

AT&T Investor Update

1Q12 Earnings Conference Call
April 24, 2012

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Agenda

Introduction

Susan Johnson

Senior Vice President-Investor Relations

Consolidated and Wireline Results

John Stephens

Senior Executive Vice President
and Chief Financial Officer

Wireless Results

Ralph de la Vega

President and Chief Executive Officer —
AT&T Mobility

Q and A



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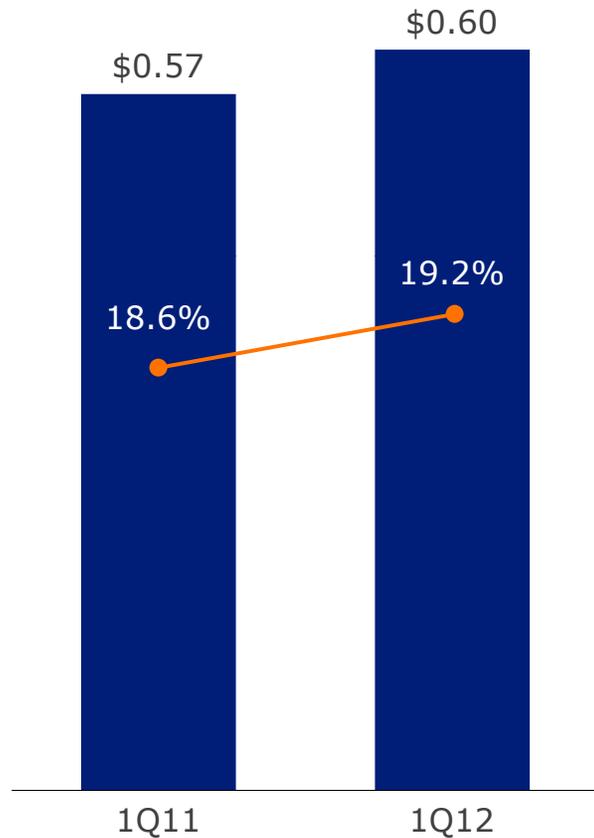
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1Q12 Financial Summary, Solid Execution

Diluted EPS

— Operating Income Margin



Results in line with full-year outlook

EPS up 5.3%

Consolidated revenues continue to grow, up 1.8% year over year

- Wireless up 5.4%
- Wireline consumer up 1.0%

Expanding operating income margin for consolidated, wireless and wireline

Strong free cash flow

- \$7.8 billion cash from operating activities
- \$3.5 billion free cash flow

Share repurchases total \$2.1 billion

Free cash flow is cash from operations minus capital expenditures.



AT&T Strategy Execution

Solid First-Quarter Performance

- On track with full-year guidance

Aggressive Returns to Shareowners

- Repurchased 67.7 million shares, or 22.6%, of outstanding authorization
- \$4.7 billion returned to shareowners in 1Q12, including dividends

Structure Business for Growth

- Announced sale of Advertising Solutions / AT&T Interactive units
- Review of other assets ongoing

Spectrum and Capacity Management

- Closed several targeted acquisitions in 1Q
- Four deals pending with FCC
- Multiple network management techniques



1Q12 Highlights: Solid Revenue Growth with Expanding Margins and Strong Data Gains

Solid Financial Results

- Continued consolidated revenue growth, with lift from wireless and consumer and continued improving trends in business
- Expanding operating income margins: wireless, wireline and consolidated
- 5.3% earnings growth with solid free cash flow

Expanding Service Margins Driven by Mobile Data Sales

- Wireless EBITDA service margins expand to 41.6%
- Strong data revenue and postpaid ARPU growth, lower postpaid churn

IP Data Transforms Wireline

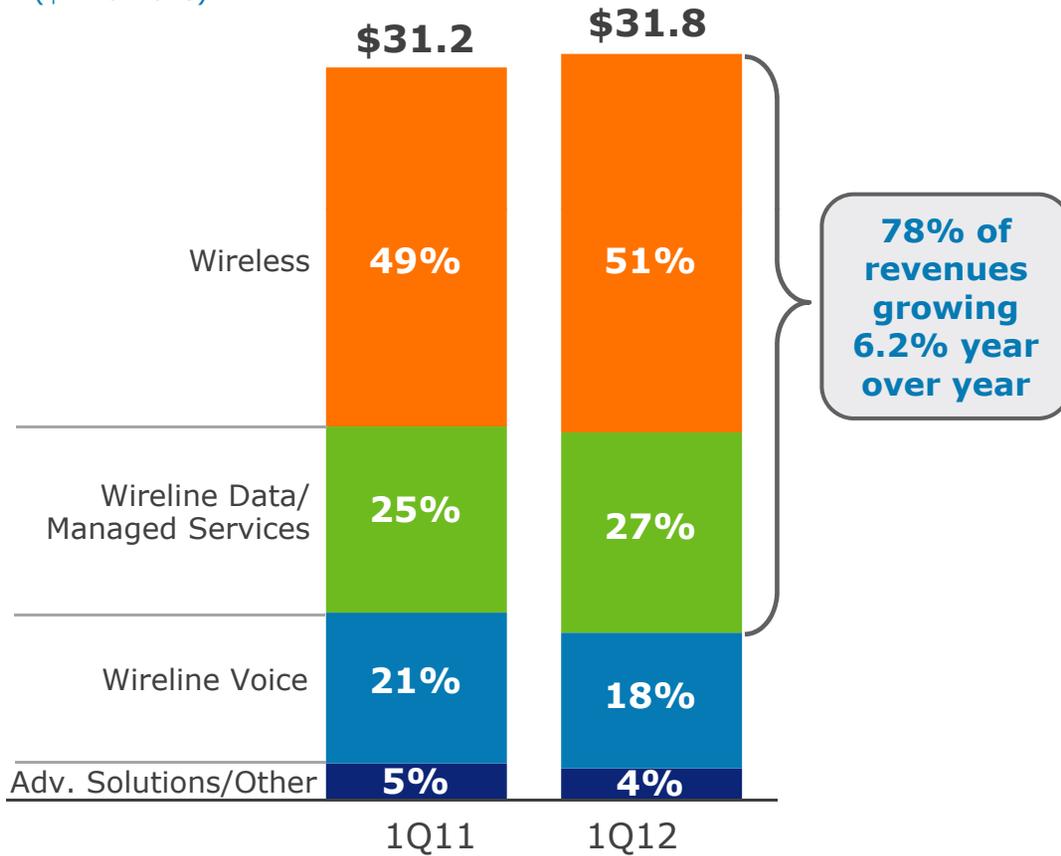
- U-verse reaches 4 million TV subscribers and nearly 6 million High Speed Internet customers; positive total broadband net adds
- 19.0% growth in strategic business services revenues drives continued improving trends in wireline business



Growth Engines Drive Consolidated Revenue Gains

AT&T Consolidated Revenues

(\$ in billions)



Revenue up \$575 million, or 1.8%, year over year.

Key drivers:

- Strong wireless growth
- Continued U-verse gains
- Improving business trends, with strong growth in strategic services
- Wireless revenues now more than half of total revenues

2.3% revenue growth without Advertising Solutions



Robust Mobile Data Growth, Strong Wireless Metrics

- ✓ Smartphone sales exceeded last year's record 1Q sales

- ✓ Wireless data growth of almost 20%

- ✓ Wireless service EBITDA margin expansion to 41.6%

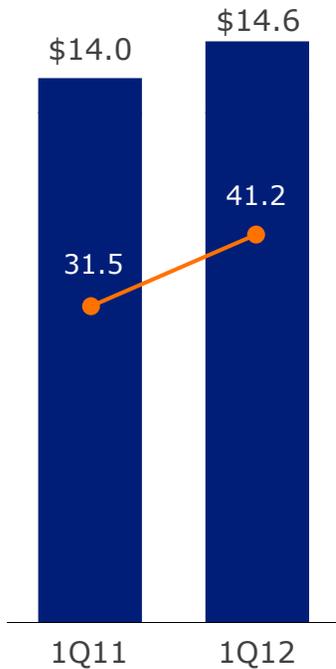
- ✓ Best postpaid churn in seven quarters



Mobile Device Sales Drive Industry-Leading ARPU

Service Revenues (\$ in billions)

— Smartphone Base
(in millions)



Postpaid ARPU



Service revenues up 4.3% and total wireless revenues up 5.4%

1.7% growth in postpaid ARPU

- 13th consecutive quarter with year-over-year increase in postpaid ARPU

Postpaid smartphone base of 41.2 million increased by nearly 10 million year over year

- Smartphones drive 90% higher ARPU than feature phones and quick messaging devices

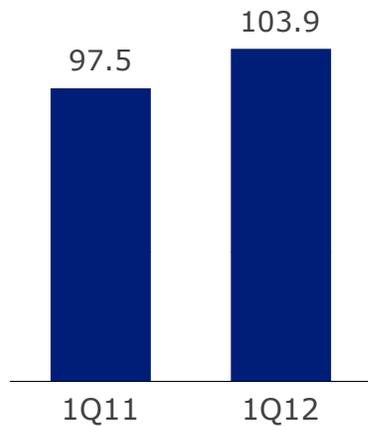
61% of postpaid smartphones on tiered data plans

- More than 70% of customers taking higher-tiered data plans

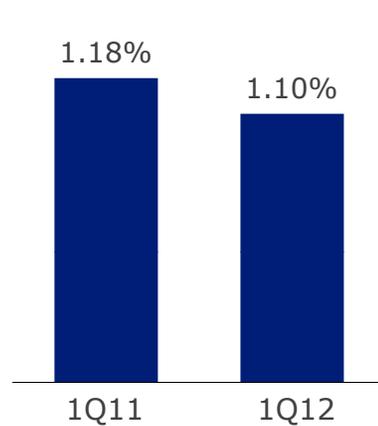


Postpaid Churn Improves, Customer Gains Continue

Total Subscribers
(in millions)



Postpaid Churn



Postpaid churn lowest in seven quarters

iPhone churn lowest in five quarters

88% of smartphone base on family or business-related plans

Net add gains in every category – to reach 103.9 million

- 7th straight quarter with gains in every category
- 69.4 million postpaid subscribers

1Q12 Net Add Summary (in thousands)

Postpaid	187
Prepaid	125
Reseller	184
Connected Devices	230
Total	726

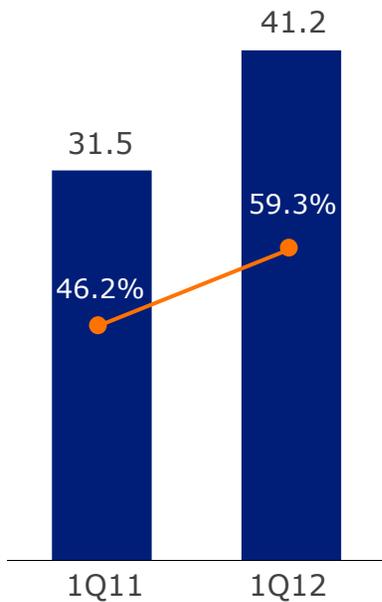


Wireless Data Revenues Grow 20%

Postpaid Smartphones (in millions)

(in millions)

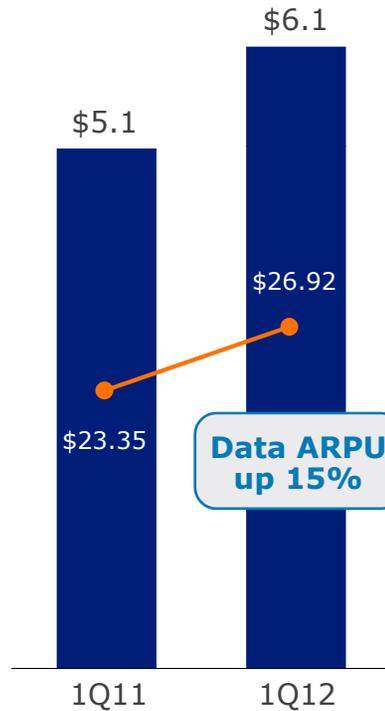
— % of Postpaid Base



Wireless Data Revenues (\$ in billions)

(\$ in billions)

— Postpaid Data ARPU



Wireless data represents 42% of total service revenues, led by strong mobile Internet device sales

- Data growth remains strong — up \$1 billion year over year
- 78% of postpaid sales are smartphones
- 5.5 million smartphone sales, set a first-quarter record
- 4.3 million 1Q12 iPhone activations, with 21% new to AT&T

5.8 million branded computing subscribers; 240,000 tablets added

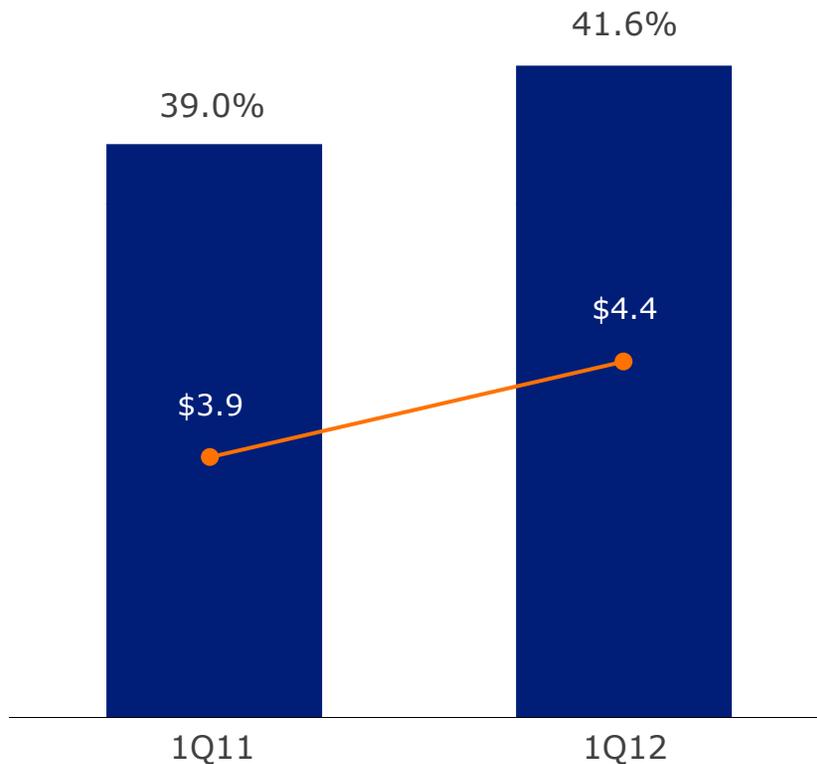
Branded Computing Subscribers includes tablets, tethering plans, aircards, mobile Wi-Fi hot spots and other data-only devices.



Wireless EBITDA Service Margin Expands to 41.6% with Strong Sales

Wireless EBITDA Service Margin

— Operating Income (\$ in billions)



Wireless EBITDA service margin of 41.6%, 260 basis point improvement year over year

- Total postpaid upgrades ~ 7%
- Higher postpaid ARPU and strong data growth
- No significant impact from recent data price increases and equipment upgrade policy

1Q12 wireless operating income of \$4.4 billion, up 11.3% year over year



AT&T 4G: The Best Mobile Internet Experience



“AT&T’s ace in the hole is its compelling pairing of 4G LTE service and ... HSPA+ service, which turned out to be the fastest combination offered by any carrier in our study.”

PCWorld – “3G and 4G Wireless Speed Showdown: Which Networks are Fastest?”

www.pcworld.com, Mark Sullivan, April 16, 2012

- The nation's largest 4G network
- >260M 4G POPs covered in 1Q12
- About 30% of postpaid smartphone subs on 4G devices
- On path to double LTE POPs coverage by end of year
- 86% of traffic on enhanced backhaul
- Nearly 30k Wi-Fi hot spots
- 3,000 distributed antenna systems in service



Improving Wireline Business Revenue Trends with Strong Growth in Strategic Services

AT&T Wireline Business Revenue Growth



Numbers exclude impact of 2010 sale of Japan assets.

Strategic Business Services Revenues (\$ in millions)



Positive trends in every category:

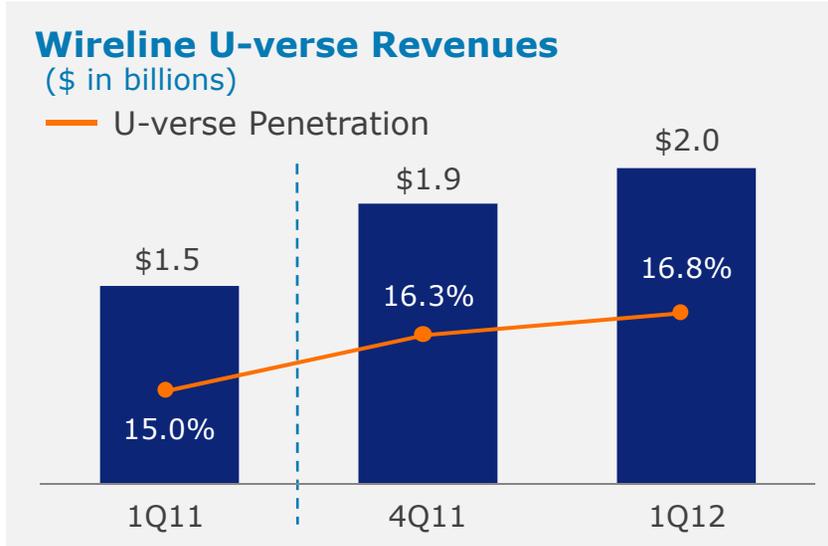
- **Global Business Solutions** — Fourth straight quarter of year-over-year data growth
- **Wholesale and GEM** — First positive year-over-year service revenue growth in three years, at 0.5%
- **Small Business and Alternative Channels** — Wireless bundled sales growing at 113% year over year

Overall data grew at 4.2%, largest growth in four years

Operating expense improvement drives margin expansion



U-verse Tops 6 Million Total Subscribers

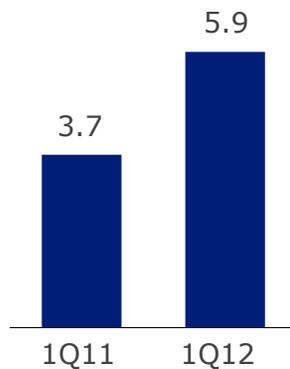


U-verse transforms wireline consumer:

- Total U-verse subscribers, both TV and broadband, reach 6.2 million
- 718,000 U-verse broadband net adds to top 5.9 million, drives broadband growth
- 200,000 U-verse TV net adds to reach 4.0 million, strong attach rates
- Consumer U-verse now an \$8 billion annualized revenue stream and growing at 38.2%

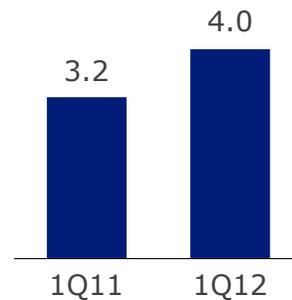
U-verse Broadband Subscribers

(in millions)



U-verse TV Subscribers

(in millions)



Wireline consumer revenues up 1.0% year over year

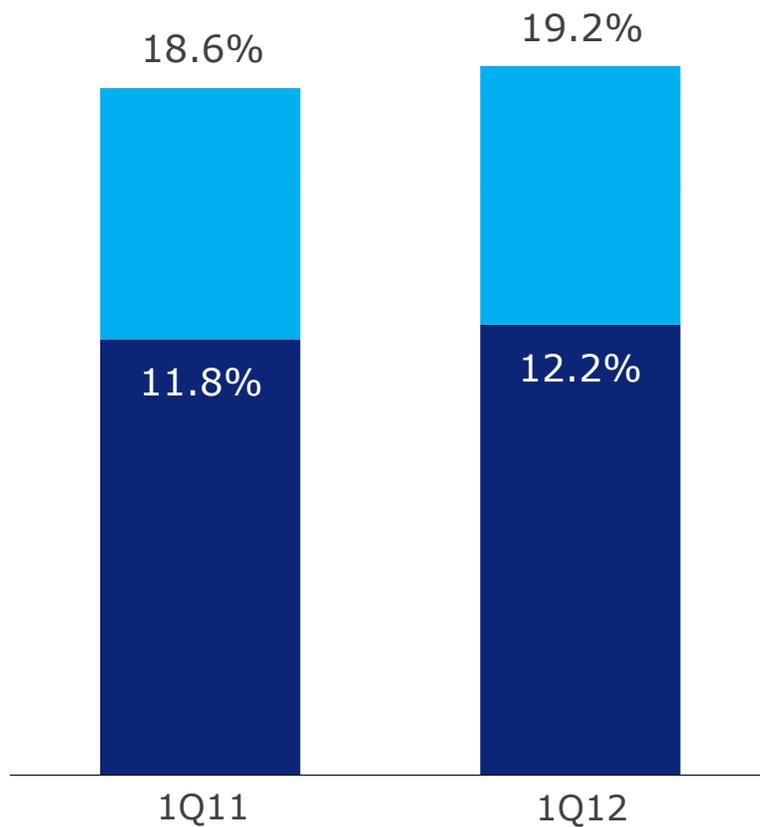
Broadband, video and VoIP now account for 55% of wireline consumer revenues; growing more than 17% year over year



Consolidated and Wireline Margin Summary

Operating Income Margin

Consolidated
Wireline



Increased consolidated margin

- Growth in wireless and consumer wireline revenues
- Operational improvements in network, sales and support functions

Wireline operating income margin increase driven by:

- Improving revenue trends and solid cost management

Wireline operating income increased year over year to \$1.8 billion



Strong Cash Flow and Balance Sheet

1Q12 AT&T Cash Summary

(\$ in billions)

Cash From Operations **\$7.8**

Capital Expenditures **\$4.3**

Free Cash Flow **\$3.5**

Debt-to-Capital Ratio **38.4%**

Net-Debt-to-EBITDA Ratio **1.48**

Dividends Paid **\$2.6**

Shares Repurchased **\$2.1**

Total Returned to Shareowners **\$4.7**

Free cash flow in line with previously outlined full-year outlook

- Strong cash from operations due to revenue growth and cost initiatives
- Wireless capital expenditures of \$2.3 billion, up \$454 million year over year

Strong balance sheet continues to be a priority

Repurchased 67.7 million shares, or 22.6%, of outstanding authorization for \$2.1 billion

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



1Q12 Summary: Solid Start to Year

Grew revenues,
margins and
earnings

Record wireless
quarter

Continued
strength in
U-verse and
strategic business
services

Delivering on Strategy — restructuring business, adding spectrum, stock buyback

Strong Financial Performance — solid revenue gains with expanding margins and earnings growth

Mobile Internet Leadership — industry-leading postpaid ARPU; lower postpaid churn; and record 1Q smartphone and branded computing device sales

Improving Trends in Wireline — IP data drives transformation

Strong Balance Sheet — with solid free cash flow and strong credit metrics



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