

# AT&T Investor Update

2Q12 Earnings Conference Call  
July 24, 2012

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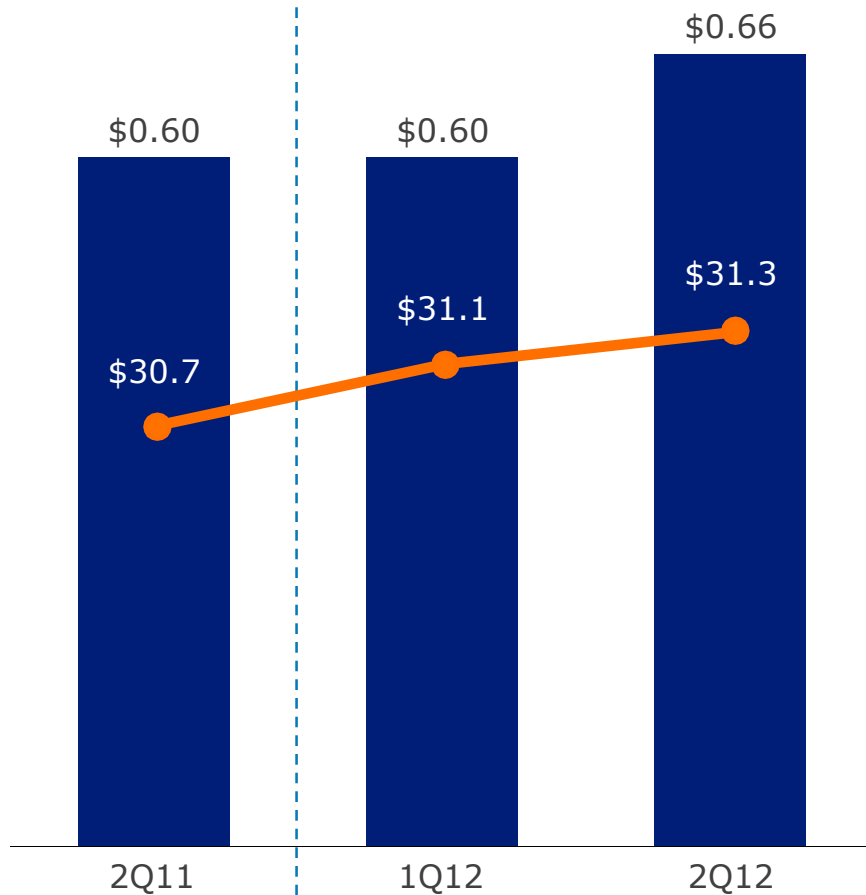
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# 2Q12 Financial Summary

## AT&T Diluted EPS

— Consolidated Revenues\* (in billions)



\* Excludes revenues from Advertising Solutions.

**\$0.66 reported EPS** – Up 10 percent year-over-year and sequentially

**Revenues up 2.0 percent excluding Advertising Solutions**

**Expanding consolidated margin** – both sequentially and year over year

### Strong free cash flow

- \$9.7 billion cash from operating activities
- \$5.1 billion free cash flow

**Share repurchases total \$4.6 billion year to date, 143 million shares**

Free cash flow is cash from operations minus capital expenditures.



# AT&T 2Q12 Highlights: Strong Performance Drives Revenue and Earnings Growth

## Wireless Performance Drives Strong Growth

- Record EBITDA service margin of 45.0 percent even with steady smartphone sales
- Solid subscriber gains with 320,000 postpaid net adds
- Best-ever postpaid, prepaid and total churn
- Data revenues growing at almost 19 percent

## U-verse Leads Wireline Results

- Strongest consumer revenue growth in more than four years
- Solid margin performance even in a challenging business environment

## Strong Financial Performance ... Solid Capital Structure

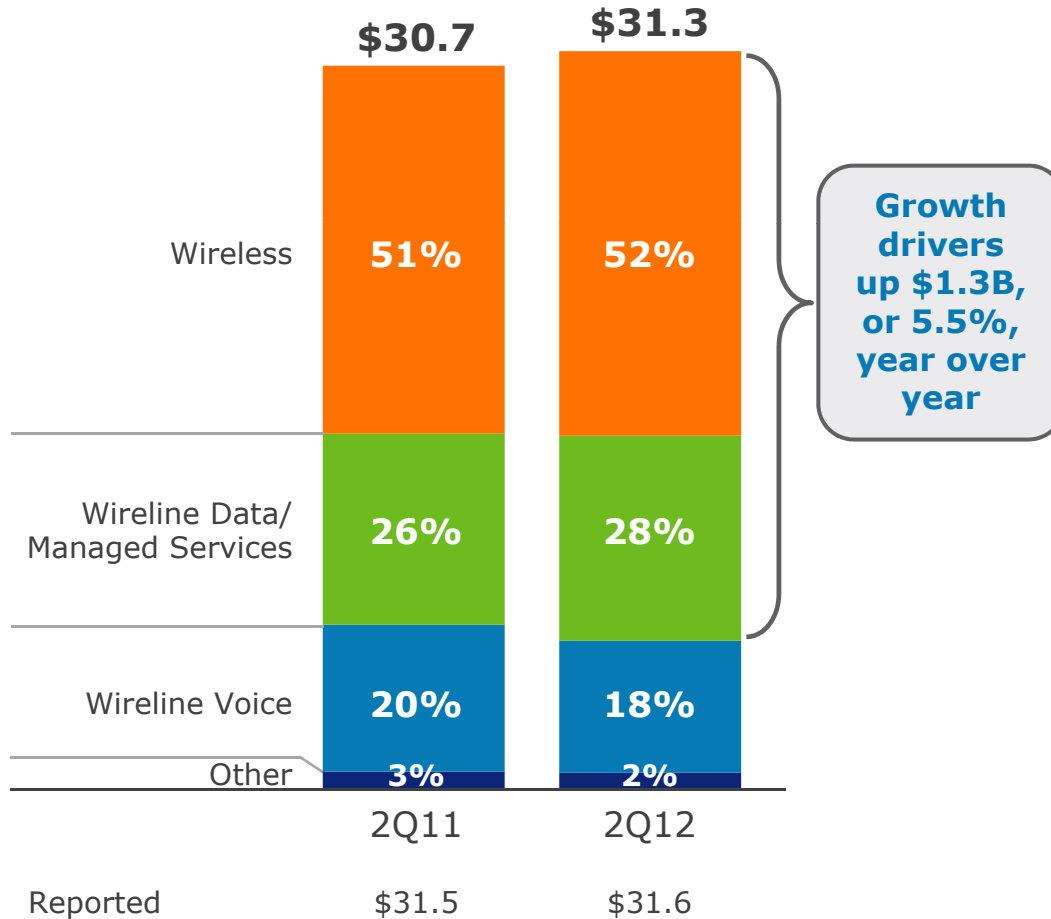
- Revenue growth, margin expansion, double-digit earnings growth
- \$5 billion of free cash flow returned to shareowners in second quarter
- Improved debt metrics and refinanced at favorable rates



# 2 Percent Consolidated Revenue Growth Excluding Sale of Advertising Solutions

## AT&T Consolidated Revenues

(excluding Advertising Solutions — \$ in billions)



**Revenues, excluding Ad Solutions, \$31.3 billion, up \$616 million year over year. Key drivers:**

- Strong wireless growth
- IP data and video

**80 percent of revenues from growth drivers**

- Wireless, wireline data and managed services
- Strong mobile data, U-verse and strategic business services growth



# Mobile Internet Strategy on Target

## Record margins

- 45 percent EBITDA service margin

## Best-ever churn

- Postpaid, prepaid and total

## Solid revenue performance

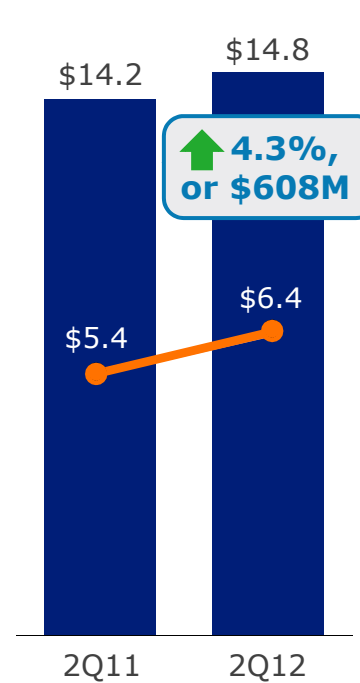
- Service and data revenue growth
- Industry-leading postpaid ARPU

## Continued strength in smartphone and data-only device sales

- More than 43 million smartphone subscribers
- Nearly two-thirds of smartphone subscribers on tiered plans

### Service Revenues (\$ in billions)

— Data Revenues



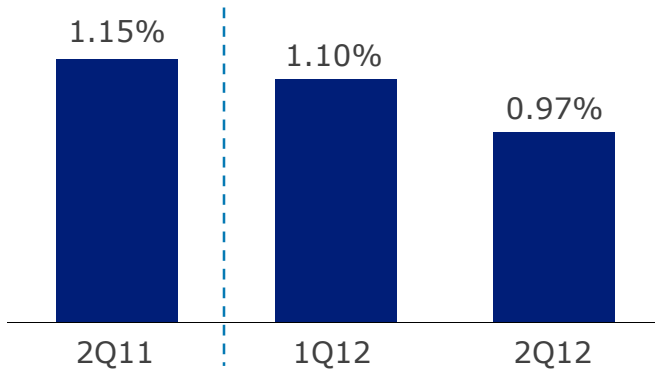
### Postpaid ARPU

— Postpaid Data ARPU



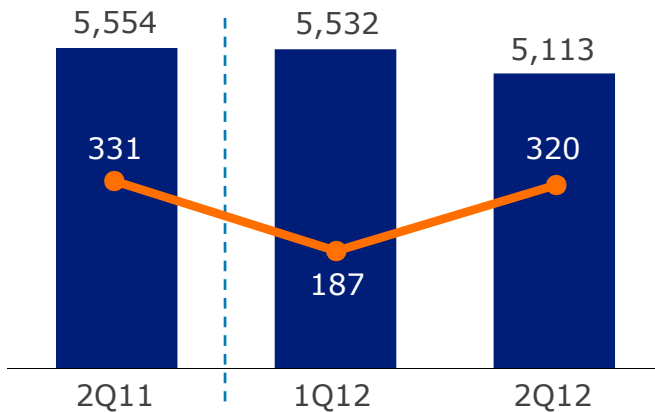
# Record-Low Postpaid Churn with Strong Sales

## Postpaid Churn



## Smartphone Sales (in thousands)

— Postpaid Net adds



## Prepaid and total churn also record lows

- 88 percent of smartphones are on family plans or business related
- Network improvements continue
- More than a third of postpaid smartphone subscribers on 4G devices

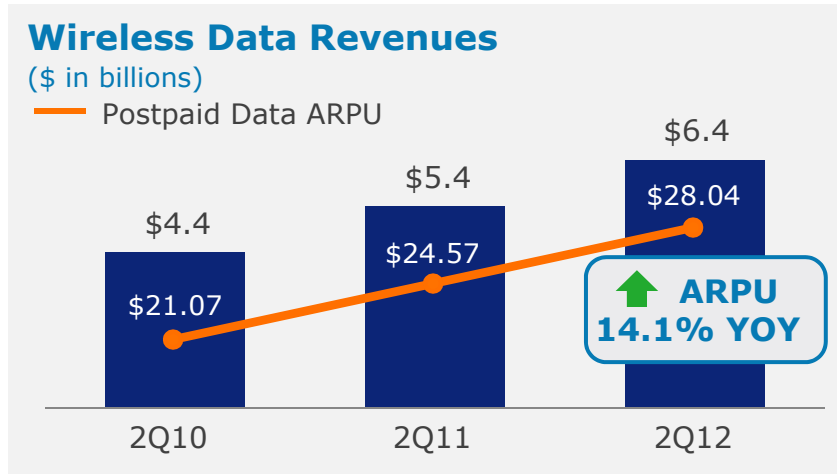
**1.3 million total net adds** — to reach 105.2 million; gains in every category

## 2Q12 Net Add Summary (in thousands)

Postpaid	320
Prepaid	92
Reseller	472
Connected Devices	382
<b>Total</b>	<b>1,266</b>

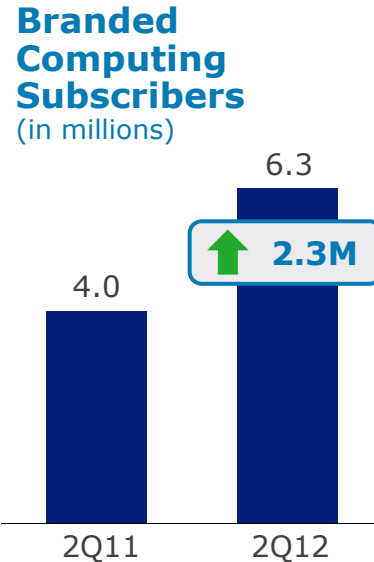
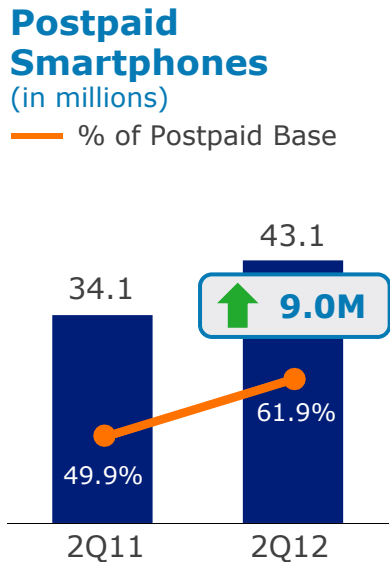


# Mobile Data Revenues Up Almost 19 Percent



## Data up \$1 billion year over year

- Smartphones are 77 percent of postpaid sales
- ARPU for smartphones is twice that of non-smartphone subscribers
- 22 percent of iPhone activations new to AT&T



## Branded computing subscribers reach 6.3 million

- More than 50 percent year-over-year growth
- 496,000 net adds, including 219,000 tablets

## New shared data plans to drive further gains in branded computing sales

Branded computing subscribers include both postpaid and prepaid LaptopConnect cards, tablets, netbooks, laptops, dongles and tethered connections.

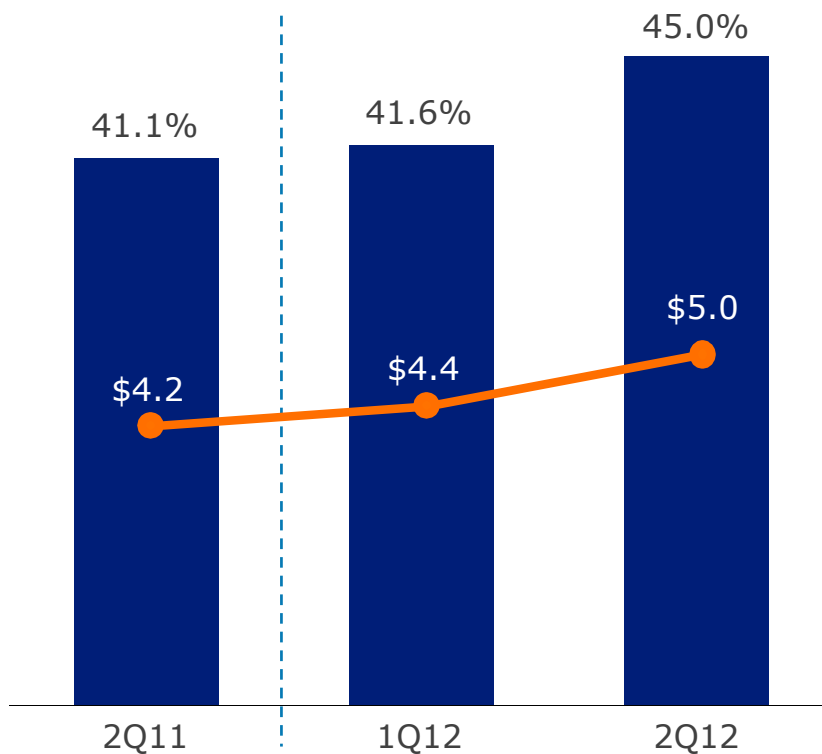




# Record Wireless EBITDA Service Margin of 45.0 Percent

## Wireless EBITDA Service Margin

— Operating Income (\$ in billions)



## Margin improvement drivers:

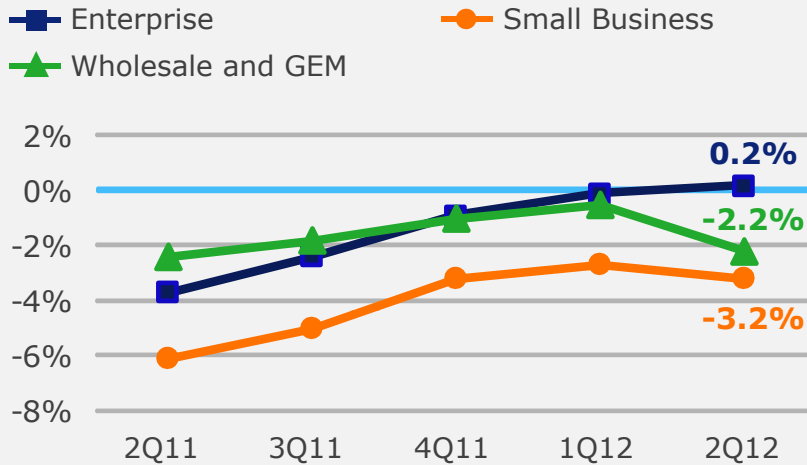
- New data pricing
- New upgrade policy — record low postpaid upgrades of ~6 percent
- Prudent cost management
- Growing smartphone base
- 27 million subscribers on tiered plans

**Wireless operating income up 12.9 percent sequentially and 17.8 percent year over year**



# Strategic Business Services Continue Solid Growth

## Wireline Business Revenue Growth

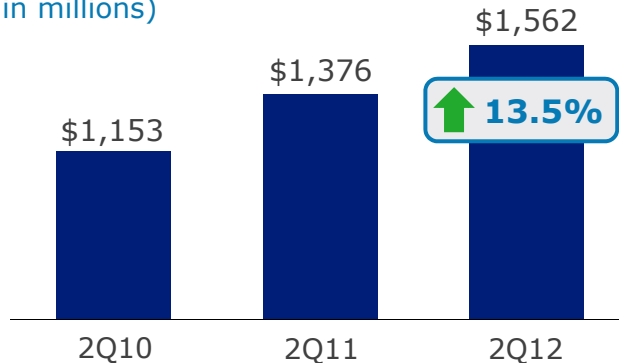


Numbers exclude impact of 2010 sale of Japan assets.

## AT&T Business Solutions revenues down 1.5 percent year over year

- **Global Enterprise Solutions** — First revenue growth since 1Q08 driven by advanced IP services
- **Small Business and Alternate Channels** — Competitively positioned, continued weakness in new business starts
- **Wholesale and GEM** — Strategic services growth offset by reductions in legacy data connections

## Strategic Business Services Revenues (\$ in millions)



## Strategic Business Services and IP data growth in all customer segments

## Business margins stable



# Total U-verse Subscribers Reach 6.8 Million, U-verse Revenues Up 38 Percent

## Wireline Consumer Revenue Growth



## Wireline consumer revenues grow at fastest rate in more than four years

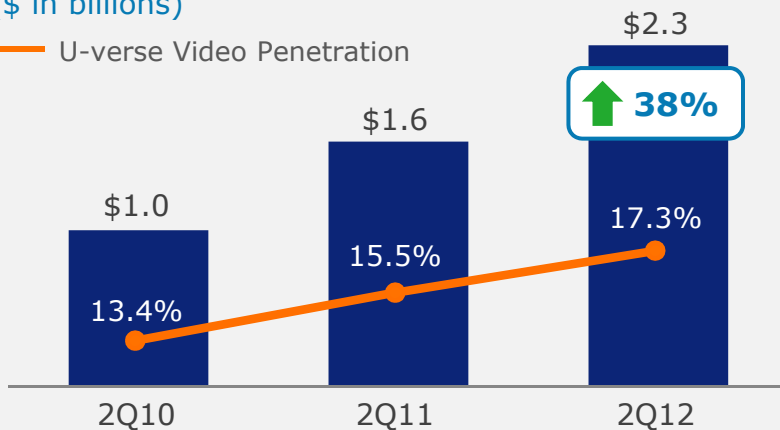
- 1.7 percent revenue growth
- Eighth consecutive quarter of year-over-year growth

## U-verse TV subscribers reach 4.1 million

- 155,000 U-verse TV net adds
- U-verse broadband net adds top 550,000
- Enhancing speeds and availability to small business customers
- U-verse margins continue to improve

## Total U-verse Revenues (\$ in billions)

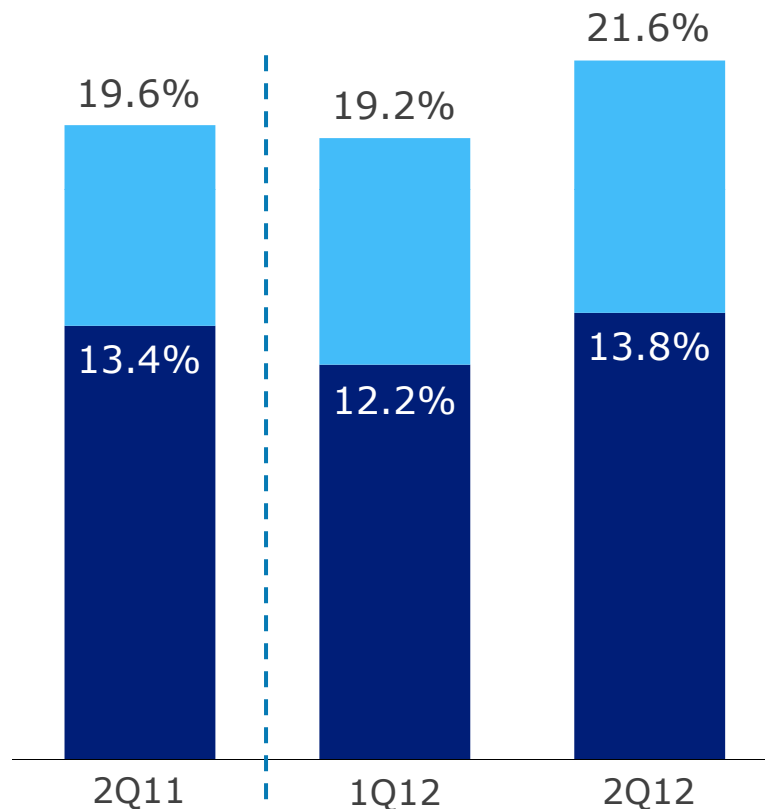
— U-verse Video Penetration



# Consolidated Margin Summary

## Operating Income Margin

Consolidated  
Wireline



### Improving consolidated margin

- Expanded year over year and sequentially
- Focus on customer experience

### Wireline operating income margin expands year over year

- Improving data revenue trends and solid cost management partially offset declines in voice revenues

### Continued progress with cost initiatives

- "One AT&T" initiatives contributing incremental value



# Strong Cash Flow and Balance Sheet

## 1H12 AT&T Cash Summary

(\$ in billions)

**Cash From Operations**                      **\$17.5**

**Capital Expenditures**                      **\$8.9**

**Free Cash Flow**                              **\$8.6**

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

**Net-Debt-to-EBITDA Ratio**              **1.42**

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**Dividends Paid**                              **\$5.2**

**Shares Repurchased**                      **\$4.6**

**Total Returned to Shareowners**      **\$9.8**

## Solid free cash flow

- Up 18.0 percent year to date
- Wireless capital expenditures of \$4.7 billion, up \$288 million year over year

## Strong balance sheet

- Net-debt-to-EBITDA ratio at 1.42
- Total debt reduced \$1.2 billion during the quarter
- Refinanced \$7 billion of debt year to date

## Excellent return to shareholders

- Almost \$10 billion year to date
- Repurchased more than 143 million shares for \$4.6 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.



## 2Q12 Summary: Solid Performance, Strong Momentum Going Forward

- ✓ **80 percent of revenues from growth drivers:** 2 percent consolidated revenue growth excluding Ad Solutions, 10 percent reported earnings growth, growth drivers up 5.5 percent year over year
- ✓ **Outstanding wireless results:** 45 percent EDITDA service margin, strong sales, best-ever churn and data revenues up 18.8 percent
- ✓ **Strongest wireline consumer revenue growth in four years:** U-verse revenues up 38.3 percent, enterprise leads wireline business
- ✓ **Solid capital structure and outstanding return to shareowners:** reduced debt costs, strong cash flow, almost \$10 billion in dividends and share repurchases through first half of year
- ✓ **Delivering on strategy:** Ad Solutions sale, spectrum deals



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