Laying a Foundation for Future Growth

November 7, 2012
Welcome

Susan Johnson
Senior Vice President Investor Relations
AT&T
Cautionary Language Concerning Forward-Looking Statements

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This presentation 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.
Agenda

Randall Stephenson  Introduction
Chairman and Chief Executive Officer

John Stankey  Strategy Overview
Group President & Chief Strategy Officer

John Donovan  Building the Premier Network
Sr. Exec. VP - AT&T Technology & Network Operations

Ralph de la Vega  Mobility Growth Opportunities
President & Chief Executive Officer - Mobility

Andy Geisse  Business Growth Opportunities
Chief Executive Officer - AT&T Business Solutions

John Stephens  Financial Summary
Sr. Exec. VP & Chief Financial Officer
Randall Stephenson

Chairman and Chief Executive Officer
## Key Drivers

<table>
<thead>
<tr>
<th>Service</th>
<th>Annualized Revenues</th>
<th>YTD Growth</th>
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- **Mobile data**
  - Mobile Share adoption strong
  - High-quality LTE architecture

- **U-verse**
  - Throughputs continue to climb
  - Robust TV and broadband growth

- **Strategic Bus Services (VPN, Ethernet, hosting)**
  - Cloud and security next big growth opportunities
Key Drivers

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81% of AT&T's revenues now from wireless, wireline data and managed IT services - growing >6%
**Key Drivers**

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The initiatives we’re announcing today expand these growth platforms.

- Mobile Share adoption strong
- High-quality LTE architecture
- Throughputs continue to climb
- Robust TV and broadband growth
- Cloud and security next big growth opportunities
Project Velocity IP – VIP

1

Plans to extend 4G LTE build to 300M POPs by end of 2014

• WCS and other spectrum acquisitions provide nationwide capacity for 4G LTE growth
Project Velocity IP–VIP

2. Plans to deliver high speed IP broadband to 75% of wireline customer locations

- U-verse + U-verse IPDSLAM to 57M customer locations
Project Velocity IP–VIP

3 Plans to proactively light up fiber to an additional 1M business locations

- 50% of the multi-tenant office buildings in our wireline service area

Multi-tenant office buildings are those with six or more tenants.
Project Velocity IP–VIP

4

Plans to transition to wired + wireless IP

• High-speed IP connectivity to 99% of wireline service-area customers

1. Plans to extend 4G LTE build to 300M POPs by end of 2014
2. Plans to deliver high speed broadband to 75% of wireline customers locations
3. Plans to proactively light up fiber to an additional 1M business locations
Project Velocity IP – VIP

1. Extend 4G LTE build to 300M POPS by end of 2014
2. High speed IP broadband to 75% of wireline customer locations
3. Proactively light up fiber to an additional 1M business locations
4. Transition to wired + wireless IP
Further optimize capital structure

- Cash generation at record levels
- $9B in share repurchases, new authorization
- 29th straight year of regular dividend growth
- Refinanced debt
- Multi-year pension funding strategy

Proposed pension funding pending Department of Labor approval.
Project Velocity IP–VIP

1. Extend 4G LTE build to **300M POPs** by end of 2014

2. High speed IP broadband to **75%** of wireline customer locations

3. Proactively light up fiber to an additional **1M** business locations

4. Transition to **wired + wireless IP**

5. Further optimize **capital structure**
AT&T Strategy Review

John Stankey

Group President & Chief Strategy Officer
Strategic Focus Driven by Five Major Themes

- **Deliver**: Best-in-Class Customer Experience in a Data Centric World
- **Expand**: Value-Added Services through Alliances and select Adjacencies
- **Build**: Premier Wireless Assets
- **Extend**: Competitiveness in Broadband
- **Lead**: in Enterprise Connectivity
Core Beliefs

1. **Build Premier Wireless Assets**

Quality, coverage and depth are critical

Strong distribution and a robust device portfolio are important

Demand will continue to pressure capacity
Core Beliefs

② Extend Competitiveness in Broadband

Wireline IP broadband is structurally attractive in dense population areas.

IP broadband most important product in wireline bundle.

AT&T IP broadband will meet customers’ growing speed requirements.

Significant synergies exist between wireless and wireline assets.
Core Beliefs

Virtualization and mobilization drive need for:

- Ubiquitous, dense wireline footprint
- Solutions that bundle cloud with connectivity
- Symmetrical bandwidth
- Security through active network management
Core Beliefs

Expand Value-Added Services

Turn-key solutions from service providers

Methodical approach to build capabilities
Core Beliefs

5 Deliver Best-in-Class Customer Experience in Data Centric World

Migration to IP-only provides best service experience, simplifies the business and improves cost structure

Customer experience is key to buying decision
Focus Areas Coming into 2012

**Spectrum and Capacity Management**

*Strategy to Meet Current and Future Demand*
- Ongoing spectrum acquisition and development
- Capacity enhancements

**Structure Business for Growth**

*Low Growth and Non-Strategic Assets*
- Ad Solutions
- Rural wireline assets

*Other Growth Initiatives*
- Cloud services
- Value-added services

Strategy helps position AT&T for next six years

Strategy enhances underlying growth and profitability of core assets

Position for adjacent growth
Spectrum and Capacity Management
Mobile Data Volumes Estimated to Grow 10X Over Five Year Period

AT&T Expected Cellular Data Volumes

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**Carefully Planned and Executed Spectrum Strategy Helps Position AT&T for Next Five Years**

**Near-Term:**
- Aggressively enhance existing portfolio
- 40 transactions year-to-date, some pending regulatory approval

**Mid-Term:**
- Nearly 30 MHz of nationwide **WCS** spectrum*

**Long-Term:**
- FCC auction
- Industry’s spectrum needs unresolved
- Fundamental network architecture evolution

**Ongoing:** Network enhancements & design complement spectrum strategy

*Pending FCC Approval
Near-Term: Augment Holdings in Existing Bands

2012-2014

Near-Term:
- Aggressively enhance existing portfolio
- 40 transactions year-to-date, some pending regulatory approval

2015-2017

Mid-Term:
- Nearly 30 MHz of nationwide WCS spectrum

2018 and Beyond

Long-Term:
- FCC auction
- Fundamental network architecture evolution
- Industry’s spectrum needs unresolved

Ongoing: Network enhancements & design complement spectrum strategy

Nationwide Spectrum Available for Deployment

<table>
<thead>
<tr>
<th>MHz/Pop</th>
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<tbody>
<tr>
<td>90</td>
</tr>
</tbody>
</table>

Early 2012

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**Mid-Term:** Deploy WCS Spectrum

**Near-Term:**
- Aggressively enhance existing portfolio
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Nationwide Spectrum Available for Deployment

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<tr>
<td>118</td>
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<table>
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<tr>
<th>2015-2017</th>
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<tbody>
<tr>
<td>2012-2014</td>
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Early 2012
Well Positioned Even With Long-Term Uncertainties

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<tr>
<th>2012-2014</th>
<th>2015-2017</th>
<th>2018 and Beyond</th>
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**Ongoing:** Network enhancements & design complement spectrum strategy

*Pending FCC Approval
Impressive Spectrum Position Relative to Peers

Nationwide Spectrum (MHz/Pop)
(Includes Pending Transactions)

1. AT&T’s holdings include pending transactions as of 10/31/12; Some spectrum bands held by AT&T can be used for mobile broadband in future
2. Verizon and T-Mobile spectrum positions do not include potential AWS sales to T-Mobile by Verizon as part of SpectrumCo purchase
3. Sprint spectrum includes Clearwire and a limited amount of WCS
4. Verizon includes both 700 A and B spectrum blocks
Deploy 4G LTE to 300M POPs
Structure Business for Growth
Evaluated Wireline Assets to Determine How to Structure for Growth

1. **Separate** the entire wireline business
2. **Divest** portions of the wireline business

22-State Wireline Service Area
Structural Options Do Not Solve Challenges

1. **Separate Wireline Business**
   - Valuation multiples in line with industry
   - Combined entity provides strong balance sheet
   - Separation costs and dis-synergies substantial
   - Potential regulatory challenges
   - Limits flexibility to meet customer needs

2. **Divest Portions of Wireline Business**
   - Significant cash flows from rural areas
   - Strand high-fixed costs
   - Divested assets would constitute majority of acquirer’s business
   - Significant regulatory challenges
Research Informed Path Forward to Invest

IP Broadband Most Important Part of Bundle

**Consumer Satisfaction is 10% Higher with Bundle**

- U-verse Broadband and Wireless
- U-verse Broadband

**Net Promoter Score**

**With Bundle, AT&T Business Captures More Share on Larger Revenue Stream**

- Combined Wireless and Wireline
- Wireless Only
- Wireline Only

**Share of Telecom Spend**

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Proven Record of Success Where We Deploy IP Broadband

Market share growing in U-verse areas

55% of competitive gains from cable

High speed IP broadband leads to voice retention and lower churn

Where U-verse is Available, Broadband Market Share is Growing

- Stock chart showing market share growth from 2007 to 2012 for U-verse and Non-U-verse areas.
  - U-verse Areas: 41% in 2Q07, 55% in 2Q12
  - Non-U-verse Areas: 45% in 2Q07, 38% in 2Q12

Source: AT&T Analysis of TNS ReQuest® Consumer Survey 2Q12, rolling 2 Quarters. All information on this slide is proprietary and confidential and licensed under agreement with TNS.

Competitive gain detail from 2Q12 third party study where customers reported their previous internet provider.
U-verse® Delivers Five Years of Growth

- $9.5B revenues, growing 38% YOY
- 7.1M IP broadband subscribers, with 2.5M added in last 12 months
- 4.3M IPTV subscribers, 760K gained in last 12 months
- 18% U-verse video penetration; 23% U-verse broadband penetration
- ~$170 ARPU for U-verse triple-play
Project Velocity IP

Invest in IP Broadband to Reach 75% of Customer Locations, Across 35% of Geography

Better customer experience

Proven success

Attractive financials

As of 12/31/11, we have passed 30.3M living units
Customer locations include consumer and business locations that are marketed to (about 80% of living units)

22-State Wireline Service Area

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Plan to Expand IP Broadband to 57 Million Customer Locations

U-verse

Complete, fully integrated solution
Speeds will meet growing customer requirements

U-verse IPDSLAM

Competitive broadband with future optionality
High affinity with satellite TV
Positioned if content model changes

75% of Customer Locations Covered by IP Broadband

<table>
<thead>
<tr>
<th>Current U-verse</th>
<th>+ U-verse Build</th>
<th>+ U-verse IPDSLAM</th>
<th>Future IP Broadband</th>
</tr>
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<tbody>
<tr>
<td>24.5 M</td>
<td>33.0 M</td>
<td>57.0 M</td>
<td>57.0 M (essentially complete)</td>
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Plan to Bring Fiber to 1 Million Business Locations

Deployment meets customer demand

Accelerated provisioning model

Connectivity for next generation services

Enables complete solution

Proactive Fiber Deployment to 50%* of Multi-Tenant Buildings

*Buildings with 6+ tenants in AT&T’s 22-state wireline service area
Plan to Alter Legacy Wireline Cost Structure for 25% of Customer Locations, Across 65% of Geography

Economical path to IP solution with wireless
Best technology to serve high cost areas
4G LTE speeds meet future customer needs

22-State Wireline Service Area
Plan to Deliver 4G LTE Wireless IP Solution to 99% of Wireline Customer Locations

Utilize 4G LTE technology to deliver voice and broadband services

World-class customer experience

Long-term cost reduction

22-State Wireline Service Area
Transition to IP-Only Simplifies Operation, Reduces Cost and Improves Customer Experience

**Platform Consolidation**
- IT application retirement
- Reduced installation time and ongoing maintenance

**Product Development**
- Shorter development cycle times and lower product development costs
- Product simplification and improved quality

**Service Delivery**
- Service quality improvement
- Increased customer satisfaction
Strategic Investment is Foundation for Long-Term Growth

**Investment Plan**

*IP Broadband: 57M customer locations*
- U-verse expansion of 8.5M to 33M total
- U-verse IPDSLAM to 24M total

*IP Wireless: 300M POPs*

**Results**

- High speed IP solution for 99% of wireline service area
- Simplified customer experience
- Lower cost structure
- Proven technology, proven success
- Strong financial payback
  - Solidify competitive position
  - Improve ARPU
  - Lower churn

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### Building the Platform for the Future

<table>
<thead>
<tr>
<th>From</th>
<th>To</th>
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<tbody>
<tr>
<td>analog</td>
<td>digital</td>
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<tr>
<td>voice</td>
<td>data</td>
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<tr>
<td>wired</td>
<td>wireless</td>
</tr>
<tr>
<td>telecom</td>
<td>entertainment</td>
</tr>
<tr>
<td>regional</td>
<td>global</td>
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Building The World’s Premier Network

John Donovan

Sr. Exec. VP - AT&T Technology & Network Operations
Agenda

Best Intelligent Global Network

Premier Mobile Network
- 4G LTE
- Densification
- Small Cell Technology

Premier Wireline Network
- IP Broadband
- Business

Summary
Best Intelligent Global Network

Built on powerful, advanced IP backbone

Connecting enterprises globally

Award-winning 4G network experience

World-class innovation in AT&T Labs and AT&T Foundry

Building Superior Networks That Evolve and Scale
Premier Mobile Network: 4G LTE
Extending Our Buildout

Expand build plan to **300M POPs**
U.S. coverage by Year-End 2014

**AT&T 4G Advantages:**

- 4G LTE/HSPA+ customer experience
- Only one radio drawing handset battery power
- Cell site architecture advantages
- Ethernet backhaul for faster connections
- Better design equals better network, less latency, higher reliability

Creating a Network Platform for Innovation and Customer Experience

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Premier Mobile Network: Densification
Supporting Growing Customer Demand

Densification of wireless grid
Enhances AT&T’s ability to offer best-in-class voice and data services
Supports launching Voice over LTE

Multiple technology deployments*:
• 10,000+ new macro sites
• 1,000+ distributed antenna systems
• 40,000+ small cells

Lead to Better Customer Experience, Usage and Revenue

*Over plan period
Premier Mobile Network: Densification
Small Cells: Delivering Flexible Coverage Where It’s Most Needed

- Improve **spectrum efficiencies**
- **Cost efficient** radio access networks
- Improve in-building **coverage**

**Multi-technology UMTS/HSPA+/LTE/Wi-Fi**
- Initially 3G UMTS and 4G HSPA+
  - 4Q12: First field application
  - 1Q13: Start general deployment
- 2014: Future evolution to 4G LTE and Wi-Fi

50+% of densification program to use Small Cell Technology by 2015
Building the Premier Wireline Network
Investing to Expand Premier Wireline Network

Increase IP Broadband Coverage and Speeds

% Customer Locations* by Broadband Capability

<table>
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<tr>
<th>Year</th>
<th>U-verse</th>
<th>Legacy Broadband</th>
<th>U-verse IPDSLAM</th>
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<td>9%</td>
<td>27%</td>
<td>32%</td>
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<td>YE 2015</td>
<td>43%</td>
<td>32%</td>
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Expand competitive offering

- U-verse: Award-winning TV and broadband platform
- Increase in U-verse customer locations by one-third
- Increased IP broadband speeds

*Customer Locations represent approximately 80% of living units passed
Investing to Expand Premier Wireline Network

*Increase IP Broadband Coverage and Speeds*

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Expand competitive offering

- U-verse: Award-winning TV and broadband platform
- Increase in U-verse customer locations by one-third
- Increased IP broadband speeds

4G LTE available to 99+% of customer locations in our wireline service area

Path to IP only

*Customer Locations represent approximately 80% of living units passed*
Premier Wireline Network

Speed Enhancing Technologies

Max Broadband Speeds

18MB  24MB  45MB  75MB  100MB

Pair Bonding: For additional bandwidth

17MHz: 6 frequency bands instead of 4

Vectoring: Cancel effects of crosstalk noise

Small Form Module: Shorten loop length for speed and reaching additional customers

Rate Adaptive: Selection of the "best" available rate
Project Velocity IP Example: Eureka Springs, Arkansas

1. Expand broadband with IP technology in town centers
2. Extend IP broadband to remote population centers with fiber
3. Deliver voice and data services via 4G LTE

Expected Results
- Competitive IP broadband to 99% of customer locations
- Retain substantial business revenue
- Platform for consumer growth

IP = Reduced Cost, Increased Competitiveness
Premier Wireline Network for Business: Fiber to 1M Business Locations

**Enabling Platform Solutions**

- **Distributed Antenna System**: Expand wireless network and technology upgrades
- **Premier Model of Global Network Security**: Network-based security reduces the need for end users to manage their perimeter
- **Cloud Platform**: Offer competitive services

*Proactively expand fiber to 50% of multi-tenant buildings in wireline service area*
AT&T World’s Premier Network

*IP Backbone + Integrated Assets + Superior Quality + Premier Security*

- **4G LTE**
  - 300M customers

- **U-verse & U-verse IPDSLAM**
  - 57M customers

- **Densification**
  - 50,000+ deployments

- **Fiber to Buildings**
  - 1M additional customers

*Best-in-Class Customer Experience*
Growing the Mobility Business

Ralph de la Vega
President & Chief Executive Officer - Mobility
# Growing the Mobility Business

<table>
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<tr>
<th>New Products &amp; Services</th>
<th>Premier Data / Device Platform</th>
<th>Premier Mobile Network</th>
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<tr>
<td>Digital Life</td>
<td>Data access revenue growth</td>
<td>Improved spectrum efficiency</td>
</tr>
<tr>
<td>Mobile Premise Solutions</td>
<td>Usage based pricing (tiered &amp; Mobile Share)</td>
<td>Improved churn</td>
</tr>
<tr>
<td>Mobile Payments: Isis</td>
<td></td>
<td>Improved costs/margins</td>
</tr>
<tr>
<td>Connected Car</td>
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Delivering Record Metrics

- Strong Revenue Growth
- Record Subscriber Growth
- Solid Margin Growth
- Record Low Postpaid Churn
Network Drives Churn Improvement

Record Low Postpaid Churn Projected by 2015
Smartphone Leadership Drives Data Usage

In past 5 years, the smartphone base has grown by more than 500%.

Expect smartphones to comprise 90% of postpaid phone base by 2015

In the past 5 years, data usage has grown by ~25,000%.
Almost two-thirds of postpaid smartphone subs on tiered data plans by EOY 2012

Data revenues have more than tripled in the past 5 years.

*Projected EOY 2012
Smartphone and Tablet Sales Drive Future Growth

U.S. Unit Sales (M)

We are here

Tablets

Smartphones

PCs

From 2012 to 2016:

Tablets
Up 93% to 81M

Smartphones
Up 38% to 170M

PCs
Up 15% to 78M


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Growing Wireless Margins

Wireless EBITDA Service Margins

<table>
<thead>
<tr>
<th>Year</th>
<th>Margin</th>
</tr>
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<tbody>
<tr>
<td>2011</td>
<td>38.1%</td>
</tr>
<tr>
<td>2012</td>
<td>~40%</td>
</tr>
<tr>
<td>Long-Term Objective</td>
<td>~45+%</td>
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Strong Revenue Growth

- Continued subscriber growth
- Increasing smartphone penetration
- Pricing and plan changes

Cost Structure Improvements

- Network efficiencies
- Sales and channel optimization
- Customer experience
Delivering Strong Revenue and Record Metrics

- **Record Low Churn**
- **Strong Revenue Growth**
- **Solid Margins**
Growing our Mobility Business

Voice  Messaging  Data Access  4th Wave

Source: Chetan Sharma – Mobile Future Forward

Multiple New $B Business Opportunities

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Digital Life

Summary
• First ever nationwide, all IP-based home security & home automation
• $18B industry in 2011
• Industry margins 35-40%
• Strong integration with wireless
Mobile Premise Solutions

**Summary**

- Low cost, national phone service alternative
- Utilizes wireless network
- Key driver of voice net adds
- Mitigates loss from wireline disconnects
- Product evolves to include data services

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Mobile Payments

**Summary**
- $380B industry
- Joint venture scale
  - Over 200 million wireless subscribers
- Market trials launched
  Salt Lake City and Austin
- NFC gaining momentum

Source: First Annapolis; Company reports; BCG commerce analysis
Isis

**Industry Payments**
- 1.5 Billion Cards
- $3.5T Spend
- $180B Card Revenue

Isis enables banks’ relationships with mobile customers

**Industry Commerce**
- ~$200B retail advertising
- 3B coupons redeemed per year
- ~2B Loyalty program members

Advertisers reach customers and influence purchase decisions through Isis

Source: The Boston Consulting Group, First Annapolis; Company reports
Connected Car

Summary

• By 2016, project 53% of new vehicles expected to be connected
• Opportunity to evolve to wholesale/retail model
• Key deals signed in 2012 will position AT&T as leader
Growing our Mobility Business

Multiple New $B Business Opportunities
Growing the Mobility Business

- New Products & Services
- Premier Data/Device Platform
- Premier Mobile Network
Business Growth Opportunities

Andy Geisse

Chief Executive Officer - AT&T Business Solutions
AT&T Business Overview

- Solutions: Wired and Wireless
- 3.5M Customer Base
- All of Fortune 1000
- Manage Services in 226 Countries
- Outpacing competitors in Strategic Services
Strategic Growth Services continues to grow, partially offsetting declines in legacy voice and data

Businesses are mobilizing everything

Integrated sales team to provide total solutions
Customer Trends Driving Growth Strategy

- Globalization
- Mobilization
- Virtualization
- Consumerization

Security
Customer Trends Driving Growth Strategy

1. Maximize our core strengths [VPN, Ethernet, LTE]
2. Differentiate with platforms [Security, Cloud, API]
3. Deliver integrated solutions [Mobility Solutions, Unified Communications, AT&T For Health]
Maximize our core strengths

Scaling Network for Growth

Data explosion drives connectivity demand
Expanding fiber to 1 Million business customer locations
Expanding 4G LTE to 300 Million POPs

Integrated IP Networks
IP Wireline (VPN, Ethernet, Broadband)
Mobility (4G LTE, DAS)
Platform for Growth

Data Transport Opportunity* by 2015

$140 billion

*Gartner Forecast: Enterprise Network Services, Worldwide, 2009-2016 3Q Update, August 2012

$1 billion
Projected growth per year

2010 2015

2010

2015

Strategic Services Revenue

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Differentiate with Platforms

Cloud: A Multi-Billion-Dollar Business Opportunity

Software and content delivery moving to the cloud

AT&T’s core network strengths position us to lead

$183 billion
Cloud Opportunity by 2015*

*Gartner Forecast overview: Public Cloud Services, Worldwide, 2011-2016, 2Q Update, August 2012
Differentiate with Platforms


Increasing threats
- Cyber Attacks
- Internet connected clouds

AT&T is positioned to lead
- 800+ Security Professionals with deep experience in networks and mobility security

In past 2 years
- Cyber attacks have **doubled**
- Cost of cyber attacks have **increased 40%**


$41 billion
Security Opportunity by 2015*

Deliver integrated solutions

Mobility Solutions: A Multi-Billion-Dollar Business Opportunity

Address a mobile-centric workplace

AT&T is positioned to lead

Generating $500M+ in annualized revenues with a 60% growth rate

40,000+ Business Customers using Integrated Mobile Applications

$20 billion

Enterprise Mobile Solutions and Applications Opportunity*

Transform Amtrak’s Business Process
Amtrak gains potential annual revenue increase of tens of millions
In case of emergency, Amtrak now knows exactly who is on the train

Deliver End to End solution
Mobile Credit Card payment
Bar Code Scan
AT&T Cloud Solutions
Wi-Fi and Satellite Coverage
VPN Network
Executing Three-Prong Strategy for Business Growth

1. Maximize our core strengths
   - Core Network Growth Services
   - Fiber & IP Broadband
   - Cloud Suite
   - Security
   - Mobility Solutions
   - Collaboration

2. Differentiate with platforms
   - Cloud Suite
   - Security
   - Mobility Solutions
   - Collaboration

3. Deliver integrated solutions
   - Collaboration
   - Mobility Solutions
   - Security
   - Cloud Suite
   - Fiber & IP Broadband
   - Core Network Growth Services

Multiple New Billion Dollar Business Opportunities

2012 → 2015
Financial Summary

John Stephens
Sr. Exec. VP & Chief Financial Officer
Agenda

Laying the
Financial Foundation
- Solid Execution
- Solid Balance Sheet

Investment Implications
Laying the Financial Foundation: Solid Execution

**Accelerating Revenues** – 2.6% growth last quarter, excluding Ad Solutions

**Transforming Revenue Mix** – 81% of revenues from high growth areas

**Increasing Margins** – 20% year to date, up 70 basis points

**Growing Earnings** – up 8% year to date excluding Ad Solutions

**Cash Flows at Record Levels** – both operating and free cash flow
Solid Balance Sheet: Returning value to shareowners

Dividend Increase
Announced Today a 2.3%
or $0.04 per year increase
29 consecutive years of increases

Share Repurchases
Nearing completion of first
300 million share authorization
Lowering 2013 annual dividend payments by $0.5B

Buybacks allow for improving dividend coverage

Value Returned to Shareowners
(Year to Date $B)

<table>
<thead>
<tr>
<th>Year</th>
<th>Dividend</th>
<th>Share Repurchase</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>$9.9</td>
<td>$0</td>
</tr>
<tr>
<td>2011</td>
<td>$10.2</td>
<td>$0.2</td>
</tr>
<tr>
<td>4Q YTD</td>
<td>$10.2</td>
<td>$0.2</td>
</tr>
</tbody>
</table>
**Solid Balance Sheet:** Pension Plan and Health-Care Costs

**Pension Plan Funding**
- Increases funding by $9.5B pending DOL approval
- Employee/Retiree security
- Long-term pension funding solution
- Cash efficient
- Plan essentially funded

**Health-Care Costs**
- Improved Plan Design
- Cost sharing improving

---

**Pension Plan Status ($B)**

- 2010: $10.2B Gap
- 2011: $10.2B Gap
- 2011 with Funding: 99% Funded*

*Future funding levels subject to change
Solid Balance Sheet: Improving Debt Metrics

Balance Sheet Strength

Debt balances have declined $9B over last three years
• Since 3Q09, refinanced $20B of debt
• Lowered average interest rates by 60 basis points over last three years

Net-Debt-to-EBITDA of 1.42

Continue to be opportunistic in the debt markets

<table>
<thead>
<tr>
<th>Net-Debt-to-EBITDA</th>
<th>Debt Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Debt (Billions)</td>
<td>Average Interest Rate</td>
</tr>
<tr>
<td>3Q09</td>
<td>3Q12</td>
</tr>
<tr>
<td>$72.7</td>
<td>$63.7</td>
</tr>
</tbody>
</table>

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Financial Implications
Project Velocity IP
# Financial Implications: VIP Capital Investment Plan

<table>
<thead>
<tr>
<th>Wireless Capital – $8 Billion</th>
<th>Wireline Capital – $6 Billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>LTE extension to 300m POPs by 2014</td>
<td>IP broadband to 75 percent of customer locations</td>
</tr>
<tr>
<td>Densification and small cell</td>
<td>U-verse/IPDSLAM expansion</td>
</tr>
<tr>
<td>Investment covers 99% of wireline service area</td>
<td>Speed upgrades</td>
</tr>
<tr>
<td>Average spending to be approximately 60% of total during plan</td>
<td>Business fiber deployment</td>
</tr>
<tr>
<td></td>
<td>Legacy system efficiency improvements</td>
</tr>
</tbody>
</table>

Integration of wireline and wireless network provides unique advantage
Financial Implications: Capital Spend Plan and Intensity

**Capital Spend approximately $22B** ... per year through 2015
-----------------------------------------------------------------------------------------
Provides platform for new growth opportunities
Free cash flow after dividend to remain positive and provide for investment flexibility
Strong financial payback
-----------------------------------------------------------------------------------------

**Capital Intensity**
Move to the high end of range over next two years
Return to normal levels in 2015

---

**Capital Spend ($B)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Wireline</th>
<th>Wireless</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>2013</td>
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<td></td>
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<tr>
<td>2014</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Wireless Portion of total Capital >60%

**Consolidated Capital Intensity**

<table>
<thead>
<tr>
<th>Year</th>
<th>Intensity</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>18%</td>
</tr>
<tr>
<td>2012</td>
<td>16%</td>
</tr>
<tr>
<td>2013</td>
<td>18%</td>
</tr>
<tr>
<td>2014</td>
<td>16%</td>
</tr>
<tr>
<td>2015</td>
<td>14%</td>
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Financial Implications: Share Repurchases

Cumulative Shares Repurchased (M)

- **1Q12**: 68 M
- **2Q12**: 144 M
- **3Q12**: 245 M
- **YTD**: 271 M
- **Authorized**: 600 M

**Share Repurchases**
- 271 million shares repurchased
  - Second 300 million share authorization approved in July
  - Expect to continue buybacks
  - Dividend yield greater than cost of debt
  - Buybacks support earnings growth and improve dividend coverage
**Financial Implications: Debt Metrics**

**Net-Debt-to-EBITDA**

- Long-term goal: maintain a credit rating in the A range or higher
- Plan moves to approximately 1.8 over next two years
- Trends back down in 2015
- Change in ratio aligns with lower interest costs and debt capacity
- Debt capacity supports continued share repurchases

**Graph:**

- Title: Industry Leading Net-Debt-to-EBITDA
- X-axis: 2011 to 2015
- Y-axis: 0.0 to 2.0
- Data points show a decrease from 2011 to 2015.
Financial Implications 3-Year Outlook:
Revenue, Margins and EPS

**Consolidated Revenues**

*Revenue growth trending to GDP plus 100 basis points*
- Accelerating growth after investment
- Wireless service revenue growth mid-single digit or better
- Wireline turns positive with U-verse growth and stabilizing business revenue
- Assumes stable economy

**90%**
of total revenues from growth drivers by 2016

Guidance does not include one-time significant items that may occur such as mark to market pension adjustments, impairments and other items.
Financial Implications 3-Year Outlook: Revenue, Margins and EPS

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**Consolidated Margins**

*Continue to expand during investment period and beyond*
- Wireless service EBITDA margins expand
- Wireline EBITDA margins:
  - Under pressure initially due to investments and subscriber acquisition costs
  - Expand in 2016 and beyond
Financial Implications 3-Year Outlook: Revenue, Margins and EPS

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**Earnings per Share**

*Mid-single digit growth or better during investment period*

*Opportunity for incremental growth going forward*

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### Financial Implications 3-Year Outlook: Revenue, Margins and EPS

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**VIP investment positions AT&T for stronger revenue, margins and EPS growth**