidation (dilutive to EBITDA);
 - Higher operating cost usage increased with:
 - Larger buckets of minutes offered
 - Wireline substitution was encouraged
 - Higher acquisition costs as handset subsidies and commissions increased
- Interest costs were significantly higher as a result of the TeleCorp debt assumed and the large free cash flow deficit incurred
- However, core net income turned positive after persistent losses for the past number of years

Outlook:

- EBITDA growth is expected to be driven by:
 - Continued subscriber growth (however at a lower rate as penetration levels move beyond 50%)
 - Higher usage as wireless for wireline substitution is encouraged
 - The pursuit of lower cost distribution channels (i.e., Internet, AT&T Wireless stores)
 - Lower operating costs per subscriber with network expansion (i.e., lower roaming costs)
- However,
 - ARPU and churn could experience pressure as intense competition still exists
 - Subscriber acquisition costs could remain high with lower subscriber growth and stable marketing costs
- Interest costs are expected to remain flat as free cash flow is achieved
- As a result, core net income is expected to strengthen and remain positive

FINANCIAL PROFILE AND SENSITIVITY ANALYSIS

Cash Flow Statement

(US\$ millions)	12 mos. March 31	For the year ended December 31			Sensitivity Analysis		
	2003 (2)	2002	2001	2000	Year 1	Year 2	Year 3
Total revenue	15,968.0	15,631.0	13,610.0	10,448.0	15,943.6	16,262.5	16,587.7
EBITDA	4,112.0	3,822.0	3,100.0	1,648.0	3,985.9	4,065.6	4,146.9
Core net income	237.8	143.4	(316.0)	(287.1)	107.7	130.5	155.5
Add: depreciation & amortization	2,844.0	2,751.0	2,502.0	1,686.0	3,000.0	3,000.0	3,000.0
Add: other items	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating Cash Flow	3,081.8	2,894.4	2,186.0	1,399.0	3,107.7	3,130.5	3,155.5
Capex	4,772.0	5,302.0	5,205.0	4,012.0	3,750.0	3,750.0	3,750.0
Dividends	18.0	18.0	76.0	0.0	18.0	18.0	18.0
Free Cash Flow Bef. Work. Cap.	(1,708.2)	(2,425.6)	(3,095.0)	(2,613.1)	(660.3)	(637.5)	(612.5)
Changes in working capital	573.0	(84.0)	(114.0)	(399.0)	0.0	0.0	0.0
Free Cash Flow	(1,135.2)	(2,509.6)	(3,209.0)	(3,012.1)	(660.3)	(637.5)	(612.5)
(Acquisitions)	(307.0)	(818.0)	(1,587.0)	(5,010.0)	0.0	0.0	0.0
Dispositions	599.0	391.0	882.0	0.0	0.0	0.0	0.0
Other	479.6	175.0	94.0	283.0	0.0	0.0	0.0
Net Free Cash Flow	(363.7)	(2,761.6)	(3,820.0)	(7,739.1)	(660.3)	(637.5)	(612.5)
Changes in equity: new/(repurch.)	29.0	427.0	6,207.0	5,756.0	0.0	0.0	0.0
Changes in debt: new/(repay.)	2,314.0	1,336.0	903.0	2,039.0	660.3	637.5	612.5
Change in Net Cash	1,979.3	(998.6)	3,290.0	55.9	0.0	0.0	(0.0)
Key Figures and Ratios							
Total debt (1)	11,077.0	11,057.0	6,705.0	5,547.0	11,717.3	12,354.8	12,967.3
% debt in capital structure (1)	28.2%	28.6%	19.9%	20.2%	29.8%	30.8%	31.7%
Net debt to EBITDA	1.83	2.28	1.08	3.33	2.35	2.46	2.56
EBITDA interest coverage	4.94	5.00	5.14	4.88	4.86	4.70	4.57
EBIT interest coverage	1.52	1.40	0.99	(0.11)	1.20	1.23	1.26
Cash flow to total debt	0.28	0.26	0.33	0.25	0.27	0.25	0.24
Capex to revenue	29.9%	33.9%	38.2%	38.4%	23.5%	23.1%	22.6%
Assumptions							
Revenue growth	2.2%	14.8%	30.3%	37.0%	2.0%	2.0%	2.0%
EBITDA margin	25.8%	24.5%	22.8%	15.8%	25.0%	25.0%	25.0%
Interest rate	7.5%	6.9%	9.0%	6.1%	7.0%	7.0%	7.0%
Capex	4,772.0	5,302.0	5,205.0	4,012.0	3,750.0	3,750.0	3,750.0

(1) Assumes preferred equity with AT&T Corp. is debt (\$3 billion in 2000 and \$1 billion in 1999 to 1997). (2) Preliminary unaudited Q1 numbers.

Summary:

- AT&T Wireless's balance sheet weakened in 2002 with higher debt levels from:
 - A large free cash flow deficit of \$2.4 billion
 - The consolidation of TeleCorp
- Capex requirements were massive at \$5.3 billion to fund TDMA footprint expansion, TeleCorp network upgrades and complete the bulk of the GSM/GPRS overlay
- Despite improvement in operating cash flow from subscriber growth, lower churn and strong ARPU, the Company required nearly \$2.8 billion in financing
- This funding needs were met with:
 - New net debt of \$1.4 billion (\$3 billion issued, \$1.6 billion TeleCorp debt refinanced)
 - DoCoMo equity injection of \$382 million to maintain its 16% interest after TeleCorp was acquired
 - Cash of nearly \$1 billion
- Despite, this added financial risk and pressure on its credit ratios; the Company's credit rating continued to fall in the middle of the BBB range

Outlook:

- The Company's financial risk profile is expected to improve in 2003 as it generates positive free cash flow
- Capex levels are expected to drop significantly to \$3 billion or 18% of revenue as:
 - The GSM/GPRS footprint expansion is completed (largely in the legacy TeleCorp region)
 - EDGE (next version of GSM/GPRS) is rolled out
 - Capital savings from joint venture with Cingular
- As a result, the Company is expected to generate positive free cash flow for the year of at least \$300 million
- In addition:
 - Cash proceeds of \$720 million were received in early 2003 from a tax ruling and closing its interest rate swaps
 - NextWave's licences liability (\$2.6 billion) was relieved
- As a result, the Company's credit ratios should improve in 2003 as its balance sheet strengthens
- The Company has ample liquidity (\$10 billion) and will likely pursue small acquisitions in 2003 to supplement its network and subscriber expansion efforts

Sensitivity Analysis:

DBRS stress tests the financial strength of companies analyzed to measure their sensitivity under various extreme scenarios. The assumptions used are based neither upon any specific information provided by the Company, nor any expectations DBRS has concerning the future performance of the Company. Key Assumptions:

- Minimal revenue growth at 2% per year
- Stable EBITDA margins at 25% per year
- Capex stable at \$3.8 billion per year
- Under this scenario the Company would be able to fund over 83% of its cumulative cash needs internally
- If debt were used to finance the remaining requirement of \$1.9 billion, the Company's key credit ratios would be pressured but would remain investment grade
- If this scenario were to occur, the Company would likely trim capex levels (especially if this minimal revenue growth occurred) to reduce its free cash flow deficits

LONG-TERM DEBT MATURITIES AND BANK LINES

Debt Outstanding (US\$ millions)	Maturity	Coupon	As at Mar. 31	As at December 31	
			2003 (2)	2002	2001
AT&T Wireless Services Sr. Unsubordinated Notes	March 2006	7.35%	1,000.0	1,000.0	1,000.0
AT&T Wireless Services Sr. Unsubordinated Notes	March 2011	7.125%	3,000.0	3,000.0	3,000.0
AT&T Wireless Services Sr. Unsubordinated Notes	March 2031	8.75%	2,500.0	2,500.0	2,500.0
AT&T Wireless Services Sr. Unsubordinated Notes	April 2005	6.875%	250.0	250.0	0.0
AT&T Wireless Services Sr. Unsubordinated Notes	May 2007	7.5%	750.0	750.0	0.0
AT&T Wireless Services Sr. Unsubordinated Notes	May 2012	8.125%	2,000.0	2,000.0	0.0
TeleCorp Wireless, Inc. Sr. Subordinated Notes (1)	July 2010	10.625%	292.0	292.0	0.0
TeleCorp Wireless, Inc. Sr. Subordinated Notes (1)	April 2009	11.625%	374.0	374.0	0.0
Tritel PCS, Inc. Sr. Subordinated Notes (1)	Jan. 2011	10.375%	292.0	292.0	0.0
Tritel PCS, Inc. Sr. Subordinated Notes (1)	May 2009	12.75%	242.0	242.0	0.0
Other			136.0	136.0	218.0
Less: Unamortized discount			(17.0)	(19.0)	(13.0)
SFAS No. 133 Adjustment			258.0	240.0	0.0
Total Debt Outstanding			11,077.0	11,057.0	6,705.0

(1) Guaranteed by AT&T Wireless Corp. in May 2002. (2) DBRS estimate on individual amounts outstanding as at March 31, 2003.

Summary:

- Debt levels grew significantly in 2002 with: (1) the acquisition of TeleCorp; and (2) the free cash flow deficit generated during the year
- Interest costs are considerably higher at the TeleCorp and Tritel levels (10% to 12%) and could quite possibly be redeemed after prescribed dates before they mature
- This higher interest cost reduced profitability

Debt Maturity Schedule (US\$ millions)	As at December 31	
	2002	2001
2003	0.0	88.0
2004	0.0	0.0
2005	250.0	0.0
2006	1,000.0	1,000.0
2007	886.0	0.0
Thereafter and other	8,921.0	5,617.0
Total debt outstanding	11,057.0	6,705.0

Summary:

- AT&T Wireless has no major maturities for the next three years
- The largest will be 2006 when its 7.35% senior notes mature for \$1 billion

Liquidity Available (US\$ millions)	Term	As at March 31, 2003			As at December 31, 2002		
		Authorized			Authorized		
		Amount	Drawn	Available	Amount	Drawn	Available
Cash & equivalents	-	3,563.0	0.0	3,563.0	2,353.0	0.0	2,353.0
A/R securitization program (1)	-	1,600.0	0.0	1,600.0	1,600.0	0.0	1,600.0
Unsecured Revolving Credit Facility (2)	Up to 364 day	1,250.0	0.0	1,250.0	1,250.0	0.0	1,250.0
Unsecured Revolving Credit Facility (3)	Up to Five year	1,250.0	0.0	1,250.0	1,250.0	0.0	1,250.0
CP program	Up to 364 days	2,500.0	0.0	2,500.0	2,500.0	0.0	2,500.0
Total		10,163.0		10,163.0	8,953.0	0.0	8,953.0
Tax refund received in January 2003		n/a		n/a	n/a		431.0
Interest rate swaps crytalyzed		n/a		n/a	n/a		289.0
Total Liquidity		10,163.0		10,163.0	8,953.0		9,673.0

(1) Increased the size of this program from \$1.2 billion to \$1.6 billion in March 2003; program terminates if rating falls below BB (high).

(2) Renewed in March 2003; expires March 2004; Subject to tests including net debt to EBITDA of 4 times or less and interest coverage of 3.5 times or higher.

(3) Renewed in March 2003; expires March 2006; Subject to tests including net debt to EBITDA of 4 times or less and interest coverage of 3.5 times or higher.

Note: The A/R securitization, credit facilities and CP program would rank pari passu with the unsecured notes above.

Summary:

- The Company has a significant amount of liquidity available at nearly \$10.2 billion
- In the near term, the Company is expected to be opportunistic and will likely use this strong position to acquire small companies to expand its subscriber base and footprint
- Assuming the DoCoMo 3G obligations are met and not an issue, AT&T Wireless with this liquidity and its shares could be a key player to the much-needed consolidation in the U.S. wireless market
- AT&T Wireless will be one of the industry leaders

JOINT VENTURES
Summary:

- The largest joint venture that AT&T Wireless benefits from is with Cingular
- This joint ventures will provide GSM/GPRS coverage along 4,000 miles of interstate highways in the Midwest, West and Northeast
- Under this agreement both companies will contribute cash, wireless licences and assets toward the venture
- Operations began in March 2003
- Both companies will purchase network services from the venture and offer them seamlessly to their subscribers

AFFILIATES AND OWNERSHIP INTERESTS

<u>Domestic Affiliates</u>			POPs		Ownership
			Mhz	(millions)	
ACC Acquisition, LLC	TDMA	Rural and metro	850	4.9	50.0%
Cincinnati Bell Wireless, LLC	TDMA	Cincinnati, Dayton	1900	3.4	19.9%
Triton PCS Holdings, Inc.	TDMA	SE U.S States	1900	13.8	15.5%
<u>International Operations</u>					
<u>Consolidated</u>					
Antigua Wireless Ventures Ltd	TDMA	Antigua Barbuda	850 and 1900	0.1	85.0%
Telecommunications (Bermuda & West Indies) Limited	GSM	Bermuda	1900	0.1	60.0%
Wireless Ventures (Dominica) Ltd.	GSM	Dominica	900 and 1900	-	100.0%
Wireless Ventures (St. Lucia) Ltd.	GSM	St. Lucia	900 and 1900	-	69.0%
Wireless Ventures (St. Vincent) Ltd.	GSM	St. Vincent & the Grenadines	900 and 1900	-	100.0%
<u>Equity Interests</u>					
Rogers Wireless Communications, Inc	TDMA				
EuroTel Praha	GSM	Canada	850 and 1900	29.0	34.3%
IDEA Cellular Ltd.	NMT GSM	Czech Republic	450 and 900	10.0	24.5%
BPL Cellular Ltd.	GSM	India		95.0	32.8%
PT Aria West Intl	GSM	India		52.0	49.0%
EuroTel Bratislava	NMT GSM	Indonesia		-	35.0%
Far Eastone	GSM	Slovakia	450 and 900	5.0	24.5%
	GSM	Taiwan	900 and 1800	22.0	22.7%

Summary:

- AT&T Wireless has a small number of domestic affiliates that help it cover a small portion of the U.S. market
- The Company also has consolidated international interest in the Caribbean
- Most importantly of its equity interests is the **34% interest in Rogers Wireless in Canada** that gives it cross-border TDMA and GSM/GPRS roaming agreements

COMMITMENTS AND GUARANTEES

Agreement with NTT DoCoMo

Summary:

- **Technology alliance** to develop multimedia services (mMode) and a 3G network and service
- **DoCoMo invested over \$6 billion** for its 16% stake
- AT&T Wireless **could have to repurchase** this stake at cost plus interest if certain milestones are not met
- **Put option expires** if four-city launch is completed by December 31, 2004
- DoCoMo is also assisting the Company's deployment of a 3G network
- As amended in their agreement in December 2002, **DoCoMo has the right to require AT&T Wireless to repurchase its investment** at cost plus interest if AT&T Wireless:
 - **Abandons W-CDMA** as the next generation (3G) platform; and/or
 - **Fails to launch 3G service** in Dallas, San Diego, San Francisco and Seattle by December 31, 2004

Background:

- In June 2001, DoCoMo and AT&T Wireless entered into a **strategic alliance to develop 3G multimedia services using a W-CDMA platform**
- In doing so, **DoCoMo invested \$6 billion** in AT&T Wireless for a **16% stake** in the Company
- DoCoMo has utilized its I-mode technology and platform to enable the Company to **roll out its own multimedia services called mMode in April 2002**
- This **potential liability would be significant** for AT&T Wireless requiring financing of more than **\$6 billion** so the conditions will likely be met

Alaska Native Wireless

Summary:

- AT&T was **committed for \$2.6 billion of PCS licences** from Auction 35
- This **commitment was relieved to December 2002** by the FCC
- **ANW was the highest bidder** on \$2.9 billion in licences of which AT&T Wireless was committed to fund \$2.6 billion
- **In June 2001**, the D.C. Circuit Court ruled that the **FCC had acted improperly** in rescinding the licences from NextWave and re-auctioning them

Background:

- ANW was the original venture formed in November 2000 by AT&T Wireless and others **to bid on the FCC's Auction 35** of 1900-megahertz spectrum that mainly belonged to NextWave
- **In August 2001** the **FCC returned the licences** to NextWave and returned ANW's down payment in April 2002
- **In November 2002**, the **FCC allowed the bidders to withdraw from the auction** and in December 2002 ANW withdrew its bids

WIRELESS CARRIERS FINANCIAL PROFILE

Symbols		Above normal	= Normal	= Below normal			
Rank	Characteristics	Profitability	Balance Sheet (% debt)	Cash flow to debt	Coverage Ratios	Size/Other	Parental Support
1	NTT DoCoMo, Inc.						n/a
2	Vodafone Group Plc						n/a
3	Verizon Wireless Inc.						
4	Bell Mobility Cellular Inc. (1)						
5	Telecom Italia Mobile Group						
6	Orange SA *						
7	Telefonica Moviles, S.A.						
8	Cegetel Groupe SA						
9	Cingular Wireless						
10	Alliant Telecom Wireless (1)						
11	ALLTEL Corp.						
12	US Cellular Corp.						
13	AT&T Wireless Services Inc.						
14	T-Mobile International AG						
15	TELUS Mobility (1)						
16	mmO2 plc						
17	KPN Mobile N.V.						
18	Sprint PCS						
19	T-Mobile USA, Inc. (VoiceStream)						
20	Rogers Wireless						
21	Nextel Communications, Inc.						
22	Bouygues Telecom						
23	Microcell Telecommunications Inc.						

Criteria:		EBITDA Margins	Debt to Capital	Cash Flow to Debt	EBITDA Int. Coverage	Subscribers & Market Share	Credit Enhancement
	Above normal	>35%	<45%	>0.30	>7.00	>20 million	Positive
	Normal	25-35%	45-55%	0.25-0.30	5.00-7.00	10-20 million or #1 in market	Neutral
	Below normal	<25%	>55%	<0.25	<5.00	<10 million	Negative

(1) EBITDA coverage, cash flow / debt, and per cent debt in the capital structure are based on their respective parent ratios as full financial disclosure is not provided.

EBITDA margin for Bell Mobility is a DBRS estimate.

*Profitability based on France and U.K. operations.

Summary:

- AT&T Wireless is ranked in 13th place in DBRS's global wireless universe
- The Company benefits from a favourable balance sheet and its ownership interest and technology relationship with NTT DoCoMo
- AT&T Corporation no longer has an equity interest in the Company, but has a number of agreements from which the Company benefits from
 - Low debt levels and its strong brand should put the Company in an advantageous position in consolidation negotiations

WIRELESS CARRIERS FINANCIAL INFORMATION

(US\$ millions*)	<u>12 mos.</u>	<u>Total</u>	<u>EBITDA</u>	<u>Interest</u>	<u>EBITDA</u>	<u>Cash flow/</u>	<u>% Debt in</u>	<u>Net Debt to</u>	
	<u>Ending</u>	<u>Revenue</u>	<u>EBITDA</u>	<u>Margin</u>	<u>Expense</u>	<u>Coverage</u>	<u>Cap. Struc.</u>	<u>EBITDA</u>	
Major U.S. Operators									
Verizon Wireless Inc.	Dec. 2002	19,260	6,774	35.2%	703	9.64	0.36	24.4%	1.98
Cingular Wireless	Dec. 2002	14,727	4,615	31.3%	911	5.07	0.24	60.8%	2.53
AT&T Wireless Services Inc.	M ar. 2003	15,968	4,112	25.8%	833	4.94	0.28	28.2%	1.83
Sprint PCS	M ar. 2003	12,173	2,975	24.4%	1,515	1.96	0.09	95.6%	5.91
Nextel Communications Inc.	M ar. 2003	9,135	3,492	38.2%	1,048	3.33	0.18	74.9%	2.79
T-M obile USA, Inc.**	Dec. 2002	5,698	449	7.9%	489	0.66	(0.02)	37.7%	25.50
ALLTEL Corporation**	M ar. 2003	4,324	1,574	36.4%	392	8.19	0.35	51.2%	2.00
United States Cellular Corporation	M ar. 2003	2,302	607	26.4%	72	7.72	0.38	35.3%	2.18
Qwest Wireless	Sept. 2002	775	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Major Canadian Operators									
Rogers AT&T Wireless	M ar. 2003	1,358	374	27.6%	131	2.87	0.15	87.5%	4.21
Bell M obility Cellular Inc. **	M ar. 2003	1,317	436	33.1%	n/a	7.36	0.40	50.8%	1.56
TELUS M obility **	M ar. 2003	1,413	394	27.9%	n/a	3.69	0.20	54.7%	3.01
M icrocell Telecommunications Inc.	M ar. 2003	390	71	18.3%	21	3.39	0.22	48.7%	2.18
Aliant Telecom Wireless ** (1)	M ar. 2003	196	94	47.8%	n/a	7.30	0.38	45.1%	1.26
Major European/Japan Operator(s)									
Vodafone Group Plc	Sept. 2002	42,514	15,154	35.6%	1,928	7.86	0.67	9.7%	1.04
T-M obile International AG**	Dec. 2002	17,941	4,580	25.5%	905	5.06	n/a	n/a	n/a
Orange SA	Dec. 2002	15,532	4,678	30.1%	486	9.62	0.54	33.9%	1.24
NTT DoCoM o, Inc.	Sept. 2002	42,793	14,564	34.0%	172	84.43	0.87	31.8%	0.58
Telecom Italia M obile Group	M ar. 2003	9,986	4,618	46.2%	168	27.5	2.77	17.0%	0.15
Telefonica M oviles S.A.	Dec. 2002	8,163	3,288	40.3%	374	8.80	0.31	72.4%	1.98
mmO2 plc (6)	Sept. 2002	6,594	987	15.0%	111	8.89	0.60	5.3%	1.43
KPN M obile NV**	Dec. 2002	4,195	1,466	35.0%	n/a	3.13	0.20	75.8%	2.80
Cegetel Groupe SA	Dec. 2002	5,587	2,092	37.4%	55	38.35	1.77	31.6%	0.09
Bouygues Telecom	Dec. 2002	2,677	759	28.4%	161	4.72	0.24	66.8%	2.70
High				47.8%		84.43	2.77	95.6%	25.50
Low				7.9%		0.66	(0.02)	5.3%	0.09
Median				31.3%		7.30	0.33	46.9%	1.99
	<u>3 mos.</u>	<u>Tot. Subscr.</u>	<u>Monthly</u>	<u>Monthly</u>	<u>%</u>	<u>Market</u>	<u>Total</u>	<u>Avg. M ins</u>	
	<u>Ending</u>	<u>(000s)</u>	<u>Churn (2)</u>	<u>ARPU</u>	<u>Pre-paid</u>	<u>Penetrat.</u>	<u>CPGA</u>	<u>Per User</u>	
Major U.S. Operators									
Verizon Wireless Inc.	M ar. 2003	33,324	2.1%	47.20	6%	14.3%	-	402	
Cingular	M ar. 2003	22,114	2.6%	50.04	7%	10.0%	-	406	
AT&T Wireless Services Inc.	M ar. 2003	21,142	2.3%	58.70	5%	10.3%	404	508	
Sprint PCS	M ar. 2003	14,959	3.1%	58.00	-	11.0%	365	720	
Nextel Communications Inc.(4)	M ar. 2003	11,092	1.9%	67.00	-	3.6%	450	650	
T-M obile USA Inc. (3)	Dec. 2002	9,916	4.0%	50.00	14%	4.5%	323	660	
ALLTEL Corp.	M ar. 2003	7,761	2.7%	45.59	8%	12.9%	285	-	
US Cellular Corp.	M ar. 2003	4,240	1.9%	45.05	5%	11.5%	358	377	
Qwest Wireless	Sept. 2002	1,084	-	47.00	-	5.0%	229	-	
Major Canadian Operators									
Rogers AT&T Wireless	M ar. 2003	3,458	1.8%	29.51	22%	13.8%	285	331	
Bell M obility Cellular Inc. (2)	M ar. 2003	3,431	1.4%	30.00	25%	14.3%	258	201	
TELUS M obility	M ar. 2003	3,062	1.5%	36.00	17%	12.1%	283	315	
M icrocell Telecommunications Inc.	M ar. 2003	1,124	3.3%	24.51	54%	4.7%	183	212	
Aliant Telecom Wireless	M ar. 2003	558	1.4%	31.35	14%	75.0%	258	201	
Major European/Japan Operator(s)									
Vodafone Group Plc (5)	Dec. 2002	112,484	2.1%	38.17	53%	33.0%	103	194	
T-M obile International AG	Dec. 2002	61,700	1.5%	22.25	56%	40.0%	171	147	
Orange SA	Dec. 2002	44,367	1.7%	29.85	54%	49.8%	133	138	
NTT DoCoM o, Inc.	Dec. 2002	42,874	1.2%	67.32	-	58.3%	-	169	
Telecom Italia M obile Group	M ar. 2003	32,330	0.9%	24.82	85%	47.5%	n/m	116	
Telefonica M oviles S.A.	Dec. 2002	28,614	1.1%	25.64	65%	55.0%	132	108	
mmO2 plc	Dec. 2002	19,071	2.4%	28.79	63%	23.4%	130	n/a	
KPN M obile NV	Dec. 2002	13,441	2.1%	24.99	57%	43.0%	127	95	
Cegetel Groupe SA	Dec. 2002	13,547	2.0%	37.61	47%	35.1%	182	290	
Bouygues Telecom	Dec. 2002	5,610	3.9%	33.55	37%	15.2%	154	230	

*Conversion rate US\$1 = €0.11, US\$1 = Cdn\$1.50.

**EBITDA coverage, cash flow/debt, and percent debt in the capital structure are based on their respective parent ratios, as full financial disclosure is not provided.

(1) EBITDA coverage, cash flow to total debt, and percent debt in the capital structure are based on Aliant Telecom's December 2001 ratios.

(2) Churn is a blended postpaid/pre-paid figure, except for Bell Mobility, Rogers Wireless and US Cellular, which reflect postpay only.

(3) Includes Powertel Inc.'s results.

(4) Domestic statistics only.

(5) Penetration figure represents the U.K. market only.

(6) Interest expense reflects the pro forma full-year interest effect as if the bonds were issued April 1, 2002. Reported EBITDA coverage was 11.7 times.

n/a - not applicable

n/m - not meaningful

AT&T Wireless Services, Inc.

Balance Sheet

(US\$ millions)	March 31 As at December 31				March 31 As at December 31		
	2003	2002	2001		2003	2002	2001
Assets				Liabilities & Equity			
Cash & equivalents	3,563.0	2,353.0	3,352.0	Short-term debt	0.0	0.0	88.0
Receivables	2,020.0	2,215.0	2,026.0	Accounts payable	612.0	780.0	1,035.0
Inventories	247.0	325.0	307.0	Accrued expense pble	332.0	1,013.0	409.0
Other current	396.0	0.0	180.0	Other current liabilities	1,822.0	1,300.0	1,900.0
Inc. tax receivable etc.	0.0	388.0	432.0	Total Current Liab.	2,766.0	3,093.0	3,432.0
Total Current Assets	6,226.0	5,281.0	6,297.0	Long-term debt	11,077.0	11,057.0	6,617.0
Net fixed assets	15,979.0	16,263.0	12,496.0	Other long-term liab.	4,222.0	4,096.0	4,682.0
Financial assets	2,270.0	2,225.0	3,672.0	Minority interest	45.0	48.0	46.0
Goodwill & intangibles	21,146.0	21,158.0	17,812.0	Preferred equity (1)	158.0	151.0	0.0
Other	606.0	879.0	1,445.0	Common equity	27,959.0	27,361.0	26,945.0
Total Assets	46,227.0	45,806.0	41,722.0	Total Liab. & Equity	46,227.0	45,806.0	41,722.0

	12 mos. March 31	For the year ended December 31					
	2003 (2)	2002	2001	2000	1999	1998	1997
Liquidity & Coverage Ratios							
Current ratio	2.25	1.71	1.83	0.71	0.71	0.76	0.66
Asset coverage	1.63	1.57	2.36	1.62	1.47	1.33	1.12
Total assets/total debt	4.17	4.14	6.22	6.36	5.16	5.42	5.52
Cash flow/total debt	0.28	0.26	0.33	0.25	0.22	0.23	0.25
Net debt to EBITDA	1.83	2.28	1.08	3.33	4.07	4.16	3.76
% debt in capital structure (1)	28.2%	28.6%	19.9%	20.2%	25.9%	25.2%	25.3%
Adjusted % debt in capital structure (2)	34.6%	35.2%	23.1%	24.4%	29.5%	27.8%	28.1%
EBITDA interest coverage (times)	4.94	5.00	5.14	4.88	3.99	4.86	n/a
EBIT interest coverage (times)	1.52	1.40	0.99	-0.11	-0.48	-1.27	n/a
Profitability Ratios							
EBITDA margin	25.8%	24.5%	22.8%	15.8%	14.7%	15.8%	19.6%
Profit margin	1.5%	0.9%	-2.3%	-2.7%	-4.8%	1.0%	4.0%
Operating Ratios							
ARPU (\$)	58.70	60.20	62.60	68.20	65.80	56.60	54.00
Cost per gross addition (CPGA)	404.00	377.00	334.00	367.00	367.00	392.00	432.00
Monthly churn (\$)	2.3%	2.6%	2.9%	2.9%	2.6%	2.7%	2.5%
Cash cost per user (CCPU) (\$)	30.60	31.70	33.10	37.80	-	-	-
Other Data							
Total subscribers (thousands)	21,142	20,859	18,047	15,163	9,569	7,174	5,964
Market penetration	0.0%	10.3%	10.8%	9.3%	8.4%	-	-
Average minutes of use (AMOU)	508	477	382	351	-	-	-
Capex to revenue	29.9%	33.9%	38.2%	38.4%	29.8%	22.5%	41.4%
Capex per subscriber (\$)	225.7	254.2	288.4	264.6	237.4	169.9	323.8

Income Statement

(US\$ millions)	12 mos. March 31	For the year ended December 31					
	2003	2002	2001	2000	1999	1998	1997
Total revenue	15,968.0	15,631.0	13,610.0	10,448.0	7,627.0	5,406.0	4,668.0
EBITDA	4,112.0	3,822.0	3,100.0	1,648.0	1,118.0	856.0	916.0
EBIT	1,268.0	1,071.0	598.0	(38.0)	(135.0)	(223.0)	90.0
Interest expense	833.0	764.0	603.0	338.0	280.0	176.0	-
Core net income	237.8	143.4	(316.0)	(287.1)	(240.0)	(259.9)	46.0
Reported net income	(2,009.7)	(2,324.0)	(887.0)	528.0	(461.0)	108.0	125.0

Cash Flow Statement

(US\$ millions)	12 mos. March 31	For the year ended December 31					
	2003	2002	2001	2000	1999	1998	1997
Core net income	237.8	143.4	(316.0)	(287.1)	(240.0)	(259.9)	46.0
Add: depreciation & amortization	2,844.0	2,751.0	2,502.0	1,686.0	1,253.0	1,079.0	826.0
Add: other items	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash Flow From Operations	3,081.8	2,894.4	2,186.0	1,399.0	1,013.0	819.1	872.0
Less: capital expenditures	4,772.0	5,302.0	5,205.0	4,012.0	2,272.0	1,219.0	1,931.0
Less: dividends	18.0	18.0	76.0	0.0	0.0	0.0	0.0
Cash Flows Before Work. Cap.	(1,708.2)	(2,425.6)	(3,095.0)	(2,613.1)	(1,259.0)	(399.9)	(1,059.0)
Working capital changes	573.0	(84.0)	(114.0)	(399.0)	(162.0)	(160.0)	0.0
Free Cash Flow	(1,135.2)	(2,509.6)	(3,209.0)	(3,012.1)	(1,421.0)	(559.9)	(1,059.0)
Acquisitions	(307.0)	(818.0)	(1,587.0)	(5,010.0)	(47.0)	(65.0)	n/a
Dispositions	599.0	391.0	882.0	0.0	244.0	324.0	n/a
Other, non-recurring	479.6	175.0	94.0	283.0	(60.0)	(324.0)	n/a
Net Free Cash Flow	(363.7)	(2,761.6)	(3,820.0)	(7,739.1)	(1,284.0)	(624.9)	n/a
Changes in equity: new/(repurchased)	29.0	427.0	6,207.0	5,756.0	(48.0)	1,198.0	n/a
Changes in debt: new/(repayments)	2,314.0	1,336.0	903.0	2,039.0	1,309.0	(552.0)	n/a
Change in Cash	1,979.3	(998.6)	3,290.0	55.9	(23.0)	21.1	n/a

(1) Assumes preferred equity with AT&T Corp. is debt (\$3 billion in 2000 and \$1 billion in 1999 to 1997).

(2) Adjusted for goodwill.