



# AT&T Reports Record 2.8 Million Wireless Net Adds, Strong U-verse Sales, Continued Revenue Gains in the Fourth Quarter

**AT&T's fourth-quarter results were led by strength in mobile broadband, with continued wireless data revenue growth, continued expansion in AT&T U-verse services and double-digit growth in strategic business services revenues.**

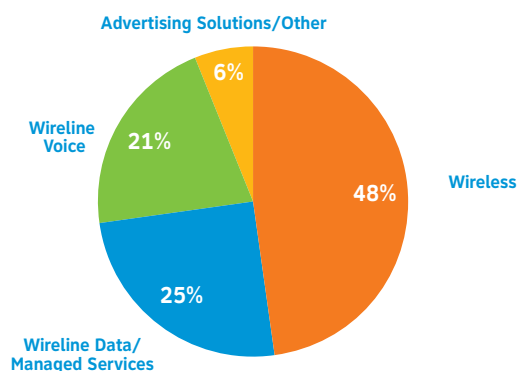
AT&T Inc. reported fourth-quarter results highlighted by solid momentum across key growth areas. Wireless revenues grew 9.9 percent, driven by record net adds and continued rapid adoption of data services. AT&T U-verse® TV subscribers neared 3 million. Wireline IP-based services and strategic business services both posted strong double-digit revenue growth.

Progress in these areas and continued solid execution on cost initiatives offset expected declines in legacy voice and print advertising products. Fourth-quarter revenues totaled \$31.4 billion, net income attributable to AT&T was \$1.1 billion, and diluted earnings per share totaled \$0.18 including significant items. Highlights included:

- \$0.18 diluted EPS, \$0.55 excluding significant items; compared to \$0.46 diluted EPS and \$0.50 per diluted share excluding significant items in the year-earlier period.
- Consolidated revenues of \$31.4 billion in the fourth quarter, up \$653 million, or 2.1 percent, versus the year-earlier period.
- 9.9 percent growth in wireless revenues, with a 9.6 percent increase in wireless service revenues.
- Best-ever wireless net adds, with a more than 2.8 million increase in total wireless subscribers to reach 95.5 million subscribers in service; full-year wireless net adds totaled 8.9 million, the company's best-ever annual total.
- Continued expansion in new wireless growth areas; connected devices up a record 1.5 million; iPad- and Android-based tablets up 442,000.
- Postpaid subscriber ARPU (average monthly revenues per subscriber) up 2.2 percent to \$62.88, the eighth consecutive quarter with a year-over-year increase, driven by continued robust growth in revenues from wireless data services, such as messaging, access to applications and related services. Wireless data revenues grew 27.4 percent, up \$1.1 billion versus the year-earlier quarter.

**Wireless, wireline data and managed services revenues represented 73% of AT&T's fourth-quarter revenue mix, up from 70% in the year-earlier quarter and 65% in the fourth quarter of 2008.**

**AT&T 4Q10 REVENUE MIX**

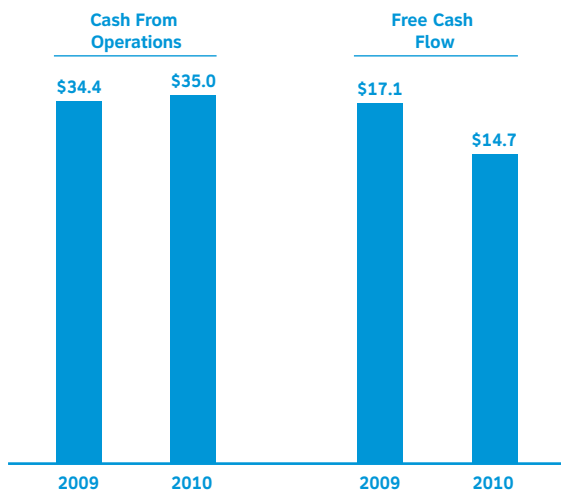


- Best-ever fourth-quarter total wireless churn at 1.32 percent; 1.15 percent postpaid churn, matching best-ever fourth-quarter levels.
- Second consecutive quarter of year-over-year growth in wireline consumer revenues, driven by AT&T U-verse services.
- Consistently strong growth in AT&T U-verse TV, with a gain of 246,000 subscribers to reach nearly 3 million in service, and with continued high broadband and voice attach rates.
- 28.5 percent growth in wireline consumer IP data revenues, driven by AT&T U-verse expansion and a net gain of 210,000 wireline broadband connections.

**AT&T CASH GENERATION**

Dollars in billions

**AT&T's 2010 cash from operations increased 1.7 percent versus 2009, and free cash flow was down 14.1 percent.**



Free cash flow is cash from operations minus capital expenditures.

- 17.1 percent growth in revenues from strategic business services such as Ethernet, Virtual Private Networks (VPNs), hosting and applications services, the largest increase during the year.

**FOURTH-QUARTER CONSOLIDATED RESULTS**

For the quarter ended December 31, 2010, AT&T's consolidated revenues totaled \$31.4 billion, up \$653 million, or 2.1 percent, versus the year-earlier quarter, marking the company's fourth consecutive quarter with a year-over-year revenue increase.

Compared with results for the fourth quarter of 2009, operating expenses were \$29.3 billion versus \$26.1 billion; operating income was \$2.1 billion, down from \$4.6 billion; and AT&T's operating income margin was 6.7 percent, compared to 14.9 percent. Excluding fourth-quarter significant items, operating expenses were \$25.8 billion versus \$25.6 billion, operating income was \$5.6 billion, compared to \$5.1 billion, and operating income margin was 17.7 percent, compared to 16.6 percent.

Fourth-quarter 2010 net income attributable to AT&T totaled \$1.1 billion, or \$0.18 per diluted share. Excluding a one-time charge of \$0.26 from a previously disclosed pension accounting change; a \$0.09 charge for severance costs; and a \$0.02 charge for asset impairments, adjusted earnings per share was \$0.55. These results compare with reported net income attributable to AT&T of \$2.7 billion, or \$0.46 per diluted share, in the fourth quarter of 2009. Excluding significant items, earnings per share for the fourth quarter of 2009 was \$0.50 per diluted share. Excluding significant items, fourth-quarter 2010 earnings per share was up 10.0 percent versus the fourth quarter of 2009.

Fourth-quarter 2010 cash from operating activities totaled \$9.6 billion, and capital expenditures totaled \$6.6 billion. Free cash flow — cash from operating activities minus capital expenditures — totaled \$3.1 billion.

### FULL-YEAR RESULTS

For the full year 2010, compared with 2009 results, AT&T's consolidated revenues totaled \$124.3 billion versus \$122.5 billion; operating expenses were \$104.7 billion, compared with \$101.5 billion; net income attributable to AT&T was \$19.9 billion versus \$12.1 billion; and earnings per diluted share was \$3.35 compared with \$2.05. Earnings per share, excluding significant items, totaled \$2.29, compared with \$2.07, an increase of 10.6 percent for the year.

Compared with 2009 results, AT&T's full-year cash from operating activities totaled \$35.0 billion, up from \$34.4 billion. Capital expenditures, including capitalized interest, totaled \$20.3 billion versus \$17.3 billion, including a more than 50 percent increase in wireless-related capital investment versus the year earlier, as AT&T aggressively deploys next-generation wireless broadband networks; and free cash flow totaled \$14.7 billion, compared with \$17.1 billion.

### OUTLOOK

In 2011, AT&T expects consolidated revenue growth in conjunction with an expansion in consolidated, wireline and wireless operating margins, including wireless service margins. Achieving these targets will lead to expected mid-single digit or better earnings per share growth versus 2010 earnings, excluding changes in capitalized interest. (In 2011, AT&T will no longer capitalize interest expense attributable to the company's LTE-related spectrum purchases. The impact of the change would have reduced earnings per share by \$0.07 in 2010. Therefore, projected earnings growth is based on a 2010 earnings per share number of \$2.22.)

AT&T also expects modest improvement in free cash flow, with capital expenditures in the low-to-mid \$19 billion range, as increases in wireless spending will be offset by lower wireline capital expenditures and the elimination of capitalized interest in LTE spectrum.

**AT&T's fourth-quarter wireless highlights include record net subscriber additions; a strong increase in wireless revenues; best-ever fourth-quarter total churn level; the eighth consecutive quarter of year-over-year postpaid subscriber ARPU growth; and continued strong wireless data growth.**

# Wireless

AT&T again delivered strong wireless growth in the fourth quarter, led by continued strength in mobile broadband services, record subscriber net adds and rapid adoption of connected devices such as eReaders, security systems, fleet management and a host of other products. The fourth quarter was also the first quarter in the company's history in which wireless revenues exceeded wireline revenues.

## RECORD SUBSCRIBER GAIN AND BEST-EVER FOURTH QUARTER SUBSCRIBER CHURN

AT&T posted a net increase in total wireless subscribers of 2.8 million, to reach 95.5 million in service, the best net gain in the company's history. Full-year net adds totaled 8.9 million (adjusted for mergers and acquisitions), the company's best-ever annual total. Fourth-quarter net add growth reflects rapid adoption of smartphones, increases in prepaid subscribers, strength in the reseller channel and a record quarter in connected devices. AT&T also had a strong tablet quarter, a new growth area for the company. It added 442,000 iPad- and Android-based tablets to its network, with more than 90 percent of these booked to the prepaid category.

Retail net adds for the quarter include postpaid net adds of 400,000 and prepaid net adds of 307,000. Connected device net adds were 1.5 million, and reseller net adds were 595,000.

Postpaid churn was 1.15 percent, matching last year's best-ever fourth-quarter record. Total churn was a record-low fourth-quarter level of 1.32 percent versus 1.42 percent in the fourth quarter of 2009.

## STRONG INTEGRATED DEVICE SALES

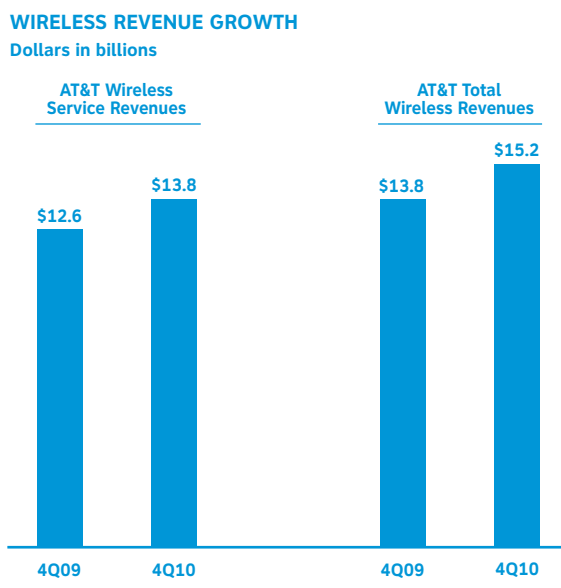
AT&T continued to grow its base of integrated device subscribers. More than 7.4 million postpaid integrated devices were sold in the fourth quarter, including the second-largest quarterly number of upgrades in the company's history. Integrated device sales included 4.1 million iPhone activations. More than 80 percent of postpaid sales were integrated devices. (*Integrated devices are handsets with QWERTY or virtual keyboards in addition to voice functionality and are a key driver of wireless data usage.*)

At the end of the quarter, 61.0 percent of AT&T's 68.0 million postpaid subscribers had integrated devices, up from 46.8 percent a year earlier. The average ARPU for integrated devices on AT&T's network is 1.7 times that of the company's non-integrated device base. More than 80 percent of integrated device subscribers are on FamilyTalk and/or business discount plans. Churn levels for these subscribers are significantly lower than for other postpaid subscribers.

## CONTINUED STRONG DATA GROWTH

Wireless data revenues — driven by messaging, Internet access, access to applications and related services — increased \$1.1 billion, or 27.4 percent,

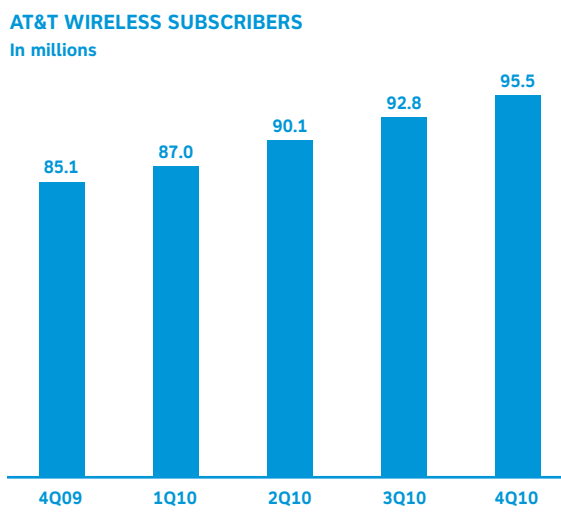
**AT&T's wireless revenue growth is driven by continued strong subscriber gains combined with leadership in wireless data services.**



from the year-earlier quarter to \$4.9 billion. AT&T wireless postpaid subscribers on monthly data plans increased by 20.4 percent over the past year. Versus the year-earlier quarter, total text messages carried on the AT&T network increased by nearly 29 percent to 173.1 billion, and multimedia messages increased by 75.0 percent to 3.9 billion.

Driven by strong data growth, postpaid subscriber ARPU increased 2.2 percent versus the year-earlier quarter to \$62.88. This marked the eighth consecutive quarter AT&T has posted a year-over-year increase in postpaid ARPU. Postpaid data ARPU reached \$22.64, up 17.8 percent versus the year-earlier quarter.

**In the fourth quarter, AT&T achieved a record net gain in wireless subscribers of 2.8 million, with 8.9 million subscribers (adjusted for mergers and acquisitions) added over the past year.**



**9.9 PERCENT WIRELESS REVENUE GROWTH**

Wireless service revenues increased 9.6 percent, to \$13.8 billion, in the fourth quarter. Total wireless revenues, which include equipment sales, were up 9.9 percent year over year to \$15.2 billion.

Fourth-quarter wireless margins reflected increased operating costs associated with strong integrated device activations and high customer upgrade levels, offset in part by improved operating efficiencies and further revenue growth from the company's base of high-quality integrated device subscribers.

AT&T's fourth-quarter wireless operating income margin was 22.9 percent versus 25.9 percent in the year-earlier quarter, and AT&T's wireless OIBDA service margin was 37.6 percent, compared with 40.7 percent in the fourth quarter of 2009 and flat sequentially. (OIBDA service margin is operating income before depreciation and amortization, divided by total service revenues.) Fourth-quarter wireless operating expenses totaled \$11.7 billion, up 14.3 percent versus the year-earlier quarter, and wireless operating income was \$3.5 billion, down 2.8 percent year over year.

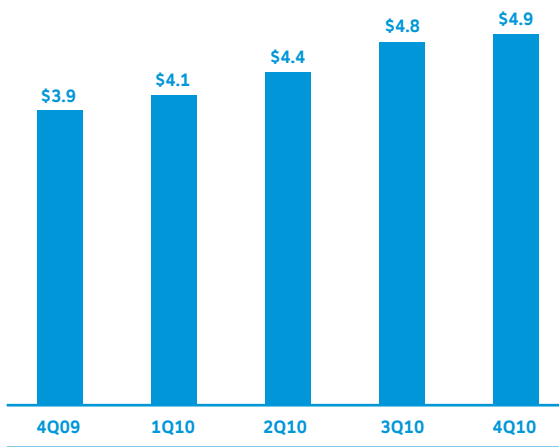
**WIRELESS INNOVATION: APPLICATIONS AND DEVICES**

AT&T is the market leader in wireless innovation, 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 that it has agreed to purchase spectrum licenses in the Lower 700 MHz frequency band from Qualcomm for \$1.925 billion. The move will bolster AT&T's ability to provide a robust LTE 4G mobile broadband experience for its customers in the years ahead.
- Announced it completed its deployment of HSPA+ to virtually 100 percent of its mobile broadband network, which enables 4G speeds when combined with Ethernet

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

**AT&T WIRELESS DATA REVENUES**  
Dollars in billions



or fiber backhaul. The company is rapidly expanding Ethernet and fiber to cell sites nationwide and, by year end, expects nearly two-thirds of its mobile broadband traffic will be on expanded backhaul. AT&T is already seeing network speeds up to approximately 6 Mbps in areas of key markets — and expects these speeds will increase as it accelerates its LTE build, which it expects will be largely completed by year-end 2013, and further deploys expanded backhaul.

- Announced expanded AT&T Wi-Fi hotzones in New York City's Times Square and new locations near Rockefeller Center and St. Patrick's Cathedral, with a San Francisco hotzone coming soon.
- Announced the launch of AT&T DataConnect Pass Global — a lineup of international pay-as-you-go data packages for AT&T-certified laptops and netbooks. The passes provide data coverage in more than 100 countries, including Canada, Mexico, Europe, Asia and countries in the Americas.
- Launched AT&T Smart Controls, a new Web site that provides a central hub dedicated to giving customers more control over their wireless, TV, Internet and home phone experience. The new Web site — inspired by and for customers — provides one-click access to safety and control tools, articles, expert resources and more.

- Announced availability of the Samsung Evergreen, a quick messaging phone built with 70 percent recycled post-consumer plastics and packaging that utilizes 80 percent recycled post-consumer paper.
- Announced that AT&T is the first carrier in the Americas to launch the MiFi® 2372 Mobile Hotspot from Novatel Wireless preloaded with MiFi OS™, widgets and applications support. The AT&T Mobile Hotspot offers simultaneous Wi-Fi connectivity for up to five devices and runs on AT&T's HSPA 7.2 network, which supports even faster mobile broadband speeds.
- Saw record online traffic on Black Friday combined with more total shoppers visiting att.com on Cyber Monday than any previous year — and a year-over-year traffic increase in AT&T stores nationwide — creating one of the busiest post-Thanksgiving shopping weekends in AT&T history.
- Extended the reach of AT&T WorkBench to include businesses and organizations that have mobile devices running on the Android platform. AT&T also announced that two of its existing mobile applications, ProntoForms from TrueContext Corporation and Xora GPS TimeTrack, are now available on Android.
- Announced that AT&T wirelessly connected Vitality GlowCaps are now available on Amazon. The intelligent pill caps are designed to help patients take medications regularly by sending reminder calls to patients and weekly e-mail reports and monthly updates to physicians.
- Announced an agreement with BMW to wirelessly deliver an enhanced suite of safety and infotainment services to future BMW models. These enhancements build on BMW's existing portfolio of connected services — known as BMW Assist — which includes, among others features, direct access to emergency and concierge call center services, traffic information and an online portal for weather forecasts, fuel prices and news.

**AT&T's fourth-quarter wireline highlights include: U-verse TV reaching nearly 3 million subscribers; improved broadband growth; second consecutive quarter of year-over-year growth in consumer wireline revenues; and 17.1 percent growth in revenues from strategic business services such as Ethernet, VPNs and application services.**

# Wireline

AT&T's fourth-quarter wireline results were highlighted by continued growth in consumer revenues, sustained growth in revenues from strategic business services and solid cost management. Progress in these areas helped offset lower revenues from voice and legacy data products.

Led by improved consumer and business customer trends, total wireline revenues were down 3.2 percent year over year, and down slightly sequentially.

- Fourth-quarter revenues in AT&T's wireline segment totaled \$15.1 billion versus \$15.6 billion in the year-earlier quarter.
- Total wireline data revenues grew 8.7 percent to \$7.1 billion, led by a 19.1 percent increase in revenues from IP-based services, which accounted for 58.6 percent of AT&T's total wireline data revenues, up from 53.4 percent in the fourth quarter of 2009.
- Wireline voice revenues, which include retail and wholesale local and long distance, totaled \$6.6 billion versus \$7.6 billion in the year-earlier quarter. Fourth-quarter wireline expense and margin comparisons reflect continued solid execution on cost initiatives.
- Fourth-quarter wireline operating expenses totaled \$13.1 billion, down 3.9 percent versus the year-earlier quarter and down 1.1 percent sequentially.
- Wireline operating income totaled \$2.0 billion versus \$1.9 billion in the fourth quarter of 2009 and \$2.0 billion in the third quarter of 2010.
- AT&T's fourth-quarter wireline operating income margin was 13.0 percent compared with 12.3 percent in the year-earlier quarter and 13.0 percent in the third quarter of 2010.

## WIRELINER CONSUMER

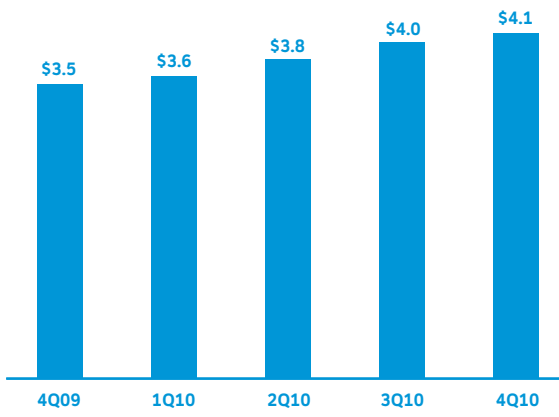
Driven by strength in IP data services, revenue from residential customers totaled \$5.3 billion in the fourth quarter, up 0.7 percent year over year, their second consecutive year-over-year increase. Fourth-quarter consumer highlights include:

**Continued U-verse Service Gains Driving Consumer Growth.** AT&T U-verse TV had its best quarter of the year, adding 246,000 subscribers to reach nearly 3 million in service. In the fourth quarter, the AT&T U-verse High Speed Internet attach rate continued to run above 90 percent, and 60 percent of subscribers took AT&T U-verse Voice. More than 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 more than \$160.

**IP data service revenues, which include U-verse services and business products such as VPNs and managed Internet services, grew 19.1 percent year over year.**

#### AT&T WIRELINE IP DATA REVENUES

Dollars in billions



AT&T's U-verse deployment now reaches more than 27 million living units. Companywide penetration of eligible living units is 14.2 percent, and across areas marketed to for 30 months or more, overall penetration is more than 22 percent. AT&T's total video subscribers, which combine the company's U-verse and bundled satellite customers, reached 4.9 million at the end of the quarter, representing 19.7 percent of households served. In recent U-verse-related news, the company:

- Announced free, unlimited online access to HBOGO.com and MAXGO.com, HBO's and Cinemax's online video destinations, for U-verse TV residential customers who subscribe to the respective channels.
- Received for the third year in a row a TelcoTV Vision Award in the Service Provider Innovation category. This year's award recognized AT&T U-verse Mobile, which lets U-verse TV subscribers browse their program guides, manage DVR recordings and, with qualifying U-verse TV plans, download and watch hit TV shows on their smartphones.

- Launched AT&T U-verse Mobile for Windows Phone 7 devices, including the HTC Surround, Samsung Focus™ and LG Quantum™, and for several Android™ devices, including the Samsung Captivate™, HTC Aria, Motorola Bravo™ and Motorola FLIPSIDE™. AT&T U-verse Mobile is also available for the BlackBerry Curve 3G. The popular U-verse Mobile app is now available on more than 10 qualifying smartphone models and on four major mobile operating systems.

#### **Improved Wireline Broadband Growth.**

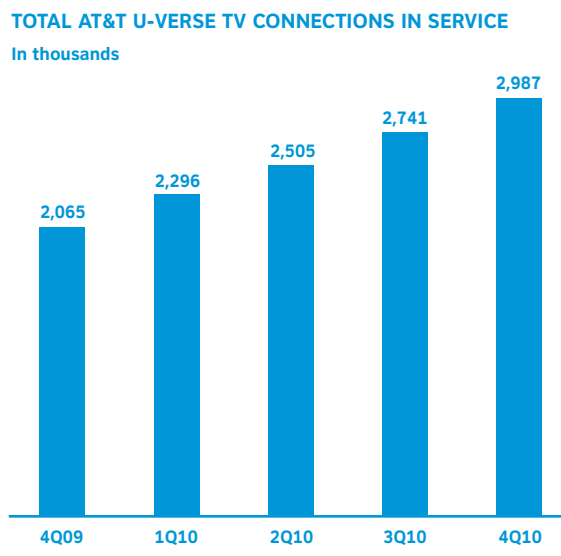
Driven by strength in AT&T U-verse High Speed Internet service and standalone broadband, AT&T posted a 210,000 net gain in wireline broadband connections. About two-thirds of broadband consumers have a plan of 3 Mbps or higher.

#### **U-verse Revenues Up 73.4 Percent.**

Increased AT&T U-verse penetration drove 28.5 percent year-over-year growth in IP revenues from residential customers (broadband, U-verse TV and U-verse Voice). U-verse continues to drive a transformation in AT&T's consumer area, reflected by the fact that IP revenues now represent 45.0 percent of AT&T's consumer wireline revenues, up from 35.3 percent in the year-earlier quarter and up from 25.6 percent in the fourth quarter of 2008. In the fourth quarter, AT&T U-verse revenues were \$1.3 billion, 73.4 percent higher than in the fourth quarter of 2009.

**Further Growth in Revenues Per Household.** Driven by AT&T U-verse services, wireline revenues per household served increased 7.5 percent versus the year-earlier fourth quarter and were up 0.4 percent sequentially. This marked AT&T's 12th consecutive quarter with year-over-year growth in wireline consumer revenues per household.

**AT&T U-verse TV subscribers reached nearly 3 million in the fourth quarter.**



#### **Improved Consumer Connection Trends.**

In the fourth quarter, AT&T posted a decline in total consumer revenue connections due primarily to expected declines in traditional voice access lines, consistent with broader industry trends and somewhat offset by increases in U-verse TV and VoIP (Voice over Internet Protocol) connections. AT&T U-verse Voice connections increased by 186,000 in the quarter and 726,000 over the past four quarters. Total consumer revenue connections at the end of the fourth quarter were 43.4 million, compared with 45.3 million at the end of the fourth quarter of 2009 and 43.7 million at the end of the third quarter of 2010.

#### **WIRELINE BUSINESS**

AT&T's wireline business customer revenues include results from enterprise, wholesale, government, education, medical and small/midsize customers. Total business revenues were \$9.4 billion, a decline of 4.5 percent versus the year-earlier quarter, reflecting economic weakness in voice and legacy data products, and the third-quarter sale of the company's Japan assets. Business service revenues, which exclude CPE, declined 4.3 percent year over year

and decreased slightly sequentially, down 1.2 percent. Fourth-quarter business highlights include:

**17.1 Percent Growth in Strategic Business Services Revenues.** Revenues from new-generation capabilities that lead AT&T's most advanced business solutions — including Ethernet, VPNs, hosting, IP conferencing and application services — grew 17.1 percent versus the year-earlier quarter, their strongest growth during the year, and were up 5.5 percent from the third quarter of 2010, continuing AT&T's strong trends in this category.

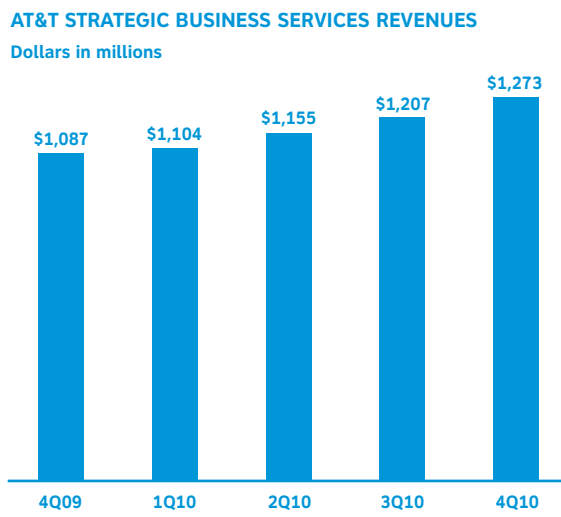
**Consistent Growth in Total Business IP Revenues.** Total business IP data revenues grew 9.0 percent versus the year-earlier fourth quarter, led by growth in VPN revenues. Global Enterprise Solutions IP data revenues grew 11.0 percent. More than 70 percent of AT&T's frame customers have made the transition to IP-based solutions, which allow them to easily add managed services such as network security, cloud services and IP conferencing on top of their infrastructures. This generated total business data revenue growth of 1.1 percent, the largest growth in this category in four quarters.

#### **BUSINESS INNOVATION**

AT&T's business progress reflects the strength of its network, its advanced product sets and a strong commitment to innovation in key areas such as network management, applications, security solutions and wireless connectivity.

AT&T serves thousands of enterprise business customers across six continents; provides a broad range of services for governmental entities; and is a global leader in delivering wholesale services to carriers, wireless operators, cable providers, systems integrators, Internet service providers and content providers. In addition, AT&T provides an industry-leading portfolio of communications products and services for

**Revenues from AT&T's strategic business services, the products that lead AT&T's most advanced solutions, grew 17.1 percent in the fourth quarter.**



small and midsize businesses in key areas such as wireless voice and data, local and long distance voice, high speed Internet, messaging and advertising.

In all of these areas, AT&T continually innovates to expand its service capabilities. In recent weeks, AT&T:

- Signed a six-year enterprise-wide agreement with Smiths Group to provide a range of solutions and applications that will support an ongoing business transformation and provide Smiths with a common communications infrastructure across all of its operations and business units, supporting 23,000 employees at 300 locations around the world.
- Announced AT&T ForHealth<sup>SM</sup>, a new practice area and portfolio of specialized services that will harness innovative technology to help improve patient care and reduce medical costs nationwide. AT&T ForHealth will accelerate delivery of innovative wireless, networked and cloud-based solutions specifically for the health care industry.

- Began selling all three iPad Wi-Fi + 3G models directly to business customers as part of an initiative to help companies increase productivity and flexibility.
- Won a fair opportunity award under AT&T's GSA Networx Universal contract worth up to \$286 million to develop an IP-based interactive voice response automation and contact call center solution for the U.S. Social Security Administration's national toll-free number.
- Received a top ranking for its machine-to-machine (M2M) services in a report by Current Analysis. The report commended AT&T for its flexible plans, real-time diagnostics and M2M customer support. The report, "Machine to Machine Services Market: Competition Heats Up," highlights AT&T's strength in M2M implementation strategy and mobility services organization.
- Announced that the Mexican telecommunications service provider Telmex will offer its customers in Mexico improved, seamless telepresence services by providing them access to the AT&T Business Exchange, a feature of AT&T Telepresence Solution<sup>®</sup>.

**AT&T's Advertising Solutions segment offers businesses a full suite of local search and advertising options, including featured listings on YP.com<sup>SM</sup>, YPmobile<sup>®</sup> 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, the new YELLOWPAGES.COM<sup>SM</sup>, 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, Web site development, search engine marketing, Pay Per Call<sup>®</sup>, Digital Express<sup>™</sup> 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, fourth-quarter reported Advertising Solutions revenues totaled \$926 million versus \$1.1 billion. Advertising Solutions' revenue trends reflect migration from print to online search, including rapid growth at AT&T Interactive, which develops, manages and delivers AT&T's online and mobile advertising products such as its flagship property YP.com. In the fourth quarter, Internet revenues increased 7.7 percent versus the year-earlier quarter to \$251 million.

Advertising Solutions' expense comparisons reflect disciplined cost management. Fourth-quarter 2010 operating expenses totaled \$730 million versus \$800 million in the year-earlier quarter and \$754 million in the third quarter of 2010. Operating income totaled \$196 million, compared with \$302 million in the year-earlier fourth quarter and \$207 million in the third quarter of 2010. The segment's operating income margin was 21.2 percent versus 27.4 percent in the year-earlier fourth quarter and 21.5 percent in the third quarter of 2010.

**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 9.0 percent and 9.7 percent, respectively, as of the end of the fourth quarter of 2010.

América Móvil is one of the leading providers of telecommunications services in Latin America. At the end of the third quarter of 2010, América Móvil had more than 216.8 million wireless subscribers in countries throughout the region, including more than 62 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 fourth-quarter financial comparisons reflect operational trends that are generally in line with recent quarters. Fourth-quarter Other segment income from continuing operations was a loss of \$888 million versus a loss of \$846 million in the year-earlier quarter.

Fourth-quarter segment revenues totaled \$144 million, compared with \$175 million in the year-earlier quarter. Segment operating expenses totaled \$1.2 billion in the fourth quarter of 2010, compared with \$1.2 billion in the fourth quarter of 2009. Equity in net income of affiliates totaled \$134 million in the fourth quarter of 2010 versus \$176 million in the year-earlier quarter.

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

Dollars in millions except per share amounts

| Unaudited  | Three Months Ended |                 |               | Twelve Months Ended |                  |               |
|--|--------------------|-----------------|---------------|---------------------|------------------|---------------|
|  | 12/31/10           | 12/31/09        | % Change      | 12/31/10            | 12/31/09         | % Change      |
| <b>Operating Revenues</b>  |                    |                 |               |                     |                  |               |
| Wireless service   | \$13,799           | \$12,585        | 9.6%          | \$ 53,510           | \$ 48,563        | 10.2%         |
| Voice  | 6,644              | 7,623           | -12.8%        | 28,315              | 32,324           | -12.4%        |
| Data   | 7,072              | 6,508           | 8.7%          | 27,479              | 25,561           | 7.5%          |
| Directory  | 926                | 1,102           | -16.0%        | 3,935               | 4,724            | -16.7%        |
| Other  | 2,920              | 2,890           | 1.0%          | 11,041              | 11,341           | -2.6%         |
| <b>Total Operating Revenues</b>  | <b>31,361</b>      | <b>30,708</b>   | <b>2.1%</b>   | <b>124,280</b>      | <b>122,513</b>   | <b>1.4%</b>   |
| <b>Operating Expenses</b>  |                    |                 |               |                     |                  |               |
| Cost of services and sales (exclusive of depreciation and amortization shown separately below) | 13,897             | 12,973          | 7.1%          | 52,263              | 50,571           | 3.3%          |
| Selling, general and administrative  | 10,469             | 8,205           | 27.6%         | 33,065              | 31,427           | 5.2%          |
| Depreciation and amortization  | 4,907              | 4,966           | -1.2%         | 19,379              | 19,515           | -0.7%         |
| <b>Total Operating Expenses</b>  | <b>29,273</b>      | <b>26,144</b>   | <b>12.0%</b>  | <b>104,707</b>      | <b>101,513</b>   | <b>3.1%</b>   |
| <b>Operating Income</b>  | <b>2,088</b>       | <b>4,564</b>    | <b>-54.3%</b> | <b>19,573</b>       | <b>21,000</b>    | <b>-6.8%</b>  |
| <b>Interest Expense</b>  | <b>746</b>         | <b>795</b>      | <b>-6.2%</b>  | <b>2,994</b>        | <b>3,368</b>     | <b>-11.1%</b> |
| <b>Equity in Net Income of Affiliates</b>  | <b>133</b>         | <b>185</b>      | <b>-28.1%</b> | <b>762</b>          | <b>734</b>       | <b>3.8%</b>   |
| <b>Other Income (Expense) – Net</b>  | <b>72</b>          | <b>107</b>      | <b>-32.7%</b> | <b>897</b>          | <b>152</b>       | <b>—</b>      |
| <b>Income from Continuing Operations Before Income Taxes</b>                                   | <b>1,547</b>       | <b>4,061</b>    | <b>-61.9%</b> | <b>18,238</b>       | <b>18,518</b>    | <b>-1.5%</b>  |
| <b>Income Tax (Benefit) Expense</b>  | <b>388</b>         | <b>1,271</b>    | <b>-69.5%</b> | <b>(1,162)</b>      | <b>6,091</b>     | <b>—</b>      |
| <b>Income from Continuing Operations</b>   | <b>1,159</b>       | <b>2,790</b>    | <b>-58.5%</b> | <b>19,400</b>       | <b>12,427</b>    | <b>56.1%</b>  |
| <b>Income from Discontinued Operations, net of tax</b>   | <b>2</b>           | <b>14</b>       | <b>-85.7%</b> | <b>779</b>          | <b>20</b>        | <b>-</b>      |
| <b>Net Income</b>  | <b>1,161</b>       | <b>2,804</b>    | <b>-58.6%</b> | <b>20,179</b>       | <b>12,447</b>    | <b>62.1%</b>  |
| <b>Less: Net Income Attributable to Noncontrolling Interest</b>                                | <b>(72)</b>        | <b>(74)</b>     | <b>2.7%</b>   | <b>(315)</b>        | <b>(309)</b>     | <b>-1.9%</b>  |
| <b>Net Income Attributable to AT&amp;T</b>   | <b>\$ 1,089</b>    | <b>\$ 2,730</b> | <b>-60.1%</b> | <b>\$ 19,864</b>    | <b>\$ 12,138</b> | <b>63.7%</b>  |
| Basic Earnings Per Share from Continuing Operations  |                    |                 |               |                     |                  |               |
| Attributable to AT&T   | \$ 0.18            | \$ 0.46         | -60.9%        | \$ 3.23             | \$ 2.06          | 56.8%         |
| Basic Earnings Per Share from Discontinued Operations  |                    |                 |               |                     |                  |               |
| Attributable to AT&T   | —                  | —               | —             | 0.13                | —                | —             |
| <b>Basic Earnings Per Share Attributable to AT&amp;T</b>                                       | <b>\$ 0.18</b>     | <b>\$ 0.46</b>  | <b>-60.9%</b> | <b>\$ 3.36</b>      | <b>\$ 2.06</b>   | <b>63.1%</b>  |
| Weighted Average Common Shares Outstanding (000,000)   | 5,915              | 5,901           | 0.2%          | 5,913               | 5,900            | 0.2%          |
| Diluted Earnings Per Share from Continuing Operations  |                    |                 |               |                     |                  |               |
| Attributable to AT&T   | \$ 0.18            | \$ 0.46         | -60.9%        | \$ 3.22             | \$ 2.05          | 57.1%         |
| Diluted Earnings Per Share from Discontinued Operations  |                    |                 |               |                     |                  |               |
| Attributable to AT&T   | —                  | —               | —             | 0.13                | —                | —             |
| <b>Diluted Earnings Per Share Attributable to AT&amp;T</b>                                     | <b>\$ 0.18</b>     | <b>\$ 0.46</b>  | <b>-60.9%</b> | <b>\$ 3.35</b>      | <b>\$ 2.05</b>   | <b>63.4%</b>  |
| Weighted Average Common Shares Outstanding with Dilution (000,000)                             | 5,941              | 5,927           | 0.2%          | 5,938               | 5,924            | 0.2%          |

## AT&amp;T Inc.

## Statements of Segment Income

Dollars in millions

| Unaudited  | Three Months Ended |                 |              | Twelve Months Ended |                 |              |
|--|--------------------|-----------------|--------------|---------------------|-----------------|--------------|
|  | 12/31/10           | 12/31/09        | % Change     | 12/31/10            | 12/31/09        | % Change     |
| <b>Wireless</b>                                  |                    |                 |              |                     |                 |              |
| <b>Segment Operating Revenues</b>                |                    |                 |              |                     |                 |              |
| Service  | \$13,799           | \$12,585        | 9.6%         | \$53,510            | \$48,563        | 10.2%        |
| Equipment  | 1,382              | 1,232           | 12.2%        | 4,990               | 4,941           | 1.0%         |
| <b>Total Segment Operating Revenues</b>          | <b>15,181</b>      | <b>13,817</b>   | <b>9.9%</b>  | <b>58,500</b>       | <b>53,504</b>   | <b>9.3%</b>  |
| <b>Segment Operating Expenses</b>                |                    |                 |              |                     |                 |              |
| Operations and support                           | 9,988              | 8,695           | 14.9%        | 36,746              | 33,631          | 9.3%         |
| Depreciation and amortization                    | 1,721              | 1,550           | 11.0%        | 6,497               | 6,043           | 7.5%         |
| <b>Total Segment Operating Expenses</b>          | <b>11,709</b>      | <b>10,245</b>   | <b>14.3%</b> | <b>43,243</b>       | <b>39,674</b>   | <b>9.0%</b>  |
| <b>Segment Operating Income</b>                  | <b>3,472</b>       | <b>3,572</b>    | <b>-2.8%</b> | <b>15,257</b>       | <b>13,830</b>   | <b>10.3%</b> |
| <b>Equity in Net Income (Loss) of Affiliates</b> | <b>(5)</b>         | <b>9</b>        | <b>—</b>     | <b>9</b>            | <b>9</b>        | <b>—</b>     |
| <b>Segment Income</b>                            | <b>\$ 3,467</b>    | <b>\$ 3,581</b> | <b>-3.2%</b> | <b>\$15,266</b>     | <b>\$13,839</b> | <b>10.3%</b> |
| <b>Segment Operating Income Margin</b>           | <b>22.9%</b>       | <b>25.9%</b>    |              | <b>26.1%</b>        | <b>25.8%</b>    |              |

## Wireline

|   |                 |                 |              |                 |                 |               |
|---|-----------------|-----------------|--------------|-----------------|-----------------|---------------|
| <b>Segment Operating Revenues</b>         |                 |                 |              |                 |                 |               |
| Voice                                     | \$ 6,644        | \$ 7,623        | -12.8%       | \$28,315        | \$32,324        | -12.4%        |
| Data                                      | 7,072           | 6,508           | 8.7%         | 27,479          | 25,561          | 7.5%          |
| Other                                     | 1,394           | 1,483           | -6.0%        | 5,408           | 5,629           | -3.9%         |
| <b>Total Segment Operating Revenues</b>   | <b>15,110</b>   | <b>15,614</b>   | <b>-3.2%</b> | <b>61,202</b>   | <b>63,514</b>   | <b>-3.6%</b>  |
| <b>Segment Operating Expenses</b>         |                 |                 |              |                 |                 |               |
| Operations and support                    | 10,055          | 10,470          | -4.0%        | 41,008          | 42,352          | -3.2%         |
| Depreciation and amortization             | 3,092           | 3,217           | -3.9%        | 12,371          | 12,743          | -2.9%         |
| <b>Total Segment Operating Expenses</b>   | <b>13,147</b>   | <b>13,687</b>   | <b>-3.9%</b> | <b>53,379</b>   | <b>55,095</b>   | <b>-3.1%</b>  |
| <b>Segment Operating Income</b>           | <b>1,963</b>    | <b>1,927</b>    | <b>1.9%</b>  | <b>7,823</b>    | <b>8,419</b>    | <b>-7.1%</b>  |
| <b>Equity in Net Income of Affiliates</b> | <b>4</b>        | <b>—</b>        | <b>—</b>     | <b>11</b>       | <b>17</b>       | <b>-35.3%</b> |
| <b>Segment Income</b>                     | <b>\$ 1,967</b> | <b>\$ 1,927</b> | <b>2.1%</b>  | <b>\$ 7,834</b> | <b>\$ 8,436</b> | <b>-7.1%</b>  |
| <b>Segment Operating Income Margin</b>    | <b>13.0%</b>    | <b>12.3%</b>    |              | <b>12.8%</b>    | <b>13.3%</b>    |               |

## Advertising Solutions

|   |               |                 |               |                 |                 |               |
|---|---------------|-----------------|---------------|-----------------|-----------------|---------------|
| <b>Segment Operating Revenues</b>       | <b>\$ 926</b> | <b>\$ 1,102</b> | <b>-16.0%</b> | <b>\$ 3,935</b> | <b>\$ 4,724</b> | <b>-16.7%</b> |
| <b>Segment Operating Expenses</b>       |               |                 |               |                 |                 |               |
| Operations and support                  | 626           | 650             | -3.7%         | 2,583           | 2,743           | -5.8%         |
| Depreciation and amortization           | 104           | 150             | -30.7%        | 497             | 650             | -23.5%        |
| <b>Total Segment Operating Expenses</b> | <b>730</b>    | <b>800</b>      | <b>-8.8%</b>  | <b>3,080</b>    | <b>3,393</b>    | <b>-9.2%</b>  |
| <b>Segment Income</b>                   | <b>\$ 196</b> | <b>\$ 302</b>   | <b>-35.1%</b> | <b>\$ 855</b>   | <b>\$ 1,331</b> | <b>-35.8%</b> |
| <b>Segment Income Margin</b>            | <b>21.2%</b>  | <b>27.4%</b>    |               | <b>21.7%</b>    | <b>28.2%</b>    |               |

## Other

|   |                 |                 |               |                   |                   |               |
|---|-----------------|-----------------|---------------|-------------------|-------------------|---------------|
| <b>Segment Operating Revenues</b>                       | <b>\$ 144</b>   | <b>\$ 175</b>   | <b>-17.7%</b> | <b>\$ 643</b>     | <b>\$ 771</b>     | <b>-16.6%</b> |
| <b>Segment Operating Expenses</b>                       |                 |                 |               |                   |                   |               |
|   | <b>1,166</b>    | <b>1,197</b>    | <b>-2.6%</b>  | <b>2,484</b>      | <b>3,136</b>      | <b>-20.8%</b> |
| <b>Segment Operating Income (Loss)</b>                  | <b>(1,022)</b>  | <b>(1,022)</b>  | <b>—</b>      | <b>(1,841)</b>    | <b>(2,365)</b>    | <b>22.2%</b>  |
| <b>Equity in Net Income of Affiliates</b>               | <b>134</b>      | <b>176</b>      | <b>-23.9%</b> | <b>742</b>        | <b>708</b>        | <b>4.8%</b>   |
| <b>Segment Income (Loss) from Continuing Operations</b> | <b>\$ (888)</b> | <b>\$ (846)</b> | <b>-5.0%</b>  | <b>\$ (1,099)</b> | <b>\$ (1,657)</b> | <b>33.7%</b>  |

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

Dollars in millions except per share amounts

|  | 12/31/2010       | 12/31/2009       |
|--|------------------|------------------|
|  | Unaudited        |                  |
| <b>Assets</b>  |                  |                  |
| <b>Current Assets</b>  |                  |                  |
| Cash and cash equivalents  | \$ 1,437         | \$ 3,741         |
| Accounts receivable – net of allowances for doubtful accounts of \$957 and \$1,202 | 13,610           | 14,845           |
| Prepaid expenses   | 1,458            | 1,562            |
| Deferred income taxes  | 1,170            | 1,247            |
| Other current assets   | 2,276            | 3,792            |
| Total current assets   | 19,951           | 25,187           |
| <b>Property, Plant and Equipment – Net</b>   | <b>103,963</b>   | <b>100,286</b>   |
| <b>Goodwill</b>  | <b>73,601</b>    | <b>72,782</b>    |
| <b>Licenses</b>  | <b>50,372</b>    | <b>48,741</b>    |
| <b>Customer Lists and Relationships – Net</b>                                      | <b>4,708</b>     | <b>7,393</b>     |
| <b>Other Intangible Assets – Net</b>   | <b>5,440</b>     | <b>5,494</b>     |
| <b>Investments in Equity Affiliates</b>  | <b>4,515</b>     | <b>2,921</b>     |
| <b>Other Assets</b>  | <b>6,704</b>     | <b>6,275</b>     |
| <b>Total Assets</b>  | <b>\$269,254</b> | <b>\$269,079</b> |
| <b>Liabilities and Stockholders' Equity</b>  |                  |                  |
| <b>Current Liabilities</b>   |                  |                  |
| Debt maturing within one year  | \$ 7,196         | \$ 7,361         |
| Accounts payable and accrued liabilities   | 20,055           | 21,260           |
| Advanced billing and customer deposits   | 4,086            | 4,170            |
| Accrued taxes  | 72               | 1,681            |
| Dividends payable  | 2,542            | 2,479            |
| Total current liabilities  | 33,951           | 36,951           |
| <b>Long-Term Debt</b>  | <b>58,971</b>    | <b>64,720</b>    |
| <b>Deferred Credits and Other Noncurrent Liabilities</b>                           |                  |                  |
| Deferred income taxes  | 22,361           | 23,870           |
| Postemployment benefit obligation  | 28,803           | 27,847           |
| Other noncurrent liabilities   | 12,743           | 13,226           |
| Total deferred credits and other noncurrent liabilities                            | 63,907           | 64,943           |
| <b>Stockholders' Equity</b>  |                  |                  |
| Common stock   | 6,495            | 6,495            |
| Additional paid-in capital   | 91,731           | 91,707           |
| Retained earnings  | 32,268           | 22,419           |
| Treasury stock   | (21,083)         | (21,260)         |
| Accumulated other comprehensive income   | 2,711            | 2,679            |
| Noncontrolling interest  | 303              | 425              |
| Total stockholders' equity   | 112,425          | 102,465          |
| <b>Total Liabilities and Stockholders' Equity</b>                                  | <b>\$269,254</b> | <b>\$269,079</b> |

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

Dollars in millions, increase (decrease) in cash and cash equivalents

| Unaudited  | 2010          | 2009          | 2008          |
|--|---------------|---------------|---------------|
| <b>Operating Activities</b>  |               |               |               |
| Net income (loss)  | \$ 20,179     | \$ 12,447     | \$ (2,364)    |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: |               |               |               |
| Depreciation and amortization  | 19,379        | 19,515        | 19,673        |
| Undistributed earnings from investments in equity affiliates                             | (603)         | (419)         | (654)         |
| Provision for uncollectible accounts   | 1,334         | 1,762         | 1,795         |
| Deferred income tax expense (benefit) and noncurrent unrecognized tax benefits           | (3,280)       | 1,885         | (4,202)       |
| Net (gain) loss from impairment and sale of investments                                  | (802)         | —             | 517           |
| Remeasurement of pension and postretirement benefits                                     | 2,521         | 215           | 25,150        |
| (Income) Loss from discontinued operations   | (779)         | (20)          | 2             |
| Changes in operating assets and liabilities:   |               |               |               |
| Accounts receivable  | (99)          | (490)         | (1,475)       |
| Other current assets   | 717           | (617)         | 1,854         |
| Accounts payable and accrued liabilities   | (2,414)       | 943           | (4,456)       |
| Net income attributable to noncontrolling interest                                       | (315)         | (309)         | (261)         |
| Other – net  | (845)         | (507)         | (1,969)       |
| Total adjustments  | 14,814        | 21,958        | 35,974        |
| <b>Net Cash Provided by Operating Activities</b>   | <b>34,993</b> | <b>34,405</b> | <b>33,610</b> |

**Investing Activities**

Construction and capital expenditures:

|  |                 |                 |                 |
|--|-----------------|-----------------|-----------------|
| Capital expenditures                         | (19,530)        | (16,554)        | (19,631)        |
| Interest during construction                 | (772)           | (740)           | (659)           |
| Acquisitions, net of cash acquired           | (2,906)         | (983)           | (10,972)        |
| Dispositions                                 | 1,830           | 287             | 1,615           |
| (Purchases) and sales of securities, net     | (100)           | 55              | 68              |
| Sale of other investments                    | —               | —               | 436             |
| Other  | 29              | 52              | 45              |
| <b>Net Cash Used in Investing Activities</b> | <b>(21,449)</b> | <b>(17,883)</b> | <b>(29,098)</b> |

**Financing Activities**

Net change in short-term borrowings with

|  |                 |                 |                 |
|--|-----------------|-----------------|-----------------|
| original maturities of three months or less          | 1,592           | (3,910)         | 2,017           |
| Issuance of long-term debt                           | 2,235           | 8,161           | 12,416          |
| Repayment of long-term debt                          | (9,294)         | (8,652)         | (4,009)         |
| Purchase of treasury shares                          | —               | —               | (6,077)         |
| Issuance of treasury shares                          | 50              | 28              | 319             |
| Dividends paid                                       | (9,916)         | (9,670)         | (9,507)         |
| Share-based payment excess tax benefit               | —               | —               | 15              |
| Other  | (515)           | (465)           | 136             |
| <b>Net Cash Used in Financing Activities</b>         | <b>(15,848)</b> | <b>(14,508)</b> | <b>(4,690)</b>  |
| Net increase (decrease) in cash and cash equivalents | (2,304)         | 2,014           | (178)           |
| Cash and cash equivalents beginning of year          | 3,741           | 1,727           | 1,905           |
| <b>Cash and Cash Equivalents End of Year</b>         | <b>\$ 1,437</b> | <b>\$ 3,741</b> | <b>\$ 1,727</b> |

## AT&amp;T Inc.

## Supplementary Operating and Financial Data

Dollars in millions except per share amounts

| Unaudited   | Three Months Ended |          |          | Twelve Months Ended |          |          |
|---|--------------------|----------|----------|---------------------|----------|----------|
|   | 12/31/10           | 12/31/09 | % Change | 12/31/10            | 12/31/09 | % Change |
| <b>Wireless</b>   |                    |          |          |                     |          |          |
| Wireless Customers (000)  |                    |          |          | <b>95,536</b>       | 85,120   | 12.2%    |
| Net Customer Additions (000)  | <b>2,803</b>       | 2,661    | 5.3%     | <b>8,853</b>        | 7,278    | 21.6%    |
| M&A Activity, Partitioned Customers and Other Adjs. (000)             | <b>(28)</b>        | 863      |          | <b>1,563</b>        | 833      |          |
| Total Churn <sup>7</sup>  | <b>1.32%</b>       | 1.42%    | -10 BP   | <b>1.31%</b>        | 1.47%    | -16 BP   |
| Postpaid Customers (000) <sup>7</sup>                                 |                    |          |          | <b>68,041</b>       | 64,627   | 5.3%     |
| Net Postpaid Customer Additions (000) <sup>7</sup>                    | <b>400</b>         | 841      | -52.4%   | <b>2,153</b>        | 4,199    | -48.7%   |
| Postpaid Churn <sup>7</sup>   | <b>1.15%</b>       | 1.15%    | 0 BP     | <b>1.09%</b>        | 1.13%    | -4 BP    |
| Licensed POPs (000,000)   |                    |          |          | <b>308</b>          | 306      | 0.7%     |
| Prepaid Customers (including tablets) (000) <sup>7</sup>              |                    |          |          | <b>6,524</b>        | 5,350    | 21.9%    |
| Net Prepaid Customer Additions (including tablets) (000) <sup>7</sup> | <b>307</b>         | (58)     |          | <b>952</b>          | (801)    |          |
| Connected Devices Customers (000) <sup>7</sup>                        |                    |          |          | <b>9,326</b>        | 4,704    | 98.3%    |
| Net Connected Devices Customer Additions (000) <sup>7</sup>           | <b>1,501</b>       | 1,394    | 7.7%     | <b>4,608</b>        | 2,077    |          |

In-Region Wireline<sup>1</sup>

|  |              |       |       |                |         |        |
|--|--------------|-------|-------|----------------|---------|--------|
| Total Consumer Revenue Connections (000)             |              |       |       |                |         |        |
| Retail Consumer Voice Connections <sup>2</sup>       |              |       |       | <b>24,195</b>  | 27,332  | -11.5% |
| Consumer Wireline Broadband Connections <sup>3</sup> |              |       |       | <b>14,320</b>  | 13,717  | 4.4%   |
| Video Connections: <sup>4</sup>                      |              |       |       |                |         |        |
| Satellite Connections                                |              |       |       | <b>1,930</b>   | 2,174   | -11.2% |
| U-verse Video Connections                            |              |       |       | <b>2,985</b>   | 2,064   | 44.6%  |
| Total Consumer Revenue Connections (000)             |              |       |       | <b>43,430</b>  | 45,287  | -4.1%  |
| Net Consumer Revenue Connection Changes (000)        | <b>(303)</b> | (372) | 18.5% | <b>(1,857)</b> | (1,756) | -5.8%  |

## Broadband and Video

|   |            |     |        |               |        |        |
|---|------------|-----|--------|---------------|--------|--------|
| Total Broadband Connections (000) <sup>5</sup>      |            |     |        | <b>17,755</b> | 17,254 | 2.9%   |
| Net Broadband Connection Changes (000) <sup>5</sup> | <b>193</b> | 171 | 12.9%  | <b>501</b>    | 989    | -49.3% |
| Total Video Connections (000) <sup>4</sup>          |            |     |        | <b>4,917</b>  | 4,239  | 16.0%  |
| Net Video Connection Changes (000) <sup>4</sup>     | <b>182</b> | 227 | -19.8% | <b>678</b>    | 1,004  | -32.5% |

## AT&amp;T Inc.

|   |                 |          |       |                  |           |         |
|---|-----------------|----------|-------|------------------|-----------|---------|
| Construction and capital expenditures             |                 |          |       |                  |           |         |
| Capital expenditures                              | <b>\$ 6,360</b> | \$ 5,520 | 15.2% | <b>\$ 19,530</b> | \$ 16,554 | 18.0%   |
| Interest during construction                      | <b>\$ 195</b>   | \$ 187   | 4.3%  | <b>\$ 772</b>    | \$ 740    | 4.3%    |
| Dividends Declared per Share                      | <b>\$0.4300</b> | \$0.4200 | 2.4%  | <b>\$ 1.6900</b> | \$ 1.6500 | 2.4%    |
| End of Period Common Shares Outstanding (000,000) |                 |          |       | <b>5,911</b>     | 5,902     | 0.2%    |
| Debt Ratio <sup>6</sup>                           |                 |          |       | <b>37.0%</b>     | 41.3%     | -430 BP |
| Total Employees                                   |                 |          |       | <b>266,590</b>   | 282,720   | -5.7%   |

<sup>1</sup>In-region wireline represents access lines served by AT&T's incumbent local exchange companies.<sup>2</sup>Includes consumer U-verse Voice over Internet Protocol connections of 1,680 as of December 31, 2010.<sup>3</sup>Consumer wireline broadband connections include DSL lines, U-verse High Speed Internet access and satellite broadband.<sup>4</sup>Video connections include sales under agency agreements with EchoStar and DirecTV customers and U-verse connections.<sup>5</sup>Total broadband connections include DSL lines, U-verse High Speed Internet access, satellite broadband and 3G LaptopConnect cards.<sup>6</sup>Total long-term debt plus debt maturing within one year divided by total debt plus total stockholders' equity.<sup>7</sup>Prior year amounts restated to conform to current period reporting methodology.

Note: For the end of 4Q10, total switched access lines were 43,678, retail business switched access lines totaled 18,733, and wholesale and coin switched access lines totaled 2,430. These include 1,699 retail business and 95 wholesale lines that are used solely by AT&amp;T or our subsidiaries.

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### First-Quarter 2011 Earnings Date: April 20, 2011

**AT&T will release first-quarter 2011 earnings on April 20, 2011, before the market opens.**

The company's *InvestorBriefing* and related earnings materials will be available on the AT&T Web site at [www.att.com/investor.relations](http://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](http://www.att.com/investor.relations).

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### Cautionary Language Concerning Forward-Looking Statements

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.

AT&T disclaims any obligation to update or revise statements contained in this *InvestorBriefing* based on new information or otherwise.

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 Web site at [www.att.com/investor.relations](http://www.att.com/investor.relations).

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### 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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