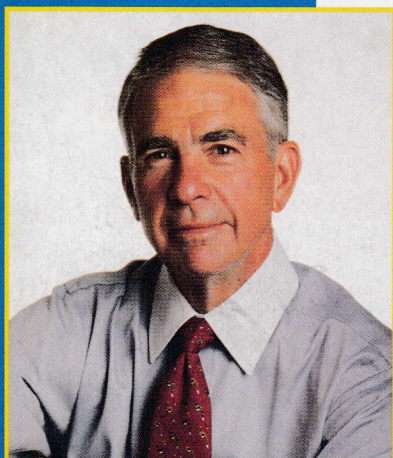




SPECIAL REPORT TO SHAREOWNERS

A MESSAGE FROM THE CHAIRMAN



Bob Allen

“AT&T intends to make the most of its leadership position in the dynamic market for communications and information services.”

It was just a year ago that we announced plans to restructure the company into three independent, global corporations able to focus on significant growth markets.

This ambitious restructuring has moved ahead on schedule, with the Lucent Technologies spin-off set for Sept. 30, and the NCR spin-off expected by year's end. When the restructuring is complete, each of you will own shares in all three companies:

- The new AT&T, a company focused on offering customers a full menu of communications and information services.
- Lucent Technologies, which is engaged in the telecommunications systems, software and products businesses, with research activities conducted by Bell Laboratories.
- NCR, which became a subsidiary of AT&T in 1991, and will again become a stand-alone company, concentrating on transaction-intensive computing.

There's going to be a lot of activity over the next few months as we complete the spin-off of Lucent Technologies and NCR, and launch the new AT&T. Inside this brochure, we have answers to the basic questions about the mechanics of how your investment in AT&T will be handled as we complete the restructuring process.

We've also included a brief overview of the new AT&T. It describes how AT&T intends to make the most of its leadership position in the dynamic global market for communications and information services.

We look forward to capitalizing on the opportunities this market presents to create new shareowner value in the years ahead.

Sincerely,

Robert E. Allen
September 1996

**WHAT THE
LUCENT
TECHNOLOGIES
SPIN-OFF
MEANS TO
YOUR AT&T
STOCK**

*Without any
action on
your part,
you'll soon
be receiving
shares in a
world-class,
global company.*

A LOOK AT SPIN-OFF RELATED

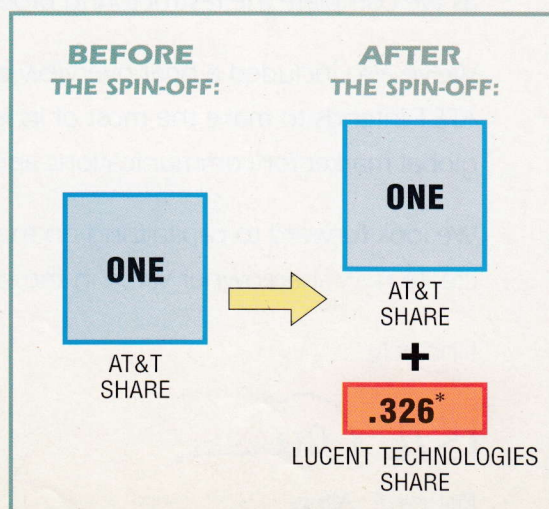
The spin-off of Lucent Technologies to AT&T shareowners is quickly approaching — marking another milestone on the extremely ambitious schedule established when AT&T announced one of the largest corporate restructurings in history on Sept. 20, 1995. (One result of the restructuring is the emergence of a “new” AT&T; you can see what the company is all about on the reverse side.)

A detailed information package about the spin-off — including a letter from AT&T Chairman Bob Allen and a series of questions and answers — was sent to you in July. With the spin-off now at hand, we wanted to highlight some of the key activities related to the spin-off. Information is also available via our toll-free restructuring hotline — 1 800 756-8500 — 24 hours a day, seven days a week. You also can check out the AT&T World Wide Web site (<http://www.att.com>).

Following is an overview of what you can expect to happen as the result of the spin-off.

Automatic Receipt of Lucent Technologies Shares

- AT&T sold 17.6 percent of Lucent Technologies' stock in an initial public offering in April. Now, the remaining 82.4 percent of Lucent Technologies stock is scheduled for distribution on Sept. 30, 1996, to AT&T shareowners of record on Sept. 17, 1996.
- The spin-off ratio will be roughly one-third (about .326) of a share of Lucent Technologies for every full share of AT&T stock owned. The final ratio will be determined based on the actual number of AT&T shares outstanding on Sept. 17.
- Your shares of Lucent Technologies common stock — certificates for whole shares and cash payment for any fractional share — will automatically be either sent to you, or credited to your account if your holdings are through a broker or nominee, on or about Sept. 30, 1996. *No action will be required on your part.*



* Approximate ratio. Final ratio to be determined based on number of outstanding shares on Sept. 17.

EXAMPLE: If you owned 100 shares of AT&T common stock on Sept. 17, at the time of the spin-off you would receive 32 shares of Lucent Technologies common stock (assuming the .326 spin-off ratio), plus a cash payment in lieu of the remaining fraction of a share. *Please note that your old AT&T stock certificates will still be valid, and will continue to represent your investment in AT&T; they should be retained in a safe place, such as a safe deposit box.*

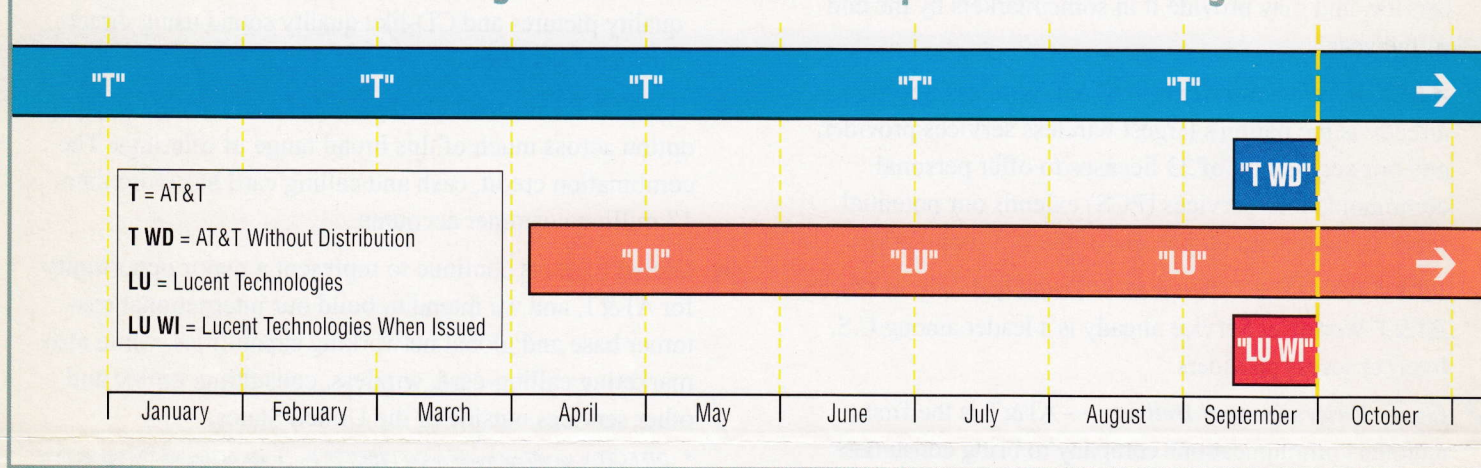
Expected Change in AT&T Stock Price at Spin-off

- At the time of the spin-off, the value of your holdings in a single stock — AT&T — will be spread across two stocks — AT&T and Lucent Technologies.
- When this occurs, the market price of AT&T shares can be expected to decrease, reflecting the full separation of Lucent Technologies from AT&T. The value of Lucent Technologies will be reflected separately in the Lucent Technologies shares you will receive.

- When you combine the value of your AT&T shares with the value of your new Lucent Technologies shares, *your overall holdings at the time of the spin-off should be roughly equivalent, subject to market factors.*
- You already may have noticed AT&T trading under two stock symbols — and at different prices — on the New York Stock Exchange.
- Trading under ticker symbol “T” are higher-priced AT&T shares, which include the right to Lucent Technologies shares at the time of the spin-off.

- Trading under ticker symbol “T WD” (without distribution) are lower-priced AT&T shares *without* the right to Lucent Technologies shares.
- After the Sept. 30 spin-off, AT&T will again only trade under one symbol; this “T” will trade at a lower price because it will reflect the value of AT&T without Lucent Technologies.
- Similarly, there are two Lucent Technologies stocks trading during this same time — “LU” and “LU WI” (Lucent when issued) — although the prices should be about the same for both symbols.

AT&T and Lucent Technologies Each Will Have Two Separate Stocks Trading for a Period



Tax-Free Transaction

- AT&T sought — and received — a ruling from the Internal Revenue Service stating that the distribution of Lucent Technologies stock to AT&T shareowners qualifies as a tax-free transaction for federal income tax purposes in the United States.
- Cash received instead of a fractional share of Lucent Technologies stock may be taxable. Information required for any income-tax declaration will be included with the check you receive for your fractional share.
- Of course, as in any sale of stock, you must recognize profits you realize if you sell your shares in either AT&T or

Lucent Technologies. To determine your gain from the sale of stock, you first need to calculate your original cost, known as the tax basis.

- Along with the check sent in lieu of a fractional Lucent Technologies share, you will receive information that will help you calculate the adjusted tax basis for your shares of AT&T common stock, as well as the tax basis for your shares of Lucent Technologies common stock.
- Each shareowner should consult his or her tax adviser regarding the particular consequences of the distribution, including the application of state, local and foreign tax laws.

DIVIDEND PRIOR
TO SPIN-OFF

100 AT&T SHARES
(\$.33 per share) = \$33.00

\$33.00

DIVIDEND AFTER
SPIN-OFF

100 AT&T SHARES
(\$.33 per share) = \$33.00
+
32 LUCENT TECHNOLOGIES SHARES
(\$.075 per share) = \$2.40

\$35.40

7.3% Increase

Dividend Increase

- AT&T has announced it intends to continue its \$.33 per share quarterly cash dividend rate — which actually will represent an increase after the spin-off of Lucent Technologies is completed. And Lucent Technologies currently pays cash dividends at the rate of \$.075 per quarter.
- So beginning with the fourth-quarter dividend, if you continue to hold both stocks through the dividend record dates, and assuming continuation of these dividend rates, *you can expect an aggregate quarterly dividend that's higher than what you currently receive.*
- As with any company, of course, the declaration and payment of future dividends are subject to the discretion of the respective boards of directors of AT&T and Lucent Technologies, and will depend on various factors.

EXAMPLE: Using the earlier example of a shareowner who holds 100 AT&T shares and receives 32 Lucent Technologies shares at the time of the spin-off, the anticipated fourth-quarter dividend (expected to be paid in early 1997) would work like this: \$33 for AT&T (\$.33 a share for 100 shares) and \$2.40 for Lucent Technologies (\$.075 a share for 32 shares), for a total of \$35.40. This compares to an AT&T quarterly dividend prior to the spin-off of \$33 (\$.33 a share for 100 shares) — *an increase of about 7.3 percent.*



AT&T has announced plans to distribute shares in NCR to AT&T shareowners by the end of this year.

Although the information in this brochure pertains specifically to the spin-off of Lucent Technologies, many of the mechanics of the NCR spin-off will be the same. If you continue to hold AT&T stock at the time of the record date for the distribution of NCR shares, you will receive additional information explaining the NCR spin-off. Your ownership of Lucent Technologies shares will not be relevant in determining the number of shares of NCR stock that you will receive.



INVESTOR INFORMATION

AT&T SHAREOWNER SERVICES

1 800 348-8288

Outside U.S.: 201 324-0293
TDD/TTY: 1 800 822-2794
Internet: fctc@attmail.com
AT&T Mail: !fctc

Lucent Technologies
Bell Labs Innovations



INVESTOR INFORMATION

LUCENT TECHNOLOGIES
SHAREOWNER SERVICES

1 888 LUCENT-6

Outside U.S.: 908 582-6173
Internet: lucentir@lucent.com
AT&T Mail: !lucentir
Web Site: <http://www.lucent.com>

**YOUR
AT&T
INVESTMENT:
SAME
STOCK,
NEW
COMPANY**

If there's a bottom line on our future, it's this: By taking the lead in providing the best value for our customers, we plan to provide long-term value for investors.

WELCOME TO THE 'NEW' AT&T

When we announced our plans last year to break AT&T into three independent, global companies, it was understandable that some people assumed the single company to carry the AT&T name would be the least changed of the three.

But that's hardly the case.

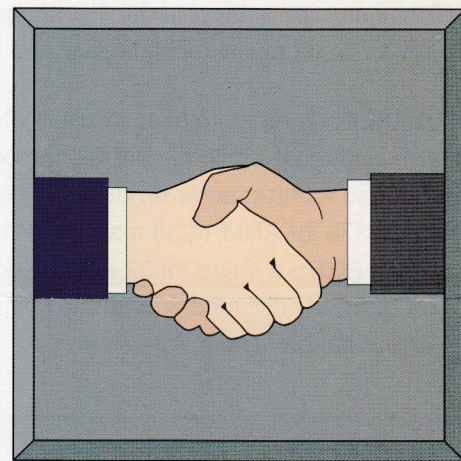
The new AT&T is a company shaped by:

- The Telecommunications Act of 1996 — landmark legislation that establishes a framework to promote competition in phone service, which will benefit all American businesses and consumers.
- Sweeping advances in communications technology — technological advances are on a steep upward curve, and AT&T is poised to bring these advances to customers.
- Burgeoning demand for customized combinations of services — from multinational corporations involved in global commerce, work-at-home entrepreneurs, and consumers at home and on the go.

AT&T has been working to anticipate the combined impact of these developments. The result is the new AT&T. Here's a look at what your investment in AT&T will represent once the restructuring is complete (*more information on the mechanics of the restructuring appear on the reverse side*).

Focused on Customers

- AT&T has one of the world's strongest brands, and has won several distinguished quality awards.
- Our marketplace skills have been honed through competition and change over the last dozen years in the long-distance industry. Facing the increased competition ahead, this experience should give us the flexibility and speed that this market requires.
- We bring something to the global information market that no other company in this industry has — the largest domestic base of business and consumer customers. We'll seek to benefit from that customer base through our bundled offers.
- Our strategy is to convert long-distance customers into customers



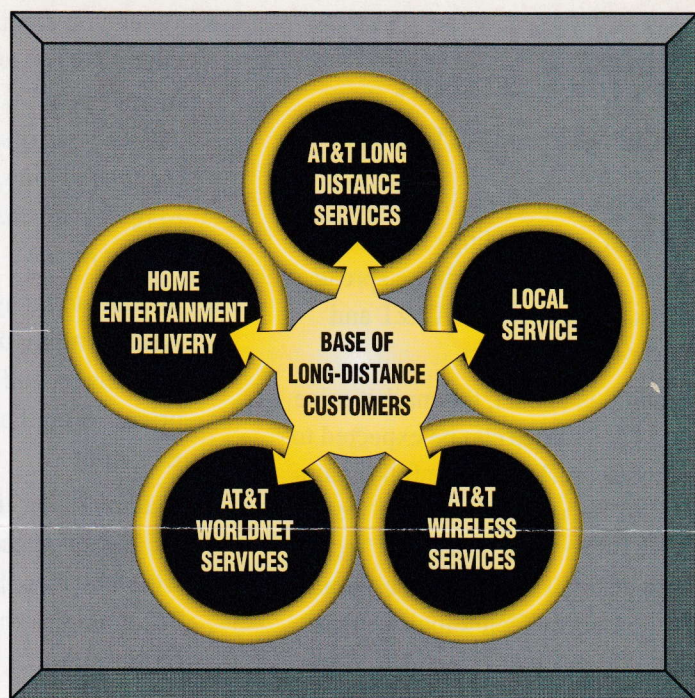
for a broader combination of services, which may include local, online, wireless and entertainment delivery services.

- We plan to enhance our bundled services by offering a single point of contact, seamless customer care, and one monthly bill for end-to-end services that meet a customer's particular needs and interests.

WELCOME TO THE 'NEW' AT&T

Business Strategy

- We're creating a new global company that people can rely on for a variety of communications and information services — anytime, anywhere. We intend to offer customers as little or as much as they want, in whatever combinations — or “bundles” — they want.
- Of course, AT&T remains committed to providing its traditional voice, data and video services to businesses and consumers.
- The services that will comprise our bundled offers include:
 - ✓ **AT&T Long Distance Services** — AT&T Long Distance Services remain a vital part of what we offer customers, and we set ourselves apart from the competition through: the world's most sophisticated global network that provides clear, reliable communication; calling plans and service choices that help customers get the most from their long-distance dollar; and a level of customer care that has long set the standard for our industry.
 - ✓ **Local Service** — We're moving quickly to offer local service, and may provide it in some markets by the end of the year.
 - ✓ **AT&T Wireless Services** — AT&T Wireless Services already is the nation's largest wireless services provider, and our acquisition of 23 licenses to offer personal communications services (PCS) extends our potential reach to more than 80 percent of the U.S. population.
 - ✓ **AT&T WorldNetSM Services** — Launched only in March, AT&T WorldNet Service already is a leader among U.S. Internet access providers.
 - ✓ **Home Entertainment Delivery** — AT&T is the first national communications company to bring consumers unprecedented programming choices from DIRECTV^{*}

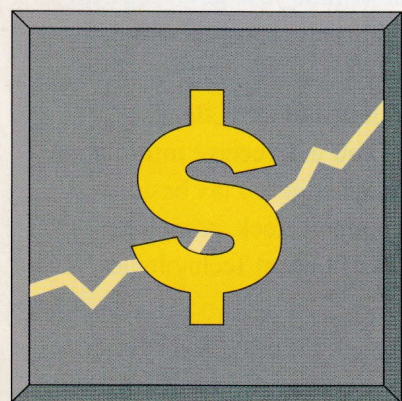


and U.S. Satellite Broadcasting,** with laser disc-like quality pictures and CD-like quality sound using direct-broadcast satellites.

- The AT&T Universal Card provides a convenient payment option across much of this broad range of offerings. The combination credit, cash and calling card has more than 18 million customer accounts.
- Global markets continue to represent a major opportunity for AT&T, and we intend to build our international customer base and global networking capabilities, while also marketing calling-card, wireless, consulting, online and other services outside of the United States.

* DIRECTV is an official trademark of DIRECTV, Inc., a unit of Hughes Electronics Corp.

** U.S. Satellite Broadcasting is a service mark of United States Satellite Broadcasting, Inc.



Growth Prospects

The new AT&T starts life as a \$51 billion-a-year company, with a growth strategy based on factors that include:

- AT&T is an established leader in the growing global market for communications and information services.
- AT&T is a leader in wireless services, an industry in which strong growth is expected to continue.

- The U.S. local service market is opening for the first time to real competition, and AT&T is pursuing this market aggressively.
- We anticipate that our online services also will contribute to revenue growth in the future.
- AT&T Solutions — the company's consulting, systems integration and outsourcing practice — is targeting a market that's growing rapidly.



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