AT&T Investor Update

4Q11 Earnings Conference Call

January 26, 2012

Agenda

Introduction	**Brooks McCorcle** Senior Vice President-Investor Relations
Accomplishments and Outlook	**Randall Stephenson** Chairman and Chief Executive Officer
Results	**John Stephens** Senior Executive Vice President and Chief Financial Officer
Q and A	

Cautionary Language Concerning Forward-Looking Statements

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2011 Highlights

- *Strong execution*
- *Robust cash generation*
- *Solid operational momentum heading into 2012*

Revenue growth – 76% of revenues from wireless, wireline data and managed services – up 7.5%

Industry-leading mobile subscriber growth – #1 in smartphones, tablets, postpaid ARPU

Network performance accomplishments – 3G voice performance beating targets, best-in-class mobile broadband download speeds

Steady climb in business revenue trends – two straight quarters of sequential growth

U-verse build target achieved, covers 30 million living units – revenues up 54%

Strengthened financial position – More than $34 billion cash from operations

Operational Outlook, Strategic Focus

- *Conservative, confident outlook*
- *Assumed little lift from economy*

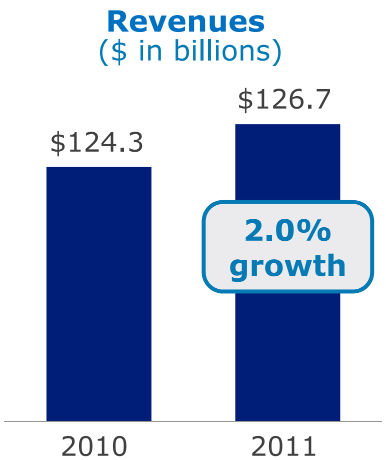
2012 Expectations

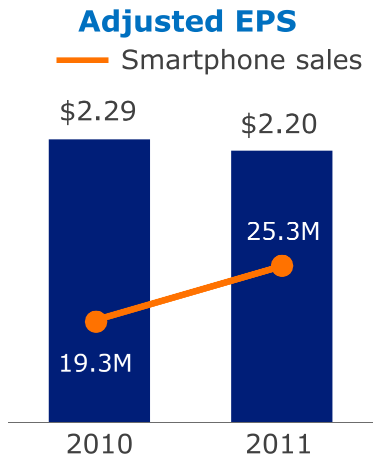
- Consolidated revenue, margin and EPS growth
- Strong mobile broadband, subscriber and postpaid ARPU growth
- Return to revenue growth in wireline business
- U-verse gains
- Continued financial strength, growth in free cash flow

Key Strategic Focus Areas

- Spectrum and capacity management
- Structure business for growth
- Activate share buyback

2011 Financial Summary





Reported	$3.35	$0.66

	4Q11	2011
Reported EPS	($1.12)	$0.66
Significant Items:		
Actuarial loss on benefit plan	($0.65)	($0.65)
Termination of T-Mobile acquisition	($0.44)	($0.44)
Directory asset impairments	($0.48)	($0.48)
Tax settlement	$0.03	$0.03
EPS excluding significant items	**$0.42**	**$2.20**

Year-over-year revenue up 2.0%

- 3.6% for the fourth quarter

Record-breaking smartphone sales

- Drive margins and EPS

Strong reported free cash flow

- Even with one-time items
- $14.4 billion in 2011
- $2.0 billion in 4Q

2012 Outlook:

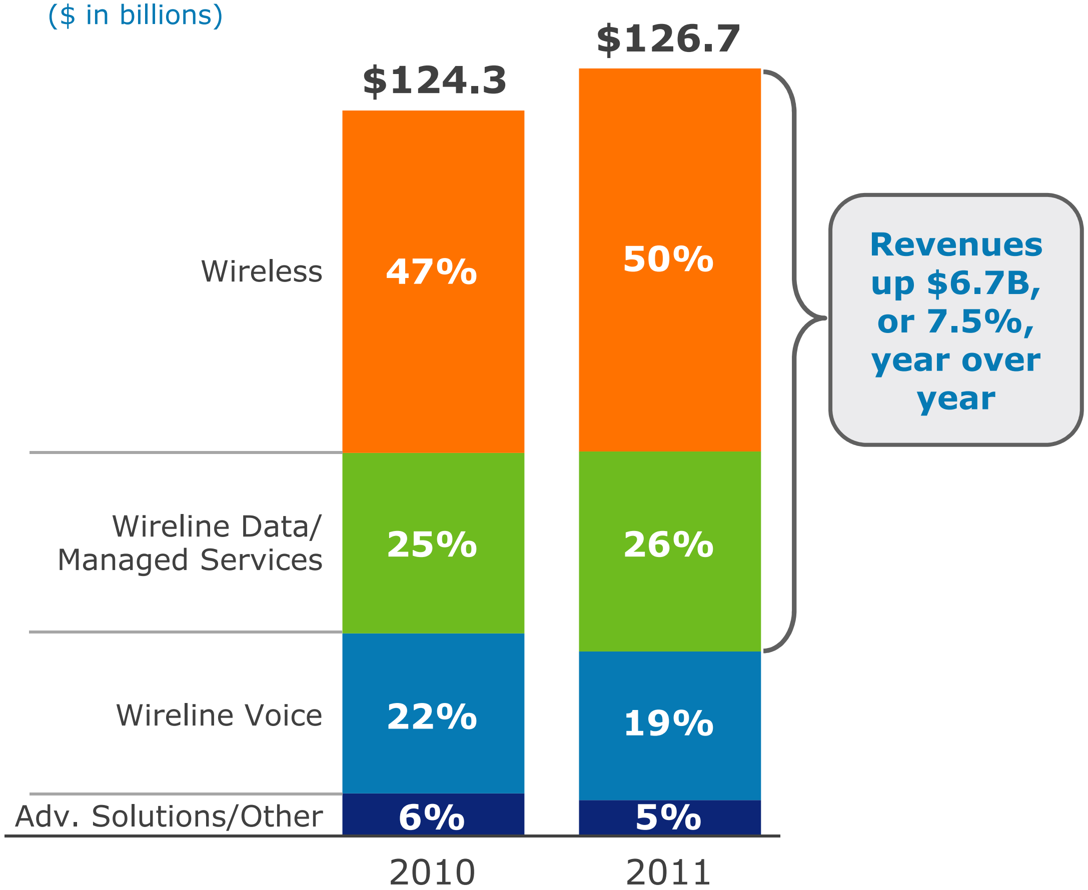
- Grow EPS mid-single digits or better

Free cash flow is cash from operations minus capital expenditures.

Growth Engines Transforming Revenue Mix

AT&T 2011 Consolidated Revenues up 2.0%

($ in billions)



4Q revenues of $32.5 billion, up 3.6% year over year

- Strong wireless, IP data and video growth
- Improved wireline business trends
- Offset by voice and directory

76% of 2011 revenues from wireless, wireline data and managed services

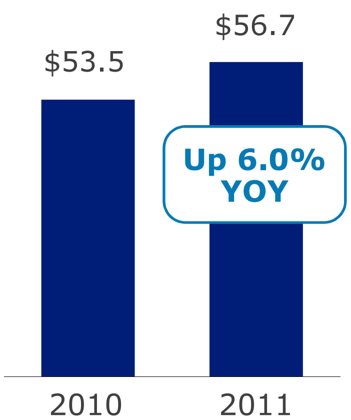
- Wireline data and managed services revenues exceed voice

2012 Outlook:

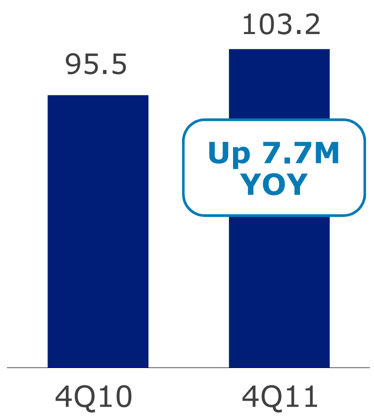
- Consolidated revenue growth
- Little economic lift assumed

Best Postpaid Growth in Five Quarters Drives Double-Digit Wireless Revenue Growth

Wireless Service Revenues
($ in billions)



Wireless Total Subscribers
(in millions)



Net Add Summary (in thousands)

	4Q11	2011
Postpaid	717	1,429
Prepaid	159	674
Reseller	592	1,874
Connected Devices	1,029	3,722
Total	**2,497**	**7,699**

Total wireless revenues up 10.0% for 4Q11 — 8.1% for full year

2.5 million total wireless net adds in the quarter — with gains in every category

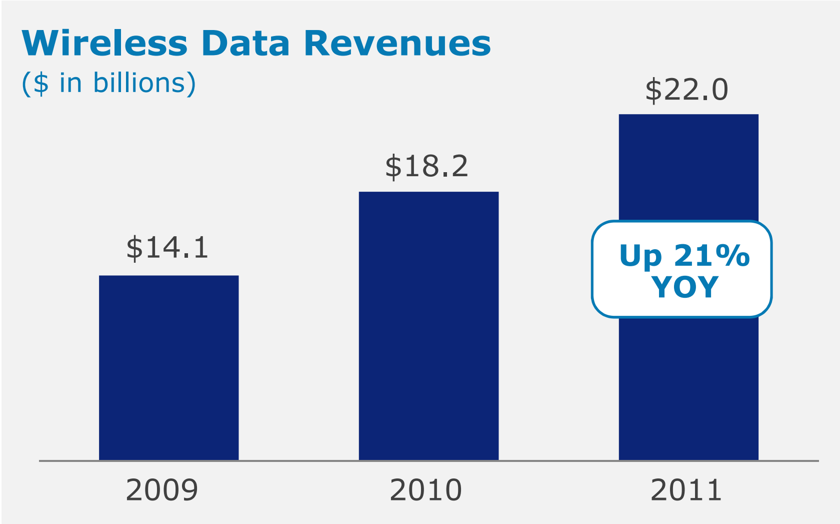
Postpaid ARPU of $63.76 up 1.4% year over year — more than **$6.00 higher** than closest competitor

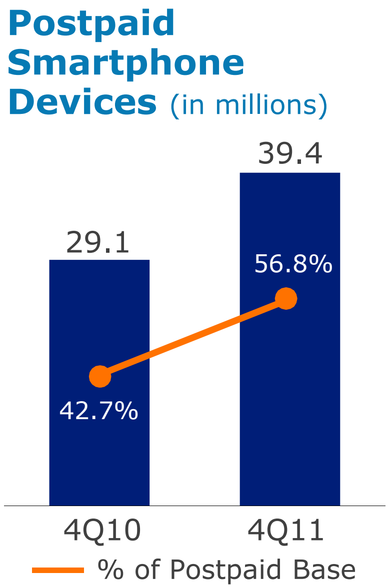
69.3 million postpaid subscribers — over 22 million on tiered data plans, churn at 1.21%

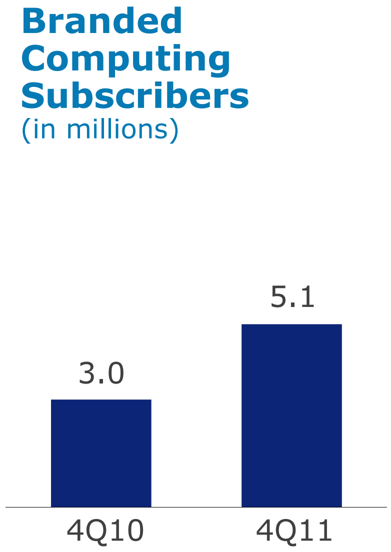
More than half of smartphone subscribers on tiered data plans — 70% choosing higher-priced plans

2012 Outlook:
- Postpaid ARPU to grow ~2%
- Wireless postpaid and total customer growth

Best-Ever Quarter for Mobile Broadband Sales







Wireless data revenue of $22 billion up 21% for the year

9.4 million smartphone sales shatter record and continue to accelerate smartphone penetration

- 50+ percent more than previous record
- Nearly 2X last quarter
- More than 80% of postpaid sales
- Record Android and Apple sales

High-value customers, ARPU almost 2X

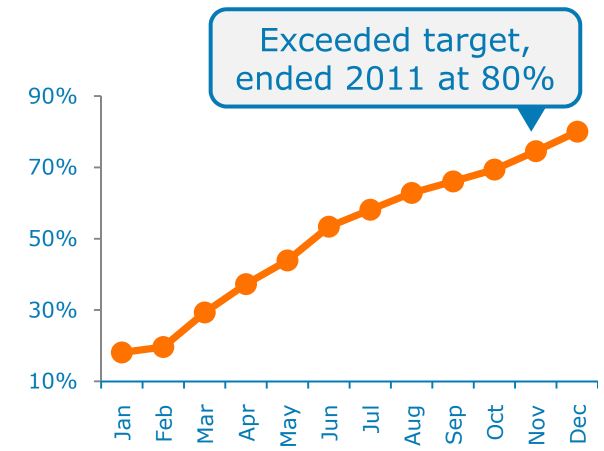
Record branded computing device sales

- 571,000 increase to reach 5.1 million, up almost 70% year over year
- Strong sales of tablets and tethering plans

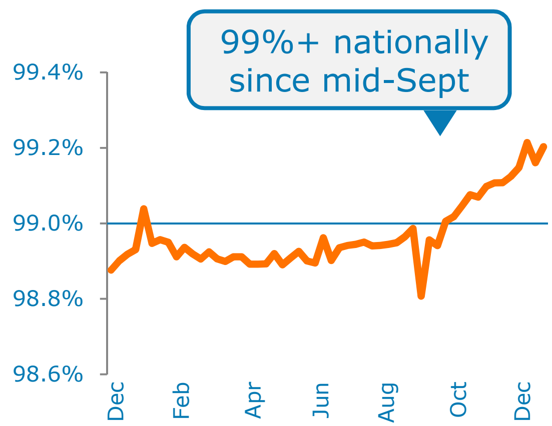
Branded computing subscribers include both postpaid and prepaid LaptopConnect cards, tablets, netbooks, laptops, dongles, mobile hot spot devices and tethered connections.

2011 Wireless Network Momentum

Data Traffic on Enhanced Backhaul



National 3G Retainability Call Rates



AT&T is committed to creating the world's most advanced and open network

Only U.S. carrier providing 4G speeds through both LTE and HSPA+ technologies

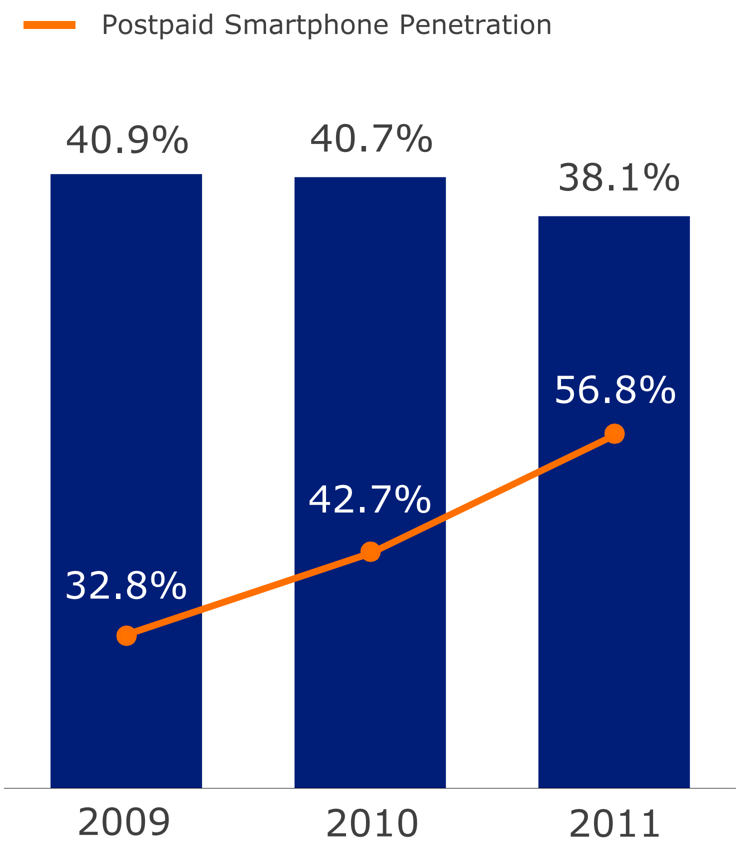
In 2011:

- Launched LTE with 74 million POPs in 26 cities
- 150,000+ network improvements
- Added 700,000 square miles of 3G mobile broadband coverage
- Installed more than 30,000 carriers
- Added 80,000+ new antennas

2012 Outlook:
- Double LTE POP coverage
- Continued focus on adding capacity and expanded backhaul

Record Smartphone Sales Impact Wireless Margins

Wireless EBITDA Service Margin

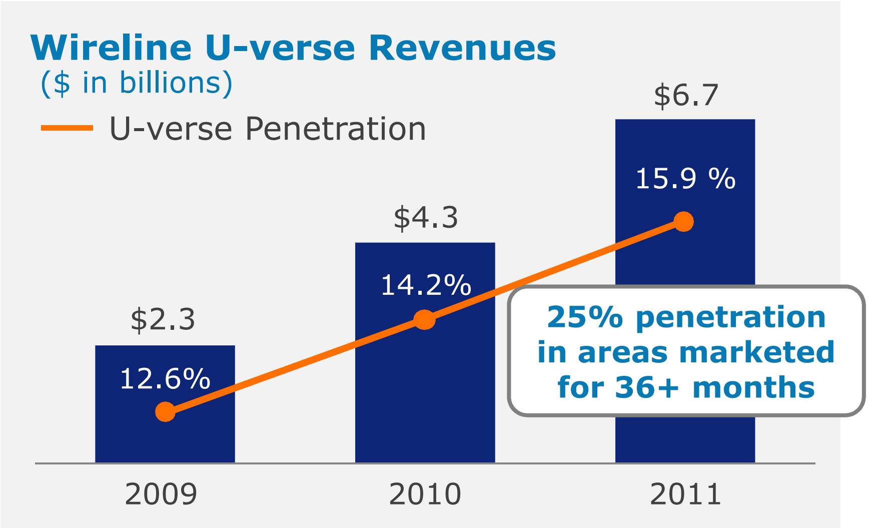


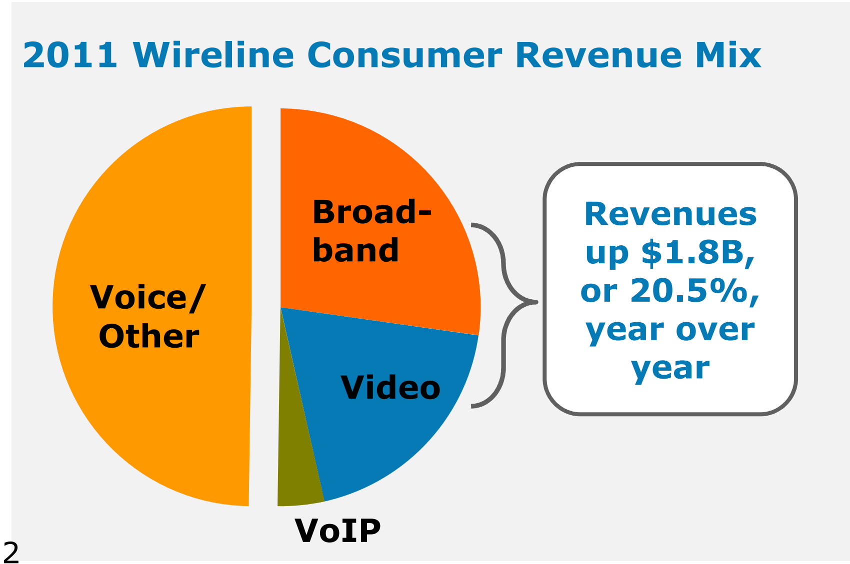
4Q11 Wireless EBITDA service margin of 28.7%

- Smartphone sales 2X last quarter
- Record postpaid upgrades of 11.9%
- Higher ARPU, lower churn, strong data growth and higher NPV
- Pricing actions, tiered data plans and data management

2012 Outlook:
- Improving wireless margin
- Pricing, operational and billing efficiencies continue
- Stable smartphone sales
- New upgrade policy in place

U-verse Leads Consumer Revenue Growth





4Q U-verse revenues up 44% year over year, 9 percent sequentially

- 208,000 U-verse TV net adds to reach 3.8 million, strong attach rates

U-verse broadband growth accelerating

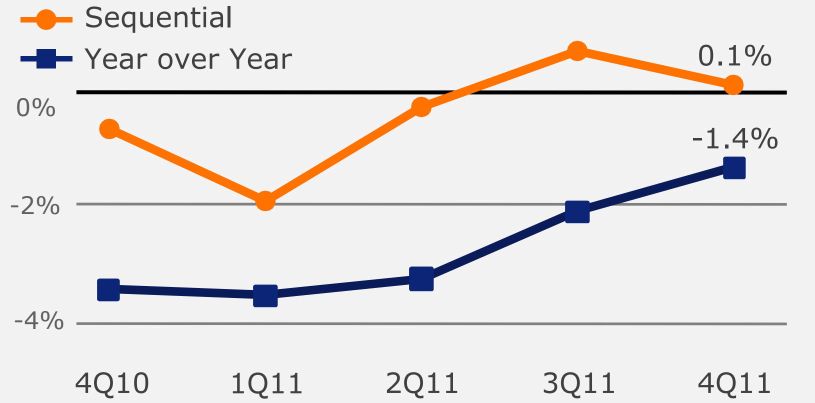
- Total U-verse broadband net adds of 587,000 nearly 3X TV net adds
- Enhancing speeds and availability to small business

2012 Outlook:

- Consumer revenues remain stable
- Growth in IP will offset losses in legacy products

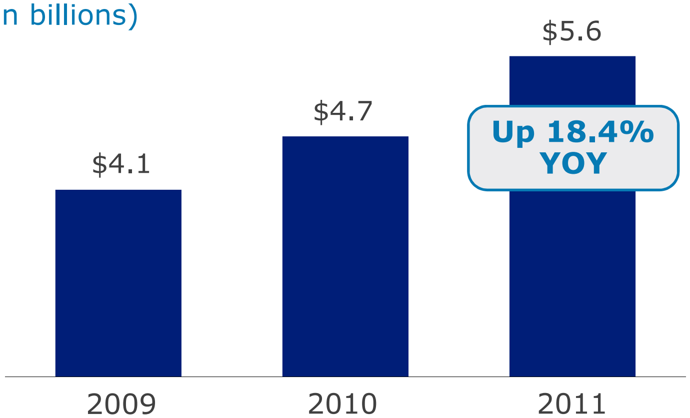
Positive Wireline Business Trends — Second Straight Quarter of Sequential Growth

4Q11 AT&T Wireline Business Revenue Growth



Numbers exclude impact of 2010 sale of Japan assets.

Strategic Business Services Revenues
($ in billions)



Positive trends in every category despite economic pressures

Robust strategic services revenue growth at 18.4%

- VPNs
- Ethernet
- Application services

Grew margins while transitioning to strategic services

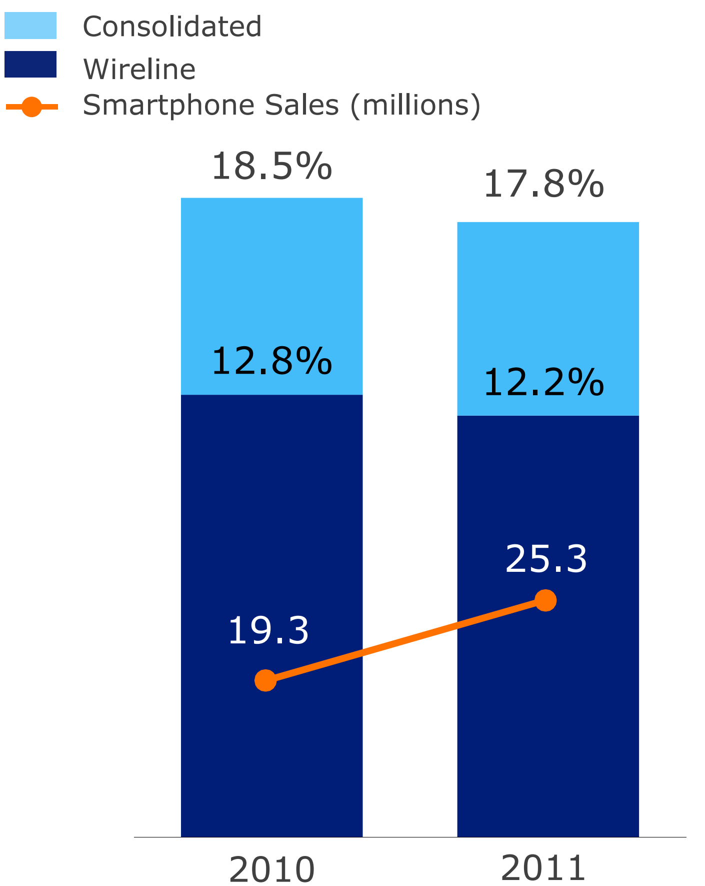
2012 Outlook:

- Business revenue growth
- Strategic services similar pace as 2011
- Growth drivers: network sourcing, mobility apps and virtualized services

Strategic business services include the next-generation capabilities that lead AT&T's most advanced solutions — including Ethernet, VPNs, hosting, IP conferencing and application services.

Consolidated Margin Summary

Adjusted Operating Income Margin



Reported Consolidated Operating Margin

2010	2011
15.7%	7.3%

Adjusted Consolidated margin remains relatively stable even with record smartphone sales

Wireline operating income margin stable due to:

- Improving revenue trends
- Scaling IP data
- “One AT&T” initiatives

2012 Outlook:

- Consolidated margins expand
- Wireline margins stable

Outstanding Cash Flow

2011 AT&T Cash Summary
($ in billions)

Cash From Operations	**$34.6**
Capital Expenditures	**$20.3**
Free Cash Flow	**$14.4**
Dividends Paid	**$10.2**
Debt-to-Capital Ratio	**38.0%**
Net Debt-to-Adj. EBITDA Ratio	**1.50**

Numbers may not foot due to rounding.

Strong cash from operations:

- Driven by revenue growth, cost initiatives, improved working capital and cash management
- Wireless capital expenditures ~$10 billion

Reduced total debt by $6.5 billion in 4Q11

Prefunded 2012 pension obligation and settled T-Mobile transaction fee

2012 Outlook:

- Capex approximately $20 billion
- Free cash flow in the $15 to $16 billion range

Free cash flow is cash from operations less capital expenditures. Net debt is total debt less cash and cash equivalents. EBITDA is earnings before interest, tax, depreciation and amortization. Numbers may not foot due to rounding.

2011 Summary

- **Financial strength** — revenue growth with strong free cash flow and solid balance sheet
- **Leader in mobile broadband** — 25 million smartphone sales with industry leading penetration, 2 million+ net gain in branded computing devices
- **Creating world's most advanced network** — best-in-class mobile broadband download speeds nationwide
- **Strength in wireline business** — two consecutive quarters of sequential revenue growth
- **U-verse leading wireline consumer growth** — fastest-growing pay TV service

2012 Outlook — Focus on Growth

- **Continued revenue growth** — consolidated revenues continue to grow
- **Consolidated operating margin expansion** — growth in wireless while stabilizing wireline operating margins
- **Mid-single digit EPS growth or better**
- **Strong free cash flow** — higher than 2011 levels, in the $15 to $16 billion range
- **Capital expenditures approximately $20 billion** — increase in wireless spending
- **Maintain financial strength** — while returning cash to shareowners through share buybacks and dividends

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