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.
Randall Stephenson

Chairman and Chief Executive Officer
## Key Drivers

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

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

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**
Project Velocity IP – VIP

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.

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
4 Plans to transition to wired + wireless IP
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

Lead in Enterprise Connectivity

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

4. Expand Value-Added Services

Turn-key solutions from service providers

Methodical approach to build capabilities
Core Beliefs

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

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

**Structure Business for Growth**

**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

Petabytes/Month


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

**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
- 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

<table>
<thead>
<tr>
<th><strong>Near-Term:</strong></th>
<th><strong>Mid-Term:</strong></th>
<th><strong>Long-Term:</strong></th>
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<td>2015-2017</td>
<td>2018 and Beyond</td>
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<td>• 40 transactions year-to-date, some pending regulatory approval</td>
<td>• Fundamental network architecture evolution</td>
<td>• Industry’s spectrum needs unresolved</td>
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**Ongoing:** Network enhancements & design complement spectrum strategy

Nationwide Spectrum Available for Deployment

- **2012-2014:** 90 MHz/Pop
- **Early 2012:** Nationwide Spectrum Available for Deployment

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**Mid-Term:** Deploy WCS Spectrum

**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
- Fundamental network architecture evolution
- Industry’s spectrum needs unresolved

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

*Pending FCC Approval

Nationwide Spectrum Available for Deployment

MHZ/Pop

<table>
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<tr>
<th>Time Period</th>
<th>MHz/Pop</th>
</tr>
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<tbody>
<tr>
<td>2012-2014</td>
<td>Early 2012</td>
</tr>
<tr>
<td>2018 and Beyond</td>
<td>2012-2014</td>
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Well Positioned Even With Long-Term Uncertainties

**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
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- Fundamental network architecture evolution

**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

<table>
<thead>
<tr>
<th><strong>1. Separate Wireline Business</strong></th>
<th><strong>2. Divest Portions of Wireline Business</strong></th>
</tr>
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<tbody>
<tr>
<td>Valuation multiples in line with industry</td>
<td>Significant cash flows from rural areas</td>
</tr>
<tr>
<td>Combined entity provides strong balance sheet</td>
<td>Strand high-fixed costs</td>
</tr>
<tr>
<td>Separation costs and dis-synergies substantial</td>
<td>Divested assets would constitute majority of acquirer’s business</td>
</tr>
<tr>
<td>Potential regulatory challenges</td>
<td>Significant regulatory challenges</td>
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<td>Limits flexibility to meet customer needs</td>
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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

**With Bundle, AT&T Business Captures**

*More Share on Larger Revenue Stream*

- Combined Wireless and Wireline
- Wireless Only
- Wireline Only

*Net Promoter Score*

*Share of Telecom Spend*
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

- U-verse Areas
  - 41% in 2Q07
  - 45% in 2Q08
  - 50% in 2Q12

- Non-U-verse Areas
  - 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.
$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)
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>
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<tr>
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<tr>
<td>+ U-verse IPDSLAM</td>
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<tr>
<td>Future IP Broadband</td>
<td>57.0</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
### Building the Platform for the Future

<table>
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<td>data</td>
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<tr>
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<tr>
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<td>entertainment</td>
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<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
Premier Mobile Network: 4G LTE
Extending Our Buildout

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

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

Creating a Network Platform for Innovation and Customer Experience
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

*Over plan period

Lead to Better Customer Experience, Usage and Revenue
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

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*

**% Customer Locations* by Broadband Capability**

2012

- **32%** U-verse
- **32%** Legacy Broadband
- **9%** U-verse IPDSLAM
- **27%** No Broadband

YE 2015

- **43%** U-verse
- **32%** Legacy Broadband
- **99+%** 4G LTE Coverage

**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

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**Premier Wireline Network**

*Speed Enhancing Technologies*

**Max Broadband Speeds**

- **U-Verse**: 17MHz: 6 frequency bands instead of 4
- **U-verse IPDSLAM**: 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

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**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

Proactively expand fiber to 50% of multi-tenant buildings in wireline service area

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
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

| New Products & Services | Digital Life  
Mobile Premise Solutions  
Mobile Payments: Isis  
Connected Car |
|------------------------|--------------------------------------------------------|
| Premier Data / Device Platform | Data access revenue growth  
Usage based pricing (tiered & Mobile Share) |
| Premier Mobile Network | Improved spectrum efficiency  
Improved churn  
Improved costs/margins |
Delivering Record Metrics

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

4G LTE POPs Covered

Postpaid Churn

2011 74M
2012 150M
2013 250M
2014 300M
2015 300+M

Record Low Postpaid Churn Projected by 2015
In past 5 years, the smartphone base has grown by more than 500%.

In the past 5 years, data usage has grown by ~25,000%.

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

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>
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<th>Year</th>
<th>Margin</th>
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<tr>
<td>2011</td>
<td>38.1%</td>
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<tr>
<td>2012</td>
<td>~40%</td>
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<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

Multiple New $B Business Opportunities

Source: Chetan Sharma – Mobile Future Forward
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

Subscriber Penetration

Net Revenue
Digital Life

Devices

- Master Bedroom
  - Repeater
    - ON
  - Glass Break Sensor
    - OFF
  - Controller
    - BYPASS

- Living Room
  - Motion Detector
    - OFF
  - Thermostat
    - HEAT TO 73°

- Dining Room
  - Light Control
    - OFF
  - Light Dimmer Control
    - 100%
  - Door Lock
    - LOCKED
  - Window/Door Sensor
    - CLOSED
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
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
**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
CONNECTED CAR
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

Strong Margin Performance
AT&T Business Revenue

Total Business Customer Spend

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

$1 billion
Projected growth per year

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

$140 billion
Data Transport Opportunity* by 2015

*Gartner Forecast: Enterprise Network Services, Worldwide, 2009-2016 3Q Update, August 2012
Cloud: A Multi-Billion-Dollar Business Opportunity

Differentiate with Platforms

1. AT&T Services Cloud
2. AT&T Retail Cloud
3. AT&T Network-Enabled Cloud Provider

- Quality
- Reliability
- Security

VPN | Ethernet | LTE

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

**Cyber attacks have doubled**
- In past 2 years

**Cost of cyber attacks have increased 40%**
- 24 days on avg. to repair
- $8.9M avg. cost per year
- 102 attacks / week


**$41 billion**
- Security Opportunity by 2015*

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*

Customer example

Amtrak

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
   - Mobile Solutions
   - Cloud Suite
   - Security
   - Mobility Solutions
   - Collaboration

3. Deliver integrated solutions

Multiple New Billion Dollar Business Opportunities
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</td>
</tr>
<tr>
<td>4Q YTD</td>
<td>$10.2</td>
<td>$9.4</td>
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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)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Pension Funding</th>
<th>Pension Obligation</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2011 with Funding</td>
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<td></td>
</tr>
</tbody>
</table>

- **88%**
- **82%**
- **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
Financial Implications
Project Velocity IP
Financial Implications: VIP Capital Investment Plan

**Wireless Capital – $8 Billion**
- LTE extension to 300m POPs by 2014
- Densification and small cell
- Investment covers 99% of wireline service area
- Average spending to be approximately 60% of total during plan

**Wireline Capital – $6 Billion**
- IP broadband to 75 percent of customer locations
- U-verse/IPDSLAM expansion
- Speed upgrades
- Business fiber deployment
- Legacy system efficiency improvements

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)**

- Wireless Portion of total Capital >60%

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

**Consolidated Capital Intensity**

- 2011: 18%
- 2012: 16%
- 2013: 14%
- 2014: 18%
- 2015: 16%
Financial Implications: Share Repurchases

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 showing Net-Debt-to-EBITDA trends from 2011 to 2015.](Image)
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

Guidance does not include one-time significant items that may occur such as mark to market pension adjustments, impairments and other items.

90% of total revenues from growth drivers by 2016
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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VIP investment positions AT&T for stronger revenue, margins and EPS growth