



**2012 North American MPLS/IP VPN Services
Market Share Leadership Award**



F R O S T & S U L L I V A N



50 Years of Growth, Innovation & Leadership

Market Share Leadership, MPLS/IP VPN Services North American, 2012

Frost & Sullivan's Global Research Platform

Frost & Sullivan is in its 50th year in business with a global research organization of 1,800 analysts and consultants who monitor more than 300 industries and 250,000 companies. The company's research philosophy originates with the CEO's 360-Degree Perspective™, which serves as the foundation of its TEAM Research™ methodology. This unique approach enables us to determine how best-in-class companies worldwide manage growth, innovation and leadership. Based on the findings of this Best Practices research, Frost & Sullivan is proud to present the 2012 North American Market Share Leadership Award in MPLS/IP VPN Services to AT&T.

Key Industry Challenges

The North American MPLS/IP VPN services market continues to witness double digit growth owing to increasing demand across verticals. Revenues for the services exceeded \$8.57 billion in the year 2011, with the market growing at a higher rate than forecasted in our 2010 study as the economy gradually recovers from recession.

The need to improve operational efficiency is driving enterprise initiatives on convergence. It is the single most important driver fueling adoption of MPLS VPNs, as customers realize the cost benefits (operational expenditure reduction) of moving their voice, data and video applications to a single IP-based network. Also, as the market migrates to MPLS VPNs to take advantage of the network's ability to support traffic prioritization through class of service, there is a growing focus on network and application performance monitoring tools. Both these tools are critical for the success of MPLS VPN implementation as customers make the move to a converged architecture and demand more control over the applications they wish to run on the network.

Impact of Market Share Leadership Award on Key Stakeholders

The Market Share Leadership Award is a prestigious recognition of AT&T's accomplishments in the MPLS/IP VPN Services Market. An unbiased, third-party recognition can provide a profound impact in enhancing the brand value and accelerating AT&T's growth. As captured in Chart 1 below, by researching, ranking, and recognizing those who deliver excellence and best practices in their respective endeavors, Frost & Sullivan hopes to inspire, influence, and impact three specific constituencies:

- **Investors**

Investors and shareholders always welcome unbiased and impartial third-party recognition. Similarly, prospective investors and shareholders are drawn to companies

with a well-established reputation for excellence. Unbiased validation is the best and most credible way to showcase an organization worthy of investment.

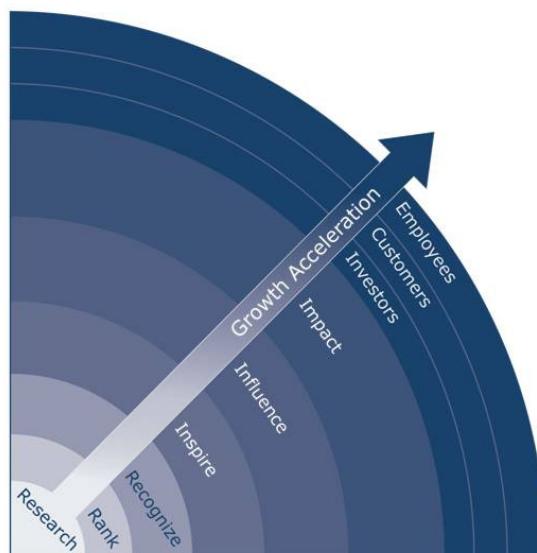
- **Customers**

Third-party industry recognition has been proven to be the most effective way to assure customers that they are partnering with an organization that is leading in its field.

- **Employees**

This Award represents the creativity and dedication of AT&T's executive team and employees. Such public recognition can boost morale and inspire your team to continue its best-in-class pursuit of a strong competitive position for AT&T.

Chart 1: Best Practices Leverage for Growth Acceleration



Best Practice Award Analysis for AT&T

The Frost & Sullivan Award for Market Share Leadership is presented to the company that has demonstrated excellence in capturing the highest market share within its industry. The Award recognizes the company's leadership position within the industry in terms of revenues or units, as specified.

Key Performance Drivers for AT&T

Frost & Sullivan presents its 2012 North American Market Leadership Award in the MPLS/IP VPN services market to AT&T. This award comes in recognition of AT&T's ability to capture the largest market share in the MPLS/IP VPN services market, by strategically investing its

resources to tap the market potential for layer 3 VPN services. Traditional layer 2 VPN services such as ATM and Frame Relay have reached the end of the product lifecycle, and customers are increasingly looking to migrate to a single converged infrastructure that can support their voice, data and video applications. MPLS/IP VPN is being touted as the preferred choice of network for market migration, and AT&T has excelled in managing this migration by bringing to market the broadest set of solution offerings to capture the highest revenue share.

AT&T has emerged as the market share leader, in terms of revenue share, in the U.S. MPLS/IP VPN services market, with a revenue share of 35.1 percent, thus retaining its market share leadership position yet again. AT&T held market share leadership position in our 2010 analysis of this market. AT&T has the largest MPLS network with its services available in 143 countries over 4,100 nodes; with more than 360,000 MPLS managed customer ports worldwide. Approximately 85 percent of these customer ports can be attributed to U.S. making AT&T the largest MPLS/IP VPN services provider in the domestic U.S. markets.

The U.S. MPLS/IP VPN services market is in the growth stage of product lifecycle with demand for the service increasing across verticals. Market revenues for the service exceeded \$7.57 billion in the year 2011, and are expected to see double digit growth through the forecast period. Convergence continues to be the single most important driver for MPLS/IP VPN services. Private IP presents itself well to support converged applications—voice, data and video—primarily due to the inherent security built into the network that allows service providers to apply multiple classes of service (CoS) to the bandwidth (BW). Converged network services enable enterprises to improve operational efficiency and better manage their OPEX by consolidating their applications on a single network. The attach rate of VoIP and SIP trunking along with MPLS/IP VPN services has been increasing in the past 3 years. Today almost half of the MPLS customers have VoIP enable over their private VPN network.

AT&T's new and existing virtual private network (VPN) customers may add VoIP service to the network solution delivered over AT&T's global network cloud. This converged solution enables customers to consolidate their separate voice and data networks, reduce equipment and maintenance costs, and simplify migration of complementary capabilities to a common, secure infrastructure. AT&T is also one among a handful of carriers to have launched a TelePresence exchange that enables inter-company connectivity between customer locations connected to AT&T MPLS VPN network.

AT&T's global VPN network offers any-to-any connectivity, and is backed by industry leading SLAs to help customers converge their voice, data and video applications onto a single platform. AT&T's MPLS VPN offering supports a flexible application-aware environment designed with class of service (CoS) to prioritize traffic, which helps customers better manage their application performance. AT&T's MPLS customers can gain visibility into the

network using the BusinessDirect® Web portal for reporting, billing and raising trouble tickets.

Conclusion

With the sheer breadth of network footprint that AT&T owns - especially the local loop assets the company owns - AT&T is in a position to migrate more customers to its nationwide MPLS than any other provider in the market. This makes AT&T the obvious choice of service provider among large distributed enterprise customers, and verticals such as Government, Education and Retail. AT&T customers can access the VPN cloud using virtually any access technology, such as DSL, ATM, Frame Relay, PPP, T1/T3, SONET, Ethernet, 3G wireless and Satellite.

Frost & Sullivan's recent research on the U.S. MPLS VPN Services Market confirms AT&T leadership in the market, and hence is the recipient of our 2012 Market Leadership Award.

The CEO 360-Degree Perspective™ - Visionary Platform for Growth Strategies

The CEO 360-Degree Perspective™ model provides a clear illustration of the complex business universe in which CEOs and their management teams live today. It represents the foundation of Frost & Sullivan's global research organization and provides the basis on which companies can gain a visionary and strategic understanding of the market. The CEO 360-Degree Perspective™ is also a "must-have" requirement for the identification and analysis of best-practice performance by industry leaders.

The CEO 360-Degree Perspective™ model enables our clients to gain a comprehensive, action-oriented understanding of market evolution and its implications for their companies' growth strategies. As illustrated in Chart 5 below, the following six-step process outlines how our researchers and consultants embed the CEO 360-Degree Perspective™ into their analyses and recommendations.

CEO's 360-Degree Perspective™ Model



Critical Importance of TEAM Research

Frost & Sullivan's TEAM Research methodology represents the analytical rigor of our research process. It offers a 360-degree view of industry challenges, trends, and issues by integrating all seven of Frost & Sullivan's research methodologies. Our experience has shown over the years that companies too often make important growth decisions based on a narrow understanding of their environment, leading to errors of both omission and commission. Frost & Sullivan contends that successful growth strategies are founded on a thorough understanding of market, technical, economic, financial, customer, best practices, and demographic analyses. In that vein, the letters T, E, A and M reflect our core technical, economic, applied (financial and best practices) and market analyses. The integration of these research disciplines into the TEAM Research methodology provides an evaluation platform for benchmarking industry players and for creating high-potential growth strategies for our clients.

Chart 3: Benchmarking Performance with TEAM Research

About Frost & Sullivan

Frost & Sullivan, the Growth Partnership Company, enables clients to accelerate growth and achieve best-in-class positions in growth, innovation and leadership. The company's Growth Partnership Service provides the CEO and the CEO's Growth Team with disciplined research and best-practice models to drive the generation, evaluation and implementation of powerful growth strategies. Frost & Sullivan leverages 50 years of experience in partnering with Global 1000 companies, emerging businesses and the investment community from more than 40 offices on six continents. To join our Growth Partnership, please visit <http://www.frost.com>.