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

March 21, 2011
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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 Web site at www.att.com.
Randall Stephenson
Chairman, CEO and President, AT&T
A World-Class Platform for Innovation and Growth

AT&T is the only major U.S. wireless company with a union workforce — good jobs with good benefits.

**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
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**
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 Video
- Mobile Business Solutions
- Remote Health Monitoring
- Cloud
- LTE 4G
- Accelerating Apps Explosion

This Transaction Brings Together the Building Blocks for This New World

The Foundation that Enables a Virtuous Cycle of Innovation and Growth

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

at&t
T-Mobile
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

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

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
Greater Density = Better Performance: Significant Customer Benefits

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

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

Broad LTE 4G Deployment
- 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

**Free up high-quality AWS spectrum for LTE**
To 95% of U.S. population, much more than otherwise planned

**Quickly and dramatically improve capacity and performance**

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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

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
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

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

Service OIBDA margins are as Reported. Margins prior to 2008 have not been restated for accounting changes for intercompany transactions and benefits plans.
#5. Deliver on New Opportunities with a Broad Array of New Services

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

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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<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>
</tr>
<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)

- Green: Expense and Revenue Synergies
- Blue: Integration Costs

### Year One

- $0.0

### Year Two

- $1.0

### Year Three

- $3.0

### Year Four

- $5.0

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**NPV**

- **Network**
  - Redundant cell sites
  - Migration to AT&T transport
  - Migration to AT&T LD network
  - >$10B

- **Subscriber**
  - Improve T-Mobile ARPU and churn metrics
  - Retail distribution
  - Advertising/marketing support
  - Device purchasing
  - >$10B

- **Support and G&A**
  - Call centers
  - Billing and customer care
  - Overhead
  - >$10B

- **Capital and Spectrum**
  - Avoided purchases and investments
  - >$10B
Financial Impacts

**Expected EPS Impacts**

- Reported EPS
- EPS excluding noncash amortization and integration costs

![Graph showing expected EPS impacts over five years]

**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