



AT&T Reports Solid Earnings, Strong Cash Flow, Robust Mobile Broadband Sales and Improving Wireline Revenue Trends in Third-Quarter Results

AT&T's third-quarter results were led by continued strength in mobile broadband, sequential wireline revenue growth and the best free cash flow in two years.

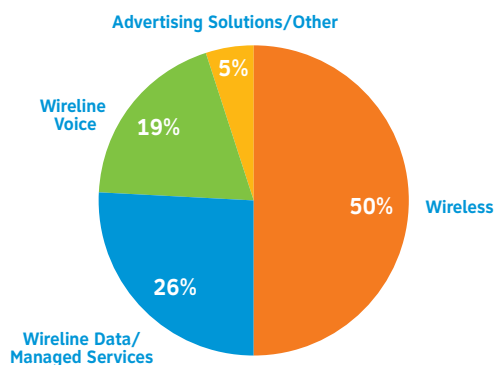
AT&T Inc. today reported third-quarter results highlighted by continued mobile broadband gains, including strong smartphone sales and branded computing device activations and net adds in every wireless subscriber category. Wireline business revenues also increased sequentially for the first time in three years.

Highlights included:

- \$0.61 diluted EPS compared to \$2.07 diluted EPS in the third quarter of 2010 and \$0.54 when excluding one-time gains in the year-ago quarter.
- 2.1 million increase in total wireless subscribers to pass 100 million subscribers, with gains in every customer category.
- Best free cash flow in two years even with higher capital spending.
- First sequential growth in wireline business revenues in three years.
- Best wireless EBITDA service margin performance in six quarters.
- Sales of Android and other non-iPhone smartphones were almost half of 4.8 million smartphone sales in the quarter.
- Branded computing subscribers (includes tablets, aircards, MiFi devices, tethering plans and other data-only devices) up 505,000, to reach 4.5 million.
- 18.0 percent growth in wireless data revenues, up \$857 million versus the year-earlier quarter.
- 11th consecutive quarter with a year-over-year increase in postpaid subscriber ARPU (average monthly revenues per subscriber), up 1.4 percent to \$63.69.
- Total churn improves; postpaid churn stable.
- Continued growth in strategic business services revenues, up 19.3 percent year over year.
- Fifth consecutive quarter of year-over-year growth in wireline consumer revenues, driven by AT&T U-verse® services.
- 176,000 net gain in AT&T U-verse TV subscribers to reach 3.6 million in service, with continued high broadband and voice attach rates.
- 19.6 percent growth in wireline consumer Internet Protocol (IP) data revenues to reach half of consumer revenues, driven by continued AT&T U-verse expansion.

Wireless, wireline data and managed services revenues represented 76% of AT&T's third-quarter revenues, up from 73% in the year-earlier quarter and 68% in the third quarter of 2009.

AT&T 3Q11 REVENUE MIX



THIRD-QUARTER CONSOLIDATED RESULTS

For the quarter ended September 30, 2011, AT&T's consolidated revenues totaled \$31.5 billion, down \$103 million, or 0.3 percent, versus the year-earlier quarter.

Compared with results for the third quarter of 2010, AT&T's operating income margin was 19.8 percent, compared to 17.2 percent; operating expenses were \$25.2 billion versus \$26.2 billion; and operating income was \$6.2 billion, up from \$5.4 billion.

Third-quarter 2011 net income attributable to AT&T totaled \$3.6 billion, or \$0.61 per diluted share. These results compare with reported net income attributable to AT&T of \$12.3 billion, or \$2.07 per diluted share, in the third quarter of 2010, which included one-time gains from a tax settlement and the sale of Sterling Commerce. Excluding one-time gains, earnings were \$0.54 in the third quarter a year ago.

CASH FLOW STRONG, SOUND BALANCE SHEET

Third-quarter 2011 cash from operating activities totaled \$10.4 billion, and capital expenditures totaled \$5.3 billion. Free cash flow — cash from operating activities minus capital expenditures — totaled \$5.1 billion.

In addition to its investments to further improve and expand operations, AT&T returned substantial value to shareholders through dividends. In the third quarter, dividends paid totaled \$2.5 billion. At the end of the quarter, AT&T's long-term debt was \$62.3 billion, total debt was \$71.2 billion and cash and cash equivalents totaled \$10.8 billion. Over the past five quarters, AT&T has reduced net debt by \$8.2 billion. AT&T's third-quarter 2011 debt-to-total capitalization ratio was 38.5 percent, and the company's annualized net debt-to-EBITDA ratio was 1.4.

Compared with results for the first nine months of 2010, year to date through the third quarter, cash from operating activities totaled \$27.2 billion versus \$25.4 billion; capital expenditures totaled \$14.7 billion versus \$13.7 billion; and free cash flow totaled \$12.4 billion versus \$11.6 billion.

AT&T's wireless highlights included: strong mobile broadband device sales to pass 100 million subscribers with gains in every customer category; stable churn levels; 11th consecutive quarter of year-over-year postpaid subscriber ARPU growth; and continued strong wireless data growth.

Wireless

AT&T delivered strong wireless growth in the third quarter, led by continued demand for mobile broadband services, strong subscriber net adds to pass 100 million subscribers in service and solid performance in new wireless growth areas such as connected devices and data-only devices such as tablets.

SUBSCRIBERS PASS 100 MILLION MARK, GAINS IN EVERY CATEGORY

AT&T posted a net gain in total wireless subscribers of 2.1 million, to reach 100.7 million in service. This included gains in every customer category. Net adds for the quarter include postpaid net adds of 319,000. Excluding the impacts of the Alltel and Centennial integration migrations, postpaid net adds were approximately 384,000. Prepaid net adds were 293,000, connected device net adds were 1,038,000 and reseller net adds were 473,000. Third-quarter net adds reflect adoption of smartphones, increases in prepaid and reseller subscribers and sales of tablets and connected devices such as automobile monitoring systems, security systems and a host of other emerging products.

AT&T had another strong quarter with branded computing subscribers, a new growth area for the company that includes tablets, aircards, MiFi devices, tethering plans and other data-only devices. AT&T added 505,000 of these devices to reach 4.5 million, an almost 80 percent increase from a year ago. Most of those new subscribers were tablets, with 290,000 added in the quarter, of which more than 35 percent were postpaid.

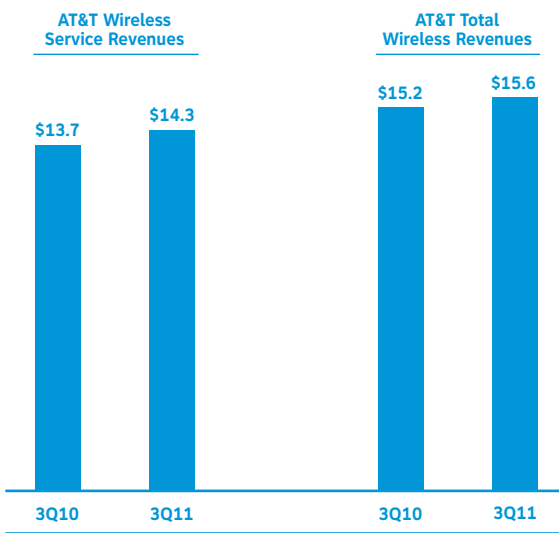
Total churn declined to 1.28 percent versus 1.32 percent in the third quarter of 2010 and 1.43 percent in the second quarter of 2011. Postpaid churn was 1.15 percent, compared to 1.14 percent in the year-ago third quarter and 1.15 percent in the second quarter of 2011. Excluding the impacts of the Alltel and Centennial migrations, postpaid churn of 1.11 percent for the quarter was unchanged versus the year-ago quarter.

NON-IPHONE SMARTPHONE SALES INCREASE

AT&T continues to deliver robust smartphone sales. (*Smartphones are voice and data devices with an advanced operating system to better manage data and Internet access.*) In the third quarter, the company sold 4.8 million smartphones, representing nearly two-thirds of postpaid device sales. Sales of Android devices more than doubled year over year, and almost half of all smartphone sales were non-iPhone devices. During the quarter, 2.7 million iPhones were activated.

AT&T's wireless revenue growth is driven by continued strong subscriber gains combined with leadership in wireless data services.

WIRELESS REVENUE GROWTH
Dollars in billions



At the end of the quarter, 52.6 percent of AT&T's 68.6 million postpaid subscribers had smartphones, up from 39.1 percent a year earlier and 31.1 percent two years ago. The average ARPU for smartphones on AT&T's network is 1.9 times that of the company's non-smartphone devices. More than 85 percent of smartphone subscribers are on FamilyTalk® or business plans. Churn levels for these subscribers are significantly lower than for other postpaid subscribers.

The number of subscribers on tiered-data plans continues to increase. About 18 million, or nearly half, of all smartphone subscribers are on tiered-data plans.

DATA REVENUES LEAD GROWTH

Wireless data revenues — driven by Internet access, access to applications, messaging and related services — increased by \$857 million, or 18.0 percent, from the year-earlier quarter to \$5.6 billion. AT&T's postpaid wireless subscribers on monthly data plans increased by 16.5 percent over the past year. Versus the year-earlier quarter, total text messages carried on the AT&T network increased by 22 percent to 196.3 billion, and multimedia messages increased by 54 percent to 4.3 billion.

Driven by strong data growth, postpaid subscriber ARPU increased 1.4 percent versus the year-earlier quarter to \$63.69. This marked the 11th consecutive quarter AT&T has posted a year-over-year increase in postpaid ARPU. Postpaid data ARPU reached \$25.14, up 14.2 percent versus the year-earlier quarter.

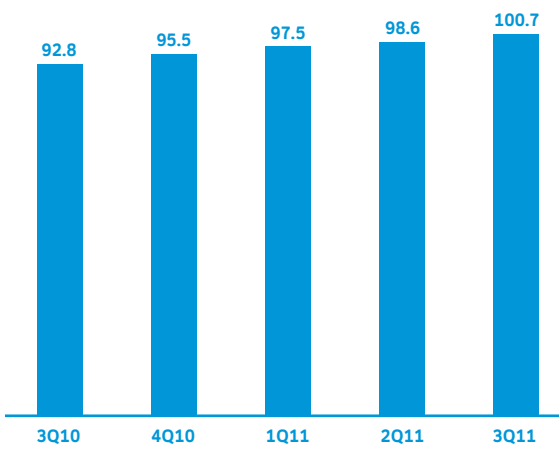
WIRELESS MARGINS EXPAND, REVENUES GROW

Total wireless revenues, which include equipment sales, were up 2.8 percent year over year to \$15.6 billion. Wireless service revenues increased 4.3 percent, to \$14.3 billion, in the third quarter.

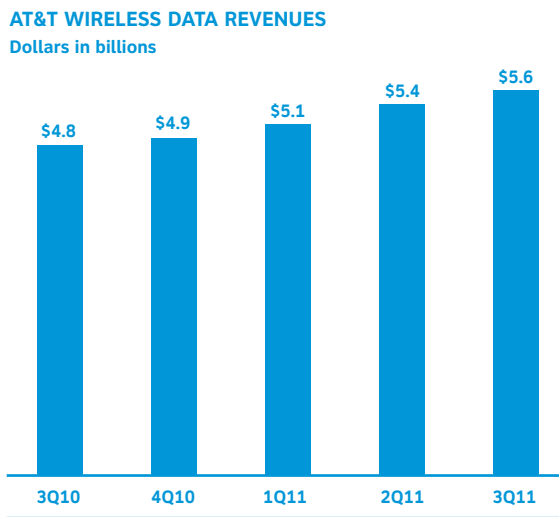
Third-quarter wireless margins reflect strong smartphone sales, solid customer upgrade levels and some residual Alltel and Centennial merger costs. This was offset in part by improved operating efficiencies and further revenue gains from the company's growing base of high-quality smartphone subscribers. Year-over-year comparisons are also influenced by the launch of iPhone 4 at the end of the second quarter a year ago.

AT&T achieved a net gain in wireless subscribers of 2.1 million in the third quarter and 8.0 million over the past year.

AT&T WIRELESS SUBSCRIBERS
In millions

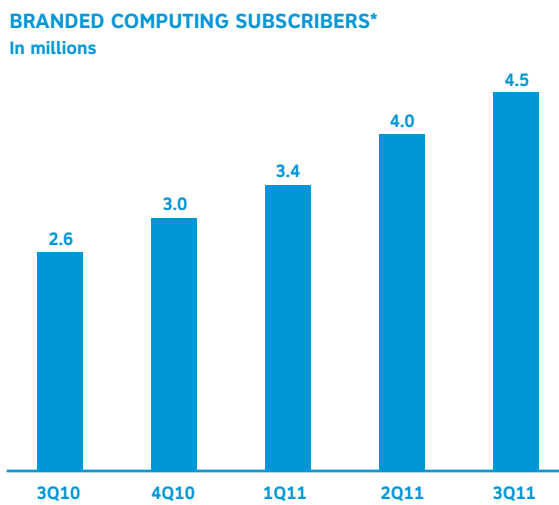


AT&T is a leader in integrated devices and wireless data services, including messaging, Internet access, access to applications and related services.



AT&T's third-quarter wireless operating income margin was 29.6 percent versus 23.1 percent in the year-earlier quarter, and AT&T's wireless EBITDA service margin was 43.7 percent, compared with 37.6 percent in the third quarter of 2010. Without customer migration and integration costs from the Alltel and Centennial mergers, the EBITDA service margin would have been 44.0 percent. (*EBITDA service margin is earnings before interest, taxes, depreciation and amortization, divided by total service revenues.*) Third-quarter wireless operating expenses totaled \$11.0 billion, down 5.9 percent versus the year-earlier quarter,

AT&T's branded computing subscriber growth is driven by strong gains in tablet and other data-only subscribers.



*Includes tablets, aircards, MiFi devices, tethering plans and other data-only devices

and wireless operating income was \$4.6 billion, up 31.7 percent year over year.

WIRELESS INNOVATION: APPLICATIONS AND DEVICES

AT&T is the market leader in mobile broadband, delivering to customers expanded choice in devices, services and applications and giving businesses a mobility advantage through applications, enablers and machine-to-machine devices. In recent weeks, the company:

- Announced plans to add new Windows Phones running Windows Phone 7.5, code-named "Mango," and to update its current portfolio.
- Outlined plans for its future portfolio of 4G BlackBerry smartphones, including the exclusive 4G BlackBerry Torch 9810. AT&T's premium BlackBerry lineup will be capable of speeds up to nearly four times the network speed capability of previous models.
- Announced the store availability date for the HTC Jetstream, AT&T's first tablet with both 4G LTE and HSPA+ compatibility.
- Launched the AT&T DriveMode mobile application which, when downloaded and activated, automatically sends a customizable reply to incoming texts, notifying the sender that the user is driving and unable to respond. The free app is currently available for AT&T Android and BlackBerry users, with additional operating systems planned in the coming months.
- Announced the upcoming availability of five new Android smartphones, the Motorola ATRIX™ 2, Samsung Captivate™ Glide, Samsung DoubleTime™, Pantech Pocket™ and the AT&T Avail™, a new smartphone option for prepaid customers. These smartphones will up AT&T's 2011 Android lineup to 19, exceeding the company's 2011 Android commitment.
- Announced AT&T Toggle, which separates and safeguards business data on employees' mobile devices, creating a distinct work mode apart from the typical personal mode in a single smartphone or tablet. AT&T is the first U.S. carrier to announce this type of application.

AT&T's third-quarter wireline highlights included: first sequential wireline revenue growth in more than four years; first sequential business wireline revenue growth in three years; continued strong growth of U-verse services; 19.6 percent growth in consumer IP data revenues and robust growth in revenues from strategic business services such as Ethernet, VPNs and application services.

Wireline

AT&T's third-quarter wireline results were highlighted by the first sequential growth in wireline revenues in more than four years led by the first sequential growth in business wireline revenues in three years. Momentum in wireline was driven by growth in AT&T U-verse and strategic business services. This growth along with solid cost management helped offset lower revenues from voice and legacy data products.

Led by improved consumer and business customer trends, total third-quarter wireline revenues of \$15.0 billion were down 2.2 percent versus the year-earlier quarter but up slightly sequentially. In addition:

- Third-quarter wireline operating expenses were \$13.2 billion, down 1.3 percent versus the third quarter of 2010 and up 1.3 percent sequentially.
- Wireline operating income totaled \$1.8 billion, down from \$2.0 billion in the third quarter of 2010 and down versus the second quarter of 2011.
- Third-quarter wireline operating income margin was 12.1 percent, compared to 13.0 percent in the year-earlier quarter and down from 13.1 percent in the second quarter of 2011. Improved consumer and business IP data revenue trends and execution of cost initiatives helped to partially offset declines in voice revenues.

WIRELINE OPERATIONAL HIGHLIGHTS

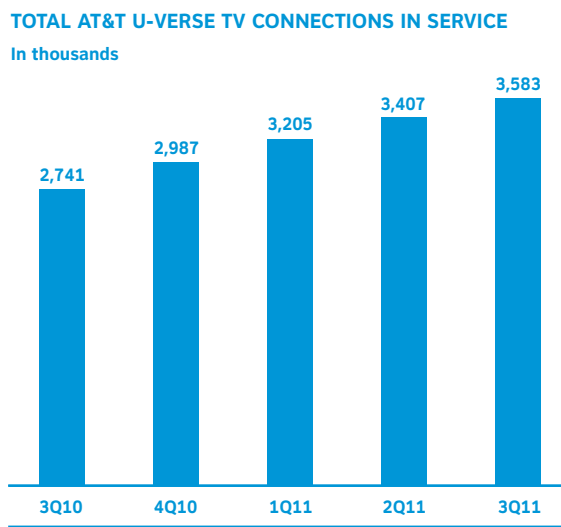
WIRELINE CONSUMER

Driven by strong growth in IP data services in the third quarter, IP data revenues now exceed half of consumer revenues. Revenues from residential customers totaled \$5.3 billion, an increase of 0.2 percent versus the third quarter a year ago, the fifth consecutive quarter of year-over-year growth. Third-quarter consumer highlights included:

U-verse Attach Rate Drives ARPU Growth. AT&T U-verse TV added 176,000 subscribers to reach 3.6 million in service. In the third quarter, the AT&T U-verse High Speed Internet attach rate was 90 percent and about half of new subscribers took AT&T U-verse Voice. Three-fourths of AT&T U-verse TV subscribers have a triple- or quad-play option from AT&T. ARPU for U-verse triple-play customers was almost \$170, up 5.7 percent year over year.

AT&T's U-verse deployment now reaches almost 30 million living units. Companywide penetration of eligible living units is 15.7 percent, and 24.8 percent across areas marketed to for 36 months or more. AT&T's total video subscribers, which combine the company's U-verse and bundled satellite customers, reached 5.4 million at the end of the quarter, representing 22.6 percent of households served.

AT&T now has about 3.6 million U-verse TV subscribers.



AT&T U-verse TV ranked “Highest in Residential Television Service Satisfaction in the North Central, South and West Regions,” according to the J.D. Power and Associates 2011 Residential Television Service Provider Satisfaction StudiesSM. This is the fourth year in a row that AT&T U-verse ranked highest in the South and West regions and the second year in a row that AT&T U-verse ranked highest in the North Central region.*

In other recent U-verse-related news, the company:

- Announced that customers can now enjoy access to more than 500 premier titles of STARZ and ENCORE movies and original programming on U-verse Online as an added benefit of their monthly STARZ and ENCORE subscriptions.
- Expanded the U-verse Mobile library to more than 700 TV shows from a variety of genres on more than 20 devices and four major operating systems.
- Launched U-verse Multiview apps that let customers choose from multiple channels or camera angles and watch up to four channels at once, featuring everything from customers’ personalized channel favorites to sporting events.

- Launched the U-verse Service & Support Tool app, which gives AT&T U-verse customers convenient access to self-support information and tools for their U-verse TV, U-verse High Speed Internet, U-verse Voice and email services directly from their smartphone.

U-verse Broadband Continues Strong Growth. AT&T U-verse High Speed Internet delivered a third-quarter gain of 504,000 subscribers to reach a total of 4.6 million, helping offset losses from DSL. Overall, AT&T posted a slight net gain in wireline broadband connections. More than 70 percent of consumers have a broadband plan of 3 Mbps or higher.

IP Data Half of Consumer Revenues. U-verse continues to drive a transformation in wireline consumer, reflected by the fact that consumer IP revenues now represent 50.9 percent of AT&T’s wireline consumer revenues, up from 42.6 percent in the year-earlier quarter. Increased AT&T U-verse penetration and a significant number of subscribers on triple- or quad-play options drove 19.6 percent year-over-year growth in IP revenues from residential customers (broadband, U-verse TV and U-verse Voice) and 2.9 percent sequential growth. U-verse revenues grew 50.1 percent compared with the year-ago third quarter and were up 6.0 percent versus the second quarter of 2011.

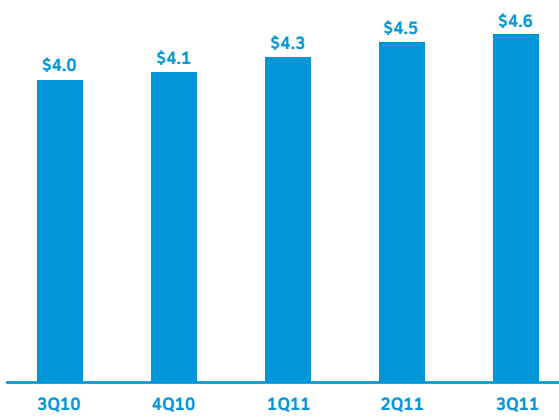
Continued Growth in Revenues Per Household. Wireline revenues per household served increased 5.0 percent versus the year-earlier third quarter and were up 1.4 percent sequentially (*average revenues per household is total wireline consumer revenues divided by the average monthly households in service*), driven by AT&T U-verse services. This marked AT&T’s 15th consecutive quarter with year-over-year growth in wireline consumer revenues per household as U-verse scales and represents a larger portion of wireline consumer revenues.

*AT&T U-verse received the highest numerical score among television service providers in the North Central, South and West regions in the proprietary J.D. Power and Associates 2011 Residential Television Service Satisfaction StudySM. Study based on 23,880 total responses from measuring 12 providers in the North Central region (IL, IN, MI, OH, WI), 13 providers in the South (AL, AR, FL, GA, KS, KY, LA, MS, MO, NC, OK, SC, TN, TX), and 10 providers in the West (AZ, CA, CO, ID, IA, MN, MT, NE, NV, NM, ND, OR, SD, UT, WA, WY) and measures consumer satisfaction with television service. Proprietary study results are based on experiences and perceptions of consumers surveyed in Nov. 2010, Jan. 2011, April 2011 and July 2011. Your experiences may vary. Visit jdpower.com

AT&T WIRELINE IP DATA REVENUES

Dollars in billions

IP data service revenues, which include U-verse services and business products such as VPNs and managed Internet services, grew 15.5 percent year over year.

**Consumer Connection Trends Continue.**

In the third quarter, AT&T posted a decline in total consumer revenue connections primarily due to expected declines in traditional voice access lines, consistent with broader industry trends and somewhat offset by increases in U-verse TV, broadband and VoIP (Voice over Internet Protocol) connections. AT&T U-verse Voice connections increased by 119,000 in the quarter and 648,000 over the past four quarters. Total consumer revenue connections at the end of the third quarter were 41.9 million, compared with 43.7 million at the end of the third quarter of 2010 and 42.5 million at the end of the second quarter of 2011.

WIRELINE BUSINESS

AT&T's wireline business customer revenues — which include results from enterprise, wholesale, government, education, medical and small/midsize customers — grew sequentially for the first time in three years as businesses continue to scale IP and cloud-based solutions. Third-quarter business highlights included:

Business Revenues Grow Sequentially.

Total business revenues were \$9.3 billion, an increase of 0.7 percent sequentially and down 2.7 percent versus the year-earlier quarter. The year-over-year decline reflects economic weakness in voice and legacy data products somewhat offset by growth in IP data. Excluding the effect of the third-quarter 2010 sale of Japan assets, business service revenues, which exclude CPE, declined 1.7 percent year over year, compared to a year-over-year decline of 3.4 percent in the year-ago quarter.

Robust Strategic Business Services

Revenues. Revenues from the new-generation capabilities that lead AT&T's most advanced business solutions — including Ethernet, VPNs, hosting, IP conferencing and application services — grew 19.3 percent versus the year-earlier quarter, continuing strong trends in this area. This now represents a nearly \$5.8 billion annualized revenue stream.

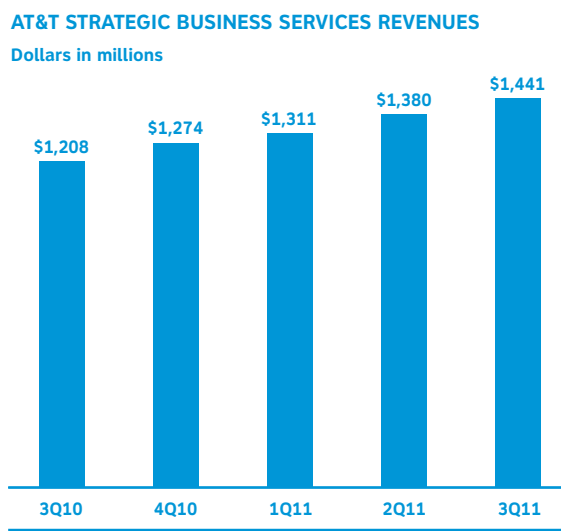
VPN Growth Drives Business IP

Revenues. Total business IP data revenues grew 10.2 percent versus the year-earlier third quarter, led by growth in VPN revenues. IP-based solutions allow customers to easily add managed services such as network security, cloud services and IP conferencing on top of their infrastructures. Total business data revenues grew 1.8 percent year over year.

BUSINESS INNOVATION

Through its powerful global network, AT&T provides integrated solutions to business customers across six continents. AT&T offers a wide variety of products and services, such as mobile applications, cloud computing, network management, security solutions and wireless connectivity, to increase customers' productivity.

Revenues from AT&T's strategic business services, the products that lead AT&T's most advanced solutions, grew 19.3 percent in the third quarter.



AT&T serves millions of business customers, ranging from the largest multinational corporations to small businesses. These organizations include all of the Fortune 1000 and span all major industries including finance, manufacturing, education, health care, retail, hospitality, and federal, state and local government. In addition, AT&T delivers wholesale services to carriers, wireless operators, cable providers, systems integrators, Internet service providers and content providers.

AT&T continually develops products and services to ensure that all of its business customers have access to the latest technology solutions. In recent weeks, AT&T:

- Announced its investment in a new mobile security platform to help protect consumer and enterprise devices from the increasing number of cyber attacks. The first phase of this platform — the AT&T Mobile Security application — is expected later this year through an agreement with Juniper Networks.

- Launched AT&T Mobile Enterprise Application Platform (MEAP) — Managed Solution, a new version of the popular platform that brings our customers the combined benefits of AT&T's best-in-breed platform and professional services expertise. With AT&T MEAP — Managed Solution, development teams lead the charge on integrating mobile applications with back office systems and ensuring apps are reliable and highly secure.
- Announced an agreement with American Express to deliver simple technology tips and insights online and to provide special offers and promotions for small businesses. As a result of this alliance, AT&T is sponsoring the Technology "Idea Hub" on American Express OPEN Forum, an online community focused on providing information that can help small business owners grow.
- Appointed its first Chief Medical Information Officer (CMIO), Dr. Geeta Nayyar, M.D., M.B.A. As CMIO, Dr. Nayyar will guide the overall AT&T ForHealthSM strategy by providing industry expertise in evidence-based medicine, health outcomes, disease management and wellness.
- Announced that Carl Zeiss, a global leader in the optical and optoelectronics industry with around 24,000 employees and sales companies in more than 30 countries, is adopting the AT&T Telepresence Solution[®] to improve global collaboration among employees, suppliers and subsidiaries around the world.
- Announced that it was awarded an estimated five-year, \$500 million contract from the state of Texas to help improve citizen services by providing a broad array of advanced voice and data services. This builds upon a longstanding relationship with the state, which has used AT&T communications services for more than 25 years.

AT&T's Advertising Solutions segment offers businesses a full suite of local search and advertising options, including featured listings on YP.comSM, YPmobile[®] and the AT&T Real Yellow Pages.

Advertising Solutions

AT&T's Advertising Solutions segment is responsible for advertising sales as well as the development, management and delivery of advertising products across AT&T's media platforms.

Focused on meeting the local search needs of both consumers and advertisers, AT&T Advertising Solutions products and services encourage consumers to discover and engage with local businesses. Advertising Solutions' growing array of local search and advertising products includes print directories in 22 states and a premier online presence nationwide with YP.com, which creates an integrated local search experience driven by a database of millions of business listings. YP.com allows visitors to search by category and location, view local business videos and access business coupons and lifestyle categories such as travel and local entertainment information. AT&T Advertising Solutions also provides YP.com's mobile Web and app-based solutions via a full suite of mobile advertising assets and a mobile network of publishers to extend advertiser reach.

AT&T Advertising Solutions' local ad products such as video profiles, website development, search engine marketing, Pay Per Call[®], Digital Express[™] direct mail services and display advertising give advertisers the opportunity to reach consumers who are looking for a local business.

Compared with results in the year-earlier quarter, third-quarter reported Advertising Solutions revenues totaled \$803 million versus \$961 million. Advertising Solutions' revenue trends reflect migration from print to multimedia advertising and local search, including rapid growth on AT&T's three-screen advertising platforms — online, mobile and U-verse TV. In the third quarter, Internet revenues increased 1.7 percent versus the year-earlier quarter to \$243 million.

Advertising Solutions' expense comparisons reflect disciplined cost management. Third-quarter 2011 operating expenses totaled \$647 million versus \$754 million in the year-earlier quarter and \$682 million in the second quarter of 2011. Operating income totaled \$156 million, compared with \$207 million in the year-earlier third quarter and \$159 million in the second quarter of 2011. The segment's operating income margin was 19.4 percent versus 21.5 percent in the year-earlier third quarter and 18.9 percent in the second quarter of 2011.

AT&T's Other segment includes results from its customer information services and equity investments in América Móvil and Telmex.

Other

AT&T's Other segment includes results from AT&T's customer information services operations and AT&T's proportionate share of results from América Móvil and Telmex, which are shown in Equity in Net Income of Affiliates for this segment. Other also includes financial impacts from corporate costs not allocated to operating segments. Customer information services include operator services and directory assistance. AT&T's equity interests in América Móvil and Telmex are 9.3 percent and 8.5 percent, respectively, as of the end of the third quarter of 2011. In October 2011, América Móvil launched a cash tender offer for all outstanding shares of Telmex. AT&T intends to tender its Telmex shares and to maintain a significant strategic investment in América Móvil.

América Móvil is one of the leading providers of telecommunications services in Latin America. At the end of the second quarter of 2011, América Móvil had 236 million wireless subscribers in countries throughout the region, including 66.9 million in Mexico. América Móvil operates in Argentina, Brazil, Chile, Colombia, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Puerto Rico, the United States and Uruguay.

Telmex and its subsidiaries provide a wide range of telecommunications services, data and video transmission, Internet access and integrated telecommunications solutions, predominantly in Mexico.

Other segment third-quarter financial comparisons reflect operational trends that are generally in line with recent quarters. Third-quarter Other segment operating loss was \$151 million versus a loss of \$48 million in the year-earlier quarter.

Third-quarter segment revenues totaled \$108 million, compared with \$136 million in the year-earlier quarter. Segment operating expenses totaled \$459 million in the third quarter of 2011, compared with \$405 million in the prior-year period. Equity in net income of affiliates totaled \$200 million in the third quarter of 2011 versus \$221 million in the year-earlier quarter.

AT&T Inc.**Consolidated Statements of Income**

Dollars in millions except per share amounts

Unaudited	Three Months Ended			Nine Months Ended		
	9/30/11	9/30/10	% Change	9/30/11	9/30/10	% Change
Operating Revenues						
Wireless service	\$14,261	\$13,675	4.3%	\$42,379	\$39,711	6.7%
Data	7,472	6,947	7.6%	22,008	20,464	7.5%
Voice	6,243	6,978	-10.5%	19,136	21,685	-11.8%
Directory	803	961	-16.4%	2,512	3,009	-16.5%
Other	2,699	3,020	-10.6%	8,185	8,050	1.7%
Total Operating Revenues	31,478	31,581	-0.3%	94,220	92,919	1.4%
Operating Expenses						
Cost of services and sales (exclusive of depreciation and amortization shown separately below)	13,165	13,605	-3.2%	39,900	38,440	3.8%
Selling, general and administrative	7,460	7,672	-2.8%	22,308	22,522	-1.0%
Depreciation and amortization	4,618	4,873	-5.2%	13,804	14,472	-4.6%
Total Operating Expenses	25,243	26,150	-3.5%	76,012	75,434	0.8%
Operating Income	6,235	5,431	14.8%	18,208	17,485	4.1%
Interest Expense	889	729	21.9%	2,583	2,248	14.9%
Equity in Net Income of Affiliates	193	217	-11.1%	649	629	3.2%
Other Income (Expense) – Net	46	124	-62.9%	132	825	-84.0%
Income from Continuing Operations Before Income Taxes	5,585	5,043	10.7%	16,406	16,691	-1.7%
Income Tax (Benefit) Expense	1,899	(6,573)	—	5,594	(1,550)	—
Income from Continuing Operations	3,686	11,616	-68.3%	10,812	18,241	-40.7%
Income from Discontinued Operations, net of tax	—	780	—	—	777	—
Net Income	3,686	12,396	-70.3%	10,812	19,018	-43.1%
Less: Net Income Attributable to Noncontrolling Interest	(63)	(77)	18.2%	(190)	(243)	21.8%
Net Income Attributable to AT&T	\$ 3,623	\$12,319	-70.6%	\$10,622	\$18,775	-43.4%
Basic Earnings Per Share from Continuing Operations						
Attributable to AT&T	\$ 0.61	\$ 1.95	-68.7%	\$ 1.79	\$ 3.05	-41.3%
Basic Earnings Per Share from Discontinued Operations						
Attributable to AT&T	—	0.13	—	—	0.13	—
Basic Earnings Per Share Attributable to AT&T	\$ 0.61	\$ 2.08	-70.7%	\$ 1.79	\$ 3.18	-43.7%
Weighted Average Common Shares Outstanding (000,000)	5,936	5,909	0.5%	5,931	5,908	0.4%
Diluted Earnings Per Share from Continuing Operations						
Attributable to AT&T	\$ 0.61	\$ 1.94	-68.6%	\$ 1.79	\$ 3.03	-40.9%
Diluted Earnings Per Share from Discontinued Operations						
Attributable to AT&T	—	0.13	—	—	0.13	—
Diluted Earnings Per Share Attributable to AT&T	\$ 0.61	\$ 2.07	-70.5%	\$ 1.79	\$ 3.16	-43.4%
Weighted Average Common Shares Outstanding with Dilution (000,000)	5,954	5,938	0.3%	5,950	5,937	0.2%

AT&T Inc.

Statements of Segment Income

Dollars in millions

Unaudited	Three Months Ended			Nine Months Ended		
	9/30/11	9/30/10	% Change	9/30/11	9/30/10	% Change
Wireless						
Segment Operating Revenues						
Service	\$14,261	\$13,675	4.3%	\$42,379	\$39,711	6.7%
Equipment	1,345	1,505	-10.6%	4,138	3,608	14.7%
Total Segment Operating Revenues	15,606	15,180	2.8%	46,517	43,319	7.4%
Segment Operating Expenses						
Operations and support	9,367	10,032	-6.6%	29,007	26,758	8.4%
Depreciation and amortization	1,619	1,640	-1.3%	4,737	4,776	-0.8%
Total Segment Operating Expenses	10,986	11,672	-5.9%	33,744	31,534	7.0%
Segment Operating Income	4,620	3,508	31.7%	12,773	11,785	8.4%
Equity in Net Income (Loss) of Affiliates	(7)	(6)	-16.7%	(19)	14	—
Segment Income	\$ 4,613	\$ 3,502	31.7%	\$12,754	\$11,799	8.1%
Segment Operating Income Margin	29.6%	23.1%		27.5%	27.2%	

Wireline

Segment Operating Revenues						
Data	\$ 7,472	\$ 6,947	7.6%	\$22,008	\$20,464	7.5%
Voice	6,243	6,978	-10.5%	19,136	21,685	-11.8%
Other	1,246	1,379	-9.6%	3,702	4,023	-8.0%
Total Segment Operating Revenues	14,961	15,304	-2.2%	44,846	46,172	-2.9%
Segment Operating Expenses						
Operations and support	10,259	10,220	0.4%	30,629	31,021	-1.3%
Depreciation and amortization	2,892	3,099	-6.7%	8,726	9,280	-6.0%
Total Segment Operating Expenses	13,151	13,319	-1.3%	39,355	40,301	-2.3%
Segment Operating Income	1,810	1,985	-8.8%	5,491	5,871	-6.5%
Equity in Net Income of Affiliates	—	2	—	—	7	—
Segment Income	\$ 1,810	\$ 1,987	-8.9%	\$ 5,491	\$ 5,878	-6.6%
Segment Operating Income Margin	12.1%	13.0%		12.2%	12.7%	

Advertising Solutions

Segment Operating Revenues	\$803	\$961	-16.4%	\$ 2,512	\$ 3,009	-16.5%
Segment Operating Expenses						
Operations and support	553	631	-12.4%	1,706	1,957	-12.8%
Depreciation and amortization	94	123	-23.6%	301	393	-23.4%
Total Segment Operating Expenses	647	754	-14.2%	2,007	2,350	-14.6%
Segment Income	\$ 156	\$ 207	-24.6%	\$ 505	\$ 659	-23.4%
Segment Income Margin	19.4%	21.5%		20.1%	21.9%	

Other

Segment Operating Revenues	\$ 108	\$ 136	-20.6%	\$ 345	\$ 419	-17.7%
Segment Operating Expenses	459	405	13.3%	906	1,249	-27.5%
Segment Operating Income (Loss)	(351)	(269)	-30.5%	(561)	(830)	32.4%
Equity in Net Income of Affiliates	200	221	-9.5%	668	608	9.9%
Segment Income (Loss) from Continuing Operations	\$ (151)	\$ (48)	—	\$ 107	\$ (222)	—

AT&T Inc.**Consolidated Balance Sheets**

Dollars in millions except per share amounts

	9/30/11	12/31/10
	Unaudited	
Assets		
Current Assets		
Cash and cash equivalents	\$ 10,762	\$ 1,437
Accounts receivable – net of allowances for doubtful accounts of \$888 and \$957	13,377	13,610
Prepaid expenses	1,507	1,458
Deferred income taxes	1,101	1,170
Other current assets	1,858	2,276
Total current assets	28,605	19,951
Property, Plant and Equipment – Net	105,786	103,196
Goodwill	73,590	73,601
Licenses	50,406	50,372
Customer Lists and Relationships – Net	3,175	4,708
Other Intangible Assets – Net	5,394	5,440
Investments in Equity Affiliates	4,483	4,515
Other Assets	6,214	6,705
Total Assets	\$277,653	\$268,488
Liabilities and Stockholders' Equity		
Current Liabilities		
Debt maturing within one year	\$ 8,900	\$ 7,196
Accounts payable and accrued liabilities	17,860	20,055
Advanced billing and customer deposits	3,794	4,086
Accrued taxes	929	72
Dividends payable	2,548	2,542
Total current liabilities	34,031	33,951
Long-Term Debt	62,326	58,971
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	26,446	22,070
Postemployment benefit obligation	28,190	28,803
Other noncurrent liabilities	12,778	12,743
Total deferred credits and other noncurrent liabilities	67,414	63,616
Stockholders' Equity		
Common stock	6,495	6,495
Additional paid-in capital	91,455	91,731
Retained earnings	34,758	31,792
Treasury stock	(20,770)	(21,083)
Accumulated other comprehensive income	1,677	2,712
Noncontrolling interest	267	303
Total stockholders' equity	113,882	111,950
Total Liabilities and Stockholders' Equity	\$277,653	\$268,488

AT&T Inc.**Consolidated Statements of Cash Flows**

Dollars in millions

Unaudited

Nine Months Ended September 30,

2011 2010

Operating Activities

Net income	\$ 10,812	\$ 19,018
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	13,804	14,472
Undistributed earnings from investments in equity affiliates	(539)	(531)
Provision for uncollectible accounts	805	973
Deferred income tax expense and noncurrent unrecognized tax benefits	4,942	(4,184)
Net gain from impairment and sale of investments	(57)	(746)
Income from discontinued operations	—	(777)
Changes in operating assets and liabilities:		
Accounts receivable	(573)	266
Other current assets	439	495
Accounts payable and accrued liabilities	(1,630)	(2,861)
Net income attributable to noncontrolling interest	(190)	(243)
Other – net	(663)	(532)
Total adjustments	16,338	6,332
Net Cash Provided by Operating Activities	27,150	25,350

Investing Activities

Construction and capital expenditures:		
Capital expenditures	(14,625)	(13,170)
Interest during construction	(119)	(577)
Acquisitions, net of cash acquired	(430)	(2,615)
Dispositions	76	1,821
(Purchases) and sales of securities, net	45	(437)
Other	28	22
Net Cash Used in Investing Activities	(15,025)	(14,956)

Financing Activities

Net change in short-term borrowings with original maturities of three months or less	(1,620)	(33)
Issuance of long-term debt	7,935	2,235
Repayment of long-term debt	(1,298)	(5,280)
Issuance of treasury shares	216	24
Dividends paid	(7,627)	(7,436)
Other	(406)	(399)
Net Cash Used in Financing Activities	(2,800)	(10,889)
Net increase (decrease) in cash and cash equivalents	9,325	(495)
Cash and cash equivalents beginning of year	1,437	3,741
Cash and Cash Equivalents End of Period	\$ 10,762	\$ 3,246

AT&T Inc.**Supplementary Operating and Financial Data**

Dollars in millions except per share amounts

Unaudited	Three Months Ended			Nine Months Ended		
	9/30/11	9/30/10	% Change	9/30/11	9/30/10	% Change
Wireless						
Volumes (000)						
Total				100,738	92,761	8.6%
Postpaid ⁶				68,614	67,688	1.4%
Prepaid ⁶				7,059	6,209	13.7%
Reseller ⁶				13,028	11,021	18.2%
Connected Devices ⁶				12,037	7,843	53.5%
Wireless Net Adds (000)						
Total	2,123	2,631	-19.3%	5,202	6,050	-14.0%
Postpaid ⁶	319	745	-57.2%	712	1,753	-59.4%
Prepaid ⁶	293	321	-8.7%	515	645	-20.2%
Reseller ⁶	473	406	16.5%	1,282	545	—
Connected Devices ⁶	1,038	1,159	-10.4%	2,693	3,107	-13.3%
M&A Activity, Partitioned Customers and Other Adjs.	—	—		—	1,591	
Wireless Churn						
Postpaid Churn ⁶	1.15%	1.14%	1 BP	1.16%	1.08%	8 BP
Total Churn ⁶	1.28%	1.32%	-4 BP	1.36%	1.30%	6 BP
Other						
Licensed POPs (000,000)				313	308	1.6%
In-Region Wireline¹						
Voice						
Total Wireline Voice Connections				40,098	44,796	-10.5%
Net Change	(1,200)	(1,262)	4.9%	(3,465)	(3,692)	6.1%
Broadband						
Total Wireline Broadband Connections				16,476	16,100	2.3%
Net Change	3	148	-98.0%	167	311	-46.3%
Video						
U-verse				3,583	2,741	30.7%
Satellite				1,809	1,994	-9.3%
Total Video Connections				5,392	4,735	13.9%
Net Change	133	177	-24.9%	475	496	-4.2%
Consumer Revenue Connections						
Broadband ³				14,530	14,093	3.1%
Video Connections ⁴				5,381	4,732	13.7%
Voice ²				21,941	24,908	-11.9%
Total Consumer Revenue Connections				41,852	43,733	-4.3%
Net Change	(652)	(529)	-23.3%	(1,575)	(1,555)	-1.3%
AT&T Inc.						
Construction and capital expenditures						
Capital expenditures	\$ 5,220	\$ 5,314	-1.8%	\$ 14,625	\$ 13,170	11.0%
Interest during construction	\$ 42	\$ 198	-78.8%	\$ 119	\$ 577	-79.4%
Dividends Declared per Share	\$ 0.43	\$ 0.42	2.4%	\$ 1.29	\$ 1.26	2.4%
End of Period Common Shares Outstanding (000,000)				5,926	5,910	0.3%
Debt Ratio ⁵				38.5%	37.9%	60 BP
Total Employees				256,210	267,720	-4.3%

¹In-region wireline represents access lines served by AT&T's incumbent local exchange companies.²Includes consumer U-verse Voice over Internet Protocol connections of 2,142 as of September 30, 2011.³Consumer wireline broadband connections include DSL lines, U-verse High Speed Internet access and satellite broadband.⁴Video connections include sales under agency agreements with EchoStar and DirecTV customers and U-verse connections.⁵Total long-term debt plus debt maturing within one year divided by total debt plus total stockholders' equity.⁶Prior-year amounts restated to conform to current period reporting methodology.

Note: For the end of 3Q11, total switched access lines were 37,956, retail business switched access lines totaled 15,951 and wholesale and coin switched access lines totaled 2,206.

Fourth-Quarter 2011 Earnings Date: Jan. 26, 2012

AT&T will release fourth-quarter 2011 earnings on Jan. 26, 2012, before the market opens.

The company's *InvestorBriefing* and related earnings materials will be available on the AT&T website at www.att.com/investor.relations by 8 a.m. Eastern time.

AT&T will also host a conference call to discuss the results at 10 a.m. Eastern time the same day. Dial-in and replay information will be announced on First Call approximately eight weeks before the call, which will also be broadcast live and will be available for replay over the Internet at www.att.com/investor.relations.

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Information set forth in this *InvestorBriefing* contains financial estimates and other forward-looking statements that are subject to risks and uncertainties, and actual results may differ materially. A discussion of factors that may affect future results is contained in AT&T's filings with the Securities and Exchange Commission.

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This *InvestorBriefing* may contain certain non-GAAP financial measures. Reconciliations between the non-GAAP financial measures and the GAAP financial measures are available on the company's website at www.att.com/investor.relations.

AT&T *InvestorBriefing*

The AT&T *InvestorBriefing* is published by the Investor Relations staff of AT&T Inc. Requests for further information may be directed to one of the Investor Relations managers by phone at 210-351-3327.

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