AT&T + T-Mobile: A World-Class Platform for the Future of Mobile Broadband

March 21, 2011
# Agenda

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Cautionary Language Concerning Forward-Looking Statements

Information set forth in this presentation contains financial estimates and other forward-looking statements that are subject to risks and uncertainties, and actual results might 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 and revise statements contained in this presentation based on new information or otherwise.

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 Web site at www.att.com.
Randall Stephenson
Chairman, CEO and President, AT&T
A World-Class Platform for Innovation and Growth

**Major commitment by a U.S. company to advance America’s leadership in mobile broadband**

**Critical time — at the beginning of transition to LTE**

**Critical infrastructure for economic growth**
- Drives business productivity
- Communities can attract investment, jobs
- Changing delivery model for education and healthcare
- Competitive advantage for America

**Strong history of investment in the U.S. economy**
- >$75B in capital investment over past four years
- Foundation for unprecedented innovation
- U.S. today leads the world in mobile broadband

AT&T is the only major U.S. wireless company with a union workforce — good jobs with good benefits.
Transaction Delivers Significant Customer Benefits, Creates Value

**Improves network capacity, output and quality**
Greater network density, compatible spectrum, more efficient network migration

**Expands 4G LTE deployment to 95% of U.S. population**
A level neither company would have achieved alone; gives T-Mobile customers path to LTE

**Improves growth potential**
More robust platform for new services, innovation across the ecosystem

**Large, achievable synergies**
Straightforward execution path, record of successful integrations

**Confident in approvals**
Compelling customer and public interest benefits

**Now is the time**

[Logos for AT&T and T-Mobile]
AT&T Mobile Data Volumes Up 8,000% Over Four Years
8x–10x Volume Growth Over Next Five Years

AT&T Expected Total Data Volumes
PB/month
8x–10x Volume Growth Over Next Five Years

AT&T Expected Total Data Volumes
PB/month

Faster Speeds + Greater Access to Content = Accelerated Growth

- Rich Media
- Video Teleconferencing
- Connected Devices
- Increasingly Powerful Wireless Devices
- Mobile Computing
- Mobile Business Solutions
- Mobile Video
- Machine-to-Machine
- Cloud
- LTE 4G
- Accelerating Apps Explosion
- Remote Health Monitoring


Amended 03.23.11
This Transaction Brings Together the Building Blocks for This New World

- Spectrum
- Dense Network Assets
- Sustained Investment
- Device Makers
- Customers
- Apps and Content Developers
- Cloud
- Network Technology Providers

The Foundation that Enables a Virtuous Cycle of Innovation and Growth
Unique Opportunity to Create Value, Accelerate the Future of Mobile Broadband

Compatible networks and operations
- GSM-based with HSPA+
- Logical, straightforward integration path

Optimal, efficient use of spectrum
- Improves network performance in the near term
- Significant expansion of LTE availability beyond what either company would achieve without this transaction

Helps achieve Administration’s and FCC’s national broadband goals

Strengthens critical U.S. economic infrastructure
- Creates greater opportunity for communities across the country
- Advances the capabilities of a dynamic, intensely competitive industry
Wayne Watts
Senior Executive Vice President and General Counsel, AT&T
Confident in Regulatory Approval

Thorough review by DOJ and FCC
- Fully understand and respect the process, work to be done

Prepared to demonstrate that facts meet legal standards
- Transaction is in the public interest
- Wireless competition will continue to flourish
Transaction Is in Public Interest

→ **Addresses impending spectrum shortages**
  - AT&T leads in mobile data, needs spectrum sooner
  - Enables greater capacity, output to meet exploding demand
  - Improves quality of voice and data service for customers of both

→ **Helps achieve federal policy objectives**
  - More efficient use of scarce spectrum; consistent with FCC policy
  - Expand LTE to 95% of population — 46M+ Americans, including rural, smaller communities

→ **Results in an American company investing in America**
  - LTE infrastructure enables U.S. high-tech industry, U.S. economy
  - Enables the next era of American innovation

→ **Represents large, achievable synergy opportunities**
  - Benefits at this level, speed unique to this transaction
Historically, During Period When Carriers Combined to Achieve Efficiencies, U.S. Wireless Prices Fell

**U.S. Bureau of Labor Statistics Data**

- **4/4/00:** Bell Atlantic / GTE / Airtouch
- **12/29/00:** SBC Comms / BellSouth – form Cingular
- **2/17/04:** Cingular/ AT&T Wireless
- **12/15/04:** Sprint / Nextel
- **6/5/08:** Verizon / Alltel

**Wireless prices declined 50% — from 1999-2009 — a period when carriers combined to achieve efficiencies.**

Source: 2010 U.S. GAO Report

Note: U.S. CPI Urban Consumers Cellular Telephone Services Index began with a base of 100 on 12/31/97. Information updated on a monthly basis.

U.S. Wireless Market One of Most Competitive in World and Will Remain Intensely Competitive

**Numerous successful providers:**

- Verizon, Sprint, Metro PCS, Leap, US Cellular, Cellular South, and others offer competitive national rate plans and advanced devices, features and services
- New players — like Metro PCS, Leap — growing fast, surpassing traditional carriers in several major and mid-markets
- 18 of top 20 markets have at least 5 carriers
- Large majority of Americans have choice of 5 carriers in their market

**Intense competition increasing with new entrants**

- **Clearwire:** 4G covering 119M POPs, 4.4M customers — expected to double in 2011
- **LightSquared:** LTE covering 100M POPs in 2012, 260M POPs in 2015
Confident in Regulatory Approval

**Significant public interest benefits**
- Alleviates impending spectrum exhaust
- Enhances network capacity and output
- Extends LTE to 95% of the U.S. population, including rural areas, smaller communities
- Significant synergies unique to this transaction
- Enables U.S. high-tech growth, innovation

**Competition is vibrant and will only increase**

**Facts support approval with focused divestitures**
John Stankey
President and CEO – AT&T Business Solutions
Fast, Efficient, Certain — Optimal Combination of Mobile Broadband Network Assets

Complementary assets to deliver benefits at a level not available with other combinations

- Highly compatible spectrum — 700 MHz, AWS
- Common network technology — UMTS, GSM, HSPA+

More capacity sooner than any other alternative

Improved network quality for both AT&T and T-Mobile customers

Expanded LTE deployment — far beyond what either company would have done alone, including small towns and rural areas

Enhanced 4G capabilities — the fastest LTE holdings based on pairing of the companies’ AWS spectrum

Mobile broadband has become the critical enabling technology for innovation and growth across a wide range of industries
Greater Density = Better Performance: Significant Customer Benefits

Typical Major Market Increases Following Transaction in Number of Cell Sites Available

- **Chicago**: Before 35-45%, After 25-35%
- **San Francisco**: Before 25-35%, After 25-35%
- **New York**: Before 25-35%, After 25-35%

Integrated tower grids with compatible technology drives efficiency and adds extra capacity

- Equivalent to several years of cell-site build in most markets
- Allows for more efficient engineering as population and usage trends change
- Improves in-building coverage
- More responsive to clustering around events

**LTE will create efficiencies, but migration will take several years. Identifying and clearing new spectrum also typically is a lengthy process.**
Integration Drives Significant Near-Term and Long-Term Network Improvements

Combine 2G and 3G Networks

Quickly and dramatically improve capacity and performance

- Dual band cell sites
- Cell splits expected to **double** 3G capacity in many areas
- T-Mobile subscribers gain improved coverage

Rationalize Spectrum

**Free up high-quality AWS spectrum for LTE**

- Deploy multi-mode devices for T-Mobile HSPA+ subscribers
- Migrate subscribers to AT&T’s 3G and 4G networks

Broad LTE 4G Deployment

**To 95% of U.S. population, much more than otherwise planned**

- HSPA+ launched in both companies’ networks
- The fastest LTE speeds possible based on the pairing of AT&T’s and T-Mobile’s existing AWS spectrum holdings

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**Opportunity to augment AT&T’s strong technical ranks with T-Mobile USA design and construction talent**
High Level of Confidence in Integration Plans

- **Clear network quality benefits for both companies’ customers**

- **More robust platform for business solutions**
  - Global network standard
  - Expanded connected-device opportunity
  - Complementary speed and capacity capabilities of LTE and the cloud open the door for new business solutions

- **Strong record integrating and improving operations, achieving and exceeding targets**
  - Support infrastructure
  - Supply chain management
  - Inventory consolidation
  - Billing and remittance operations
  - Network automation
  - On-net traffic, roaming and third-party transport
Ralph de la Vega
President and CEO – Mobility and Consumer Markets, AT&T
Significant Customer, Marketing and Operational Opportunities

**5**

**Improve performance levels across the business:**

1. Further Improve the Customer Experience
2. Grow ARPU
3. Reduce Churn
4. Expand Margins
5. Seize New Opportunities
#1. Further Improve the Customer Experience

- **World-class network experience** — HSPA+ and LTE
- **Best-in-class device portfolio** — smartphones and connected devices
- **Superior value** — mobile-to-mobile plus Rollover
- **Focused execution** — strong record based on AT&T Wireless integration and others
#2. Increase T-Mobile Smartphone Penetration and Data ARPU

- More than 65% of postpaid sales are smartphones — huge growth opportunity
- Best-in-class portfolio of Apple, Android, Microsoft and RIM devices
- Attractive tiered data plans — allows data growth to be monetized
- Led all major U.S. wireless providers in wireless data growth the past two years — up 28.7% in 2010
- Large growth opportunity with LTE-based services
#3. Improve T-Mobile’s Subscriber Churn Levels

- Significant improvement in network performance — converged networks benefit
- Larger mobile-to-mobile calling scope
- Access to nation’s largest Wi-Fi network with >24K hot spots
- Broadest international coverage of any U.S. wireless provider — voice service in >220 countries and data service in >200 countries
- Fairest value in wireless — Rollover
- Attractive upgrade program
- Broad, attractive device line-up
Strong Record Delivering Customer Value, Reducing Churn

- Churn levels nearly cut in half in the first three years following Cingular’s acquisition of AT&T Wireless
- Today, AT&T’s total subscriber churn is at industry-leading level
#4. Improve T-Mobile’s Margins

**2010 Wireless Service EBITDA Margins**

- **T-Mobile**: 29.2%
- **AT&T**: 40.7%

**Synergy opportunities across marketing, customer support and operations:**

- Retail store rationalization
- Advertising spend
- Billing system consolidation
- Device portfolio rationalization
- Customer acquisition costs
- Expect most of required force reductions to be achieved through natural attrition
AT&T Has a Strong Record of Wireless Margin Expansion Following Major Acquisitions

Achieved 1000 basis points of margin improvement in the three years after our AT&T Wireless acquisition.
#5. Deliver on New Opportunities with a Broad Array of New Services

Projected U.S. Sales of WWAN Embedded Portable CE Devices (in millions)

~60M

Emerging devices represent a large growth opportunity:

- Tablets
- eReaders
- Connected Homes
- Connected Autos
- Connected Gaming

LTE, HSPA+ and Wi-Fi provide superior position in high-growth market

Planned LTE deployment reaches 46.5M more people

Source: Strategy Analytics, WAN Enabled CE Devices
US Market Forecast, Sept. 2010
Rick Lindner

Senior Executive Vice President and CFO, AT&T
Transaction Summary

Terms
- $39B purchase price
  - ~7X 2010 EBITDA
  - ~64% cash
  - ~36% AT&T shares
- Stock consideration subject to collar
- Customary lock-up period
- One Deutsche Telekom representative on AT&T board
- Sharing for divestiture-related closing items
- Termination and reverse break-up commitments

Timing considerations
- Review by the FCC and the Department of Justice
- Expect transaction to close in ~12 months

Funding considerations
- Strong balance sheet
- AT&T assumes no debt from T-Mobile or Deutsche Telekom
- Strong cash generation: >$12B FCF after dividends over past two years
- Bridge loan arranged by J.P. Morgan
Improved Business Mix: Increased Exposure to Mobile Broadband Growth

2010 Combined Revenue Mix

~80% from wireless + wired data/managed services

Combined 2010 Totals

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<th>AT&amp;T</th>
<th>T-Mobile</th>
<th>Total</th>
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<tbody>
<tr>
<td>Wireless subscribers</td>
<td>96M</td>
<td>34M</td>
<td>130M</td>
</tr>
<tr>
<td>Wireless service revenues</td>
<td>$53.5B</td>
<td>$18.7B</td>
<td>$72.2B</td>
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<tr>
<td>Total wireless revenues</td>
<td>$58.5B</td>
<td>$21.3B</td>
<td>$79.8B</td>
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<tr>
<td>Wireless service EBITDA margin</td>
<td>40.7%</td>
<td>29.2%</td>
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<tr>
<td>Postpaid ARPU</td>
<td>$62.57</td>
<td>$52.00</td>
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<tr>
<td>Total churn</td>
<td>1.31%</td>
<td>3.40%</td>
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Substantial Opportunities, >$3 Billion Run Rate Starting Year Three

**Expected Synergies, Integration Costs**

$ in Billions (cash basis)

- **Expense and Revenue Synergies**
- **Integration Costs**

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<thead>
<tr>
<th>Year</th>
<th>Expense and Revenue Synergies</th>
<th>Integration Costs</th>
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<tbody>
<tr>
<td>Year One</td>
<td>$1.0</td>
<td>$2.0</td>
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<tr>
<td>Year Two</td>
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<td>$1.0</td>
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<tr>
<td>Year Three</td>
<td>$3.0</td>
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<tr>
<td>Year Four</td>
<td>$4.0</td>
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<tr>
<th>NPV</th>
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<tbody>
<tr>
<td>Network</td>
<td>&gt;$10B</td>
</tr>
<tr>
<td>Subscriber</td>
<td>&gt;$10B</td>
</tr>
<tr>
<td>Support and G&amp;A</td>
<td>&gt;$10B</td>
</tr>
<tr>
<td>Capital and Spectrum</td>
<td>&gt;$10B</td>
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- **Network**
  - Redundant cell sites
  - Migration to AT&T transport
  - Migration to AT&T LD network

- **Subscriber**
  - Improve T-Mobile ARPU and churn metrics
  - Retail distribution
  - Advertising/marketing support
  - Device purchasing

- **Support and G&A**
  - Call centers
  - Billing and customer care
  - Overhead

- **Capital and Spectrum**
  - Avoided purchases and investments
Financial Impacts

Expected EPS Impacts

- Reported EPS
- EPS excluding noncash amortization and integration costs

Preliminary view

- Purchase accounting with amortization of intangibles
  - Primarily customer lists
  - 5-year accelerated basis
  - Transaction costs expensed

- Costs to integrate networks and operations over first three years

- As a result, similar to previous acquisitions, dilutive in early years

- Earnings excluding noncash amortization and integration costs accretive in year three
Financial Summary

- **Transaction creates substantial shareowner value**

- **Enhances long-term revenue growth and margin potential**
  - Broad LTE mobile broadband combined with existing network capabilities and cloud
  - Scale and combination of assets provides a path to industry-leading margins

- **Substantial on-going synergies, >$3B in year three**
  - Mix of expense and revenue
  - Greater than in Cingular/AWE integration

- **We’ve done it before — confident in our ability to execute and achieve targets**

- **Continue to have a strong balance sheet**
  - Credit metrics expected to return to target levels as synergies are realized
  - Cash flow supports the dividend
Q&A