

mobilizing our world

AT&T INC. 2013 ANNUAL REPORT



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TO OUR INVESTORS

We've entered 2014 with our industry on the cusp of a dramatic expansion. And once again, our company is poised to lead.

Over the past few years, AT&T has been a major driver of the global, mobile Internet revolution. We have invested and executed aggressively, and today our network is best in class, reaches hundreds of millions of people and comes out on top in all sorts of third-party tests for speed and reliability. We also moved early to open our network to outside innovators and broke new ground with our AT&T Foundry innovation centers, allowing us to deliver more apps and solutions to our customers faster.

All of this has helped our company create new growth platforms. And more broadly, it has helped ignite a global wave of innovation that's transforming how we manage our lives, connect with others

and operate our businesses. It's hard to overstate the impact of this revolution, or our company's role in it. Simply put, we have created the framework for the fastest, largest technology transformation in our lifetime.

But the fact is, as impressive as the past several years have been, the opportunities ahead are many times greater. This next wave is being powered by a combination of ultra-fast mobile communications with access to content located in the cloud. This means that just about everything in our world will be connected, seamless and smart. Our content will follow us no matter what device we're using. Our homes and cars will be extensions of our smartphones

and tablets. The highest levels of education will be accessible to millions more people wherever they are located, and advancements in healthcare will occur in ways we haven't yet imagined.

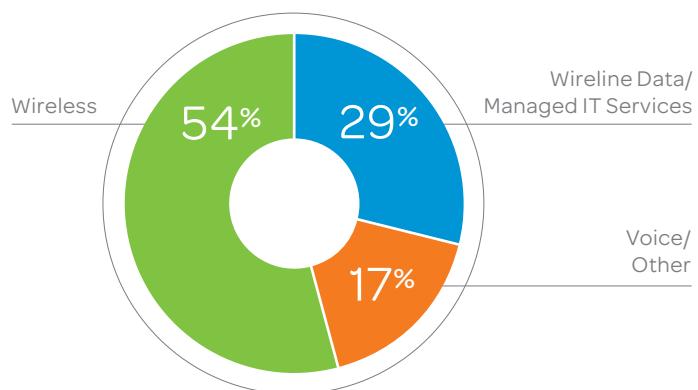
The impact of such a connected world, on our economy and our quality of life, will be immense. Technologists and economists are just starting to get a handle on all of the implications. But it's clear to me that the mobile, digital economy is already at the leading edge of our overall economic growth. It's speeding commerce and creating new business models. And it's driving a social and economic transformation that ranks with the building of the railroads and superhighways in centuries past.

So, I believe the coming years will be the most dynamic our industry has ever seen. The pace of innovation will accelerate. Customer expectations for communications that are mobile, ultra-fast and effortless will continue to soar. Network usage will grow as well, driven by ever richer data applications and a dramatic increase in video of all kinds. And for providers, all of these will make consistent investment and relentless innovation more important than ever, as new technology replaces the old much faster.

We've been driving toward this future for some time. And thanks to the hard work of AT&T employees, I'm confident that our company is ready to thrive in this new world, as we did in the first wave of the mobile revolution.

STRENGTH IN REVENUE GROWTH DRIVERS

AT&T's growth drivers – wireless, wireline data and managed IT services – are transforming our revenue mix



The question is: Given all of these opportunities, what are the critical components of leadership – where do we need to excel – to grow and create value for you, our shareowners?

The first key is a premier network experience. I told you a year ago that the number one story for our company in 2013 would be our network. And that turned out to be the case; we had a breakout year – reaching industry-leading levels of network quality. It started with a major multi-year initiative, called Project VIP, to deploy high-speed connectivity on a massive scale. When we launched this effort, we committed to bring the most advanced wireless service to 300 million people across the United States. We also said we would expand our U-verse fixed-line broadband service to 57 million customer locations, while delivering even faster speeds. And we laid out plans to extend fiber connections to an additional 1 million business customer locations. I'm pleased to report that we begin 2014 with these efforts ahead of schedule. And, as our network has expanded, we've also accelerated the growth of the services that ride on it – including launching new services in connected cars, connected homes and advanced mobile business solutions.

Now, we're expanding on Project VIP – pushing the envelope to bring high-speed broadband connectivity to more and more customers. For example, in Austin we've launched a super-fast U-verse service called GigaPower. Initial speeds go up to

300 Mbps, and this year we plan to increase that to 1 Gbps – fast enough to download 25 songs in just one second. We're looking for opportunities to bring these types of capabilities to more communities in the future.

Video already is a large and fast-growing portion of our network traffic – for everything from entertainment to user-generated content, conferencing and business applications. So, we're moving quickly to architect and optimize our network for video. At the same time, we're leading the industry by taking the first steps to virtualize more and more of our network functions – putting software rather than hardware at the heart of our network infrastructure. Doing this will cut development time and help us get new products to market faster. And most important, we've committed to upgrading all of our customers to new technology by 2020 – to deliver better service, higher speeds and more features, and do it all faster and more efficiently. We expect to start trials this year.

Second, an effortless customer experience is fundamental. AT&T has a long history of delivering personal service. Now, we're building on that heritage to create new customer service platforms for a high-

speed digital age. We're revolutionizing our retail experience by creating stores that are more customer-focused and interactive. And we're taking the online and mobile customer experience to the next level – everything from purchasing to making payments to connecting with an AT&T representative – so that customers can get whatever they need more quickly.

The key to success in all of these areas is talent and organizational agility.

The dynamic changes underway in our industry require new skills, particularly in data analytics and software. Our industry's pace also means we need to rethink the way we work together, so we can deliver better service, maximize creativity, move faster and adapt to changes more quickly. To get there, we're taking a fresh look at everything from training and compensation to smart apps and technology tools that drive more collaboration and innovation. We're also offering our employees the opportunity to earn a master's degree in computer technology online through our partnership with Georgia Tech and Udacity. We will accelerate these efforts in 2014 and beyond.

Another critical foundation for our industry's continued progress is a growth-oriented public policy framework.

Growth only happens when we invest, and in our industry the foundation for that is wireless spectrum. It's the lifeblood of the mobile world because it gives us the capacity to meet rising customer demand and support new services. Spectrum is



Randall Stephenson

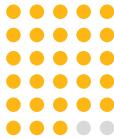
Chairman, Chief Executive Officer and President

especially critical for video. That's why we continue to encourage regulators to create a free market for spectrum and to ensure that future spectrum auctions remain open to the entire industry, so we can put our airwaves to their highest and best use.

The importance of investment – in network coverage and capacity, new services and technologies – has never been clearer than during the mobile Internet revolution. Over the past six years, AT&T has invested more capital into the U.S. economy than any other public company – and more than \$140 billion when you combine capital and spectrum-driven acquisitions. To sustain this kind of investment across our industry while driving vigorous competition, it's important that policymakers let old regulations fall away as the technologies they support become obsolete. When

AT&T: THE NATION'S MOST RELIABLE 4G LTE NETWORK

And recognized for overall call, text and data performance



Nearly 280 million people covered by AT&T 4G LTE



More than half of AT&T's postpaid smartphone customers use an LTE-capable device; 77 percent of them use a 4G-capable device



Plan to be essentially complete with LTE deployment by summer 2014



RootMetrics® ranked AT&T 1st or tied for 1st in combined (call, text, data) performance in 93 of 125 cities tested in the second half of 2013 – more markets than any other carrier¹

that happens, customers win, our overall economy grows faster and the pace of innovation soars. I'm encouraged that policymakers at every level increasingly share this view.

There's one other component that's critical for our industry's sustained growth – that's our customers' trust. The simple fact is, if customers do not have confidence that their communications and personal information are kept private and secure, in strict adherence with the law, they will be less likely to use those services. In response to these concerns, we've built multiple layers of security into our network, and we are committed to being clear and transparent about how we protect customer information.

The debate about government surveillance programs and protecting personal privacy while providing national security is a healthy one. It's important that policymakers worldwide strike the right balance, so that people can continue to enjoy the benefits of technology and communications with confidence. For our part, to provide transparency, we plan to publish a report on the number of law enforcement requests for customer information. At the end of the day, all companies are compelled to comply with the law. So it's also important that governments provide clear guidance on what the law requires companies to do when it comes to government surveillance and requests for customer information.

The final key to sustained success in our industry is a sound financial foundation, which gives us the ability to continually invest and grow our business for the long term. And at AT&T, we have that foundation. In 2013, we grew revenues to \$128.8 billion, increased adjusted earnings per share by 8.2%, generated \$34.8 billion in cash from operations and realized \$7.0 billion more from timely disposal of non-strategic assets. In addition to investing to expand and upgrade our networks, we also increased our quarterly dividend for the 30th consecutive year, and for the second consecutive year we returned nearly \$23 billion directly to shareowners through dividends and share repurchases. We also ended 2013 with our pension plan funded, keeping our commitment to our retirees and employees, and with the best credit metrics among major U.S.-based telecom companies. You have my word that this kind of financial strength, which enables us to invest in our future while returning value to you, our shareowners, will continue to be a top priority.

I've never seen a more exciting time in our industry. We've never had greater potential to improve lives, empower communities and transform businesses. At AT&T, we're determined to do everything we can to accelerate this future. And as we do that, we will never lose sight of the fact that

having great technology and capabilities is just the start. It's what we do with these capabilities to benefit customers and society that's important – because in the end, the purpose of communications is to make a human connection and create a world that works for people.

We all take great pride in being part of a company that plays such an important role and that is so closely connected to the communities we serve. In addition to delivering great service every day, time and again the men and women of AT&T step up when called upon – in the face of natural disasters, helping young people succeed in school, lending a hand to neighbors in need. These things go to the heart of who we are as a company, and they underscore our enduring belief in the power of communications technology to make our world better.

For all they do, I couldn't be more proud of the entire AT&T team. On their behalf, I thank you for your continued confidence.

Sincerely,



Randall Stephenson

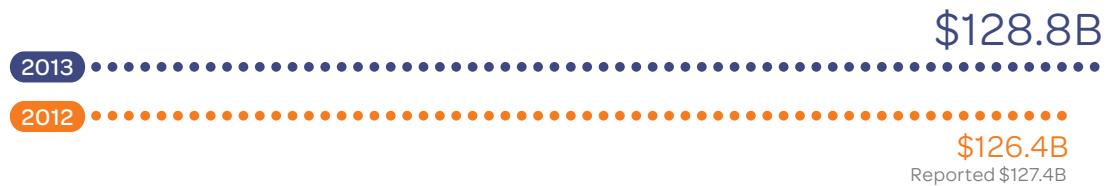
Chairman, Chief Executive Officer
and President

February 10, 2014

2013 FINANCIAL HIGHLIGHTS

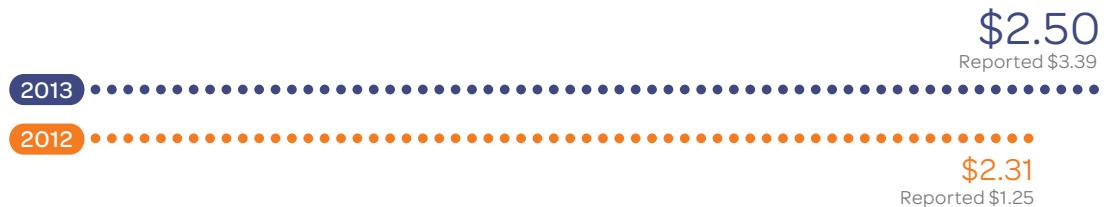
SOLID REVENUE GROWTH

AT&T's full-year 2013 revenues grew 1.9 percent versus 2012, excluding our divested Advertising Solutions unit



STRONG EARNINGS GROWTH

After adjustments, full-year 2013 EPS was up 8.2 percent – the second straight year of growth above 8 percent



RECOGNITION

INNOVATION

AT&T was included in *Thomson Reuters Top 100 Global Innovators* list for the second year in a row

Our focus on driving innovation inside and outside of the company won the gold Stevie from the *American Business Awards* as the Most Innovative Tech Company of the Year

INDUSTRY LEADER

Leading industry analyst firm Gartner recognized AT&T in the Leaders Quadrant for: Global Network Service Provider; Managed Hosting, North America and Communications Outsourcing and Professional Services²

AT&T received the *2014 Frost & Sullivan M2M Communications Company of the Year Award* North America

SUSTAINABILITY/ SOCIAL RESPONSIBILITY

We earned the number three spot in the inaugural *Civic 50* list of America's most community-minded companies

AT&T was ranked 1st on the annual list of *Best Corporate Citizens* by *Corporate Responsibility Magazine*

For a third year, AT&T earned a spot on the *Climate Disclosure Project S&P 500 Climate Disclosure Leadership Index*, the world's largest global climate data disclosure system

For the seventh year in a row, AT&T received the *Presidential Volunteer Service Award*, the highest award recognizing employee volunteerism

AT&T was named to the *Dow Jones Sustainability Index North America* for the fourth year in a row

PEOPLE

AT&T topped *Chief Learning Officer Magazine's* list of companies recognized among the 2013 Learning Elite

AT&T received a perfect score on the *Human Rights Campaign's 2014 Corporate Equality Index* for the 10th year in a row

U-VERSE/HOME SOLUTIONS

AT&T was the recipient of the *2013 Frost & Sullivan Video Company of the Year Award* North America

AT&T U-verse received the *2013 Frost & Sullivan North American Competitive Strategy Leadership Award* in Residential Video

WIRELESS

AT&T was the recipient of the *2013 Frost & Sullivan Mobile Network Strategy Award* North America for the third year in a row

AT&T's 4G LTE network delivered faster average download and upload speeds than any competitors in *PCWorld/TechHive's* most recent 20-market speed tests³

PC Magazine Named AT&T's 4G LTE network as America's fastest ... with AT&T sweeping the top rankings in all six U.S. regions, from coast to coast. AT&T ranked first in 24 of the 30 markets tested⁴

STOCKHOLDER INFORMATION

Toll-Free Stockholder Hotline

Call us at 1-800-351-7221 between 8 a.m. and 7 p.m. Central time, Monday through Friday (TDD 1-888-403-9700) for help with:

- Common stock account inquiries
- Requests for assistance with your common stock account, including stock transfers
- Information on The DirectSERVICE™ Investment Program for Stockholders of AT&T Inc. (sponsored and administered by Computershare Trust Company, N.A.)

Written Stockholder Requests

Please mail all account inquiries and other requests for assistance regarding your stock ownership to:

AT&T Inc.
c/o Computershare
Trust Company, N.A.

Trust Company, N.A.
P.O. Box 43078
Providence, RI 02940-3078

You may also reach the transfer agent for AT&T Inc. at att@computershare.com or visit the website at www.computershare.com/att

DirectSERVICE Investment Program

The DirectSERVICE Investment Program for Stockholders of AT&T Inc. is sponsored and administered by Computershare Trust Company, N.A. The program allows current stockholders to reinvest dividends, purchase additional AT&T Inc. stock or enroll in an individual retirement account.

For more information, call 1-800-351-7221.

Stock Trading Information

AT&T Inc. is listed on the New York Stock Exchange. Ticker symbol: T

Information on the Internet

Information about AT&T Inc. is available on the Internet at www.att.com

Annual Meeting

The annual meeting of stockholders will be held at 9 a.m. local time Friday, April 25, 2014, at:

Rivermill Event Centre
River View Room
3715 1st Avenue
Columbus, GA 31904

SEC Filings

AT&T Inc.'s U.S. Securities and Exchange Commission filings, including the latest 10-K and proxy statement, are available on our website at www.att.com/investor.relations

Investor Relations

Securities analysts and other members of the professional financial community may contact the Investor Relations staff as listed on our website at www.att.com/investor.relations

Independent Auditor

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1 Performance rankings of first in 56 cities and tied for first in 37 cities out of 125 total cities studied based on RootMetrics® RootScore® reports for each city in the second half of 2013 of 4 national mobile networks that rely on scores calculated from random samples. Your experiences may vary. The RootMetrics award is not an endorsement of AT&T. Visit rootmetrics.com for more details.

2 Gartner does not endorse any vendor, product or service depicted in the Magic Quadrant and does not advise technology users to select only those vendors with the highest ratings. Gartner research publications consist of the opinions of Gartner's research organization and should not be construed as statements of fact. Gartner disclaims all warranties, expressed or implied, with respect to this research, including any warranties of merchantability or fitness for a particular purpose. Gartner, Inc., Magic Quadrant for Global Network Service Providers (Neil Rickard, Robert F. Mason, March 2013); Magic Quadrant for Managed Hosting, North America (Douglas Toombs, Lydia Leong, Bob Gill, Tiny Haynes, Gregor Petri, April 2013); Magic Quadrant for Communications Outsourcing and Professional Services (Eric Goodness, Christine Tenneson, October 2013).

3 PCWorld/TechHive, May 23, 2013, "AT&T clocks best overall speeds with 3G/4G combo"

4 PC Magazine, June 17, 2013; <http://www.pcmag.com/article2/0,2817,2420333,00.asp>



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