

AT&T Investor Update

3Q07 Earnings Conference Call
Oct. 23, 2007



Agenda

Introduction

Rich Dietz

Senior Vice President – Investor Relations

Results

Rick Lindner

Senior Executive Vice President
and Chief Financial Officer

Qs and As

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.

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EPS Summary

	3Q07	3Q06
Reported EPS	\$0.50	\$0.56
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Adjustments:		
Merger integration, amortization and purchase accounting effect	0.21	0.07
<hr/>		
Adjusted EPS	\$0.71	\$0.63

Not included in 3Q07 adjustments:

- \$171 million in pretax items related to legal matters, nonmerger severance and other nonrecurring adjustments
- Offset at net income level by income tax adjustments

Pretax adjustments to earnings: In 3Q06, merger integration and noncash intangible amortization of \$412 million. In 3Q07, merger integration and noncash intangible amortization of \$1,766 million and Advertising & Publishing purchase accounting impacts of \$132 million. Further details are available at www.att.com/investor.relations.

Rick Lindner

Senior Executive Vice President and
Chief Financial Officer
AT&T Inc.



AT&T 3Q07 Highlights: Strong Execution, Accelerated Growth



- Best-ever 3Q wireless subscriber gain: 2.0 million
- Positive momentum in enterprise: growth in recurring revenues, second consecutive quarter of sequential growth in both total and recurring revenues
- Fifth consecutive quarter of improved revenue growth
- Merger integration initiatives and synergies on track
- Sustained double-digit adjusted EPS growth
- Strong cash flow: expect full-year free cash flow after dividends in the \$6.0 billion to \$7.0 billion range, significantly above original target
- Substantial return of value to shareowners: \$2 billion shares repurchased in 3Q, \$8.9 billion year to date

Sound Strategic Focus, Good Momentum Across Key Growth Areas

Wireless

Expand coverage and spectrum, grow data

- Dobson Communications
- Aloha Partners 700 MHz spectrum
- Key device exclusives: Apple iPhone, AT&T Tilt™

Enterprise

Strengthen product sets, broaden alliances

- Expanded agreement with IBM – primary global network management provider
- Interwise – global conferencing provider

U-verseSM TV

Drive growth in integrated consumer video services

- Approached 10,000/week install rate at end of 3Q07
- Launched in 33 markets across the United States

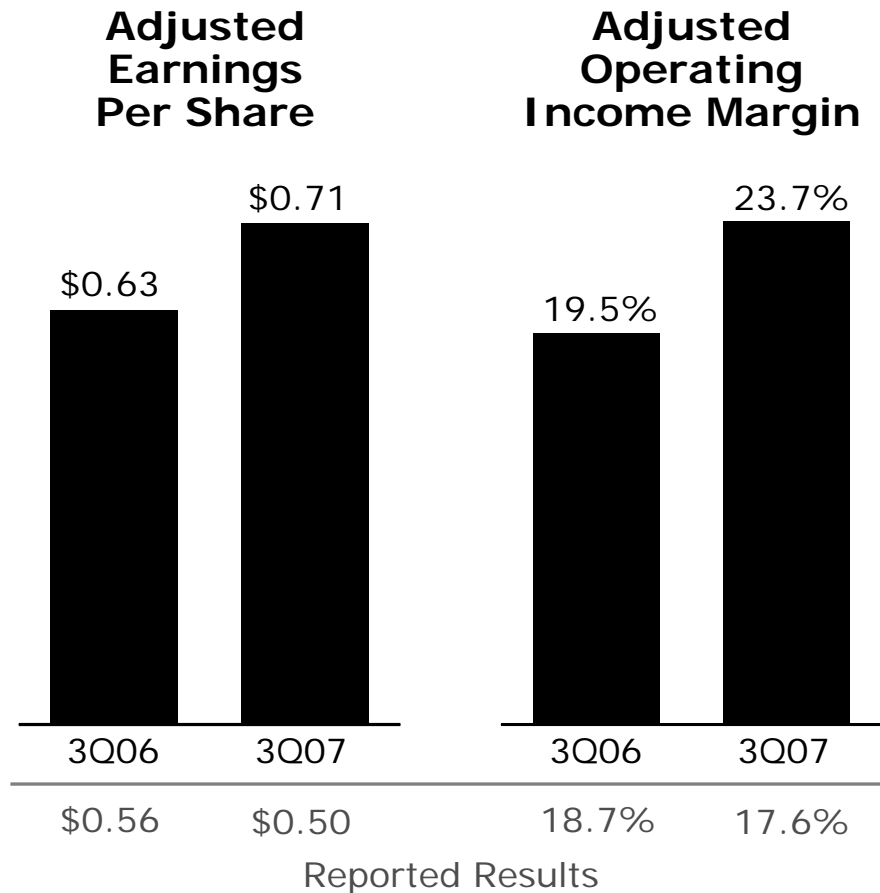
Convergence

Give customers more choice across voice, data and video

- Wireless/broadband bundle
- AT&T UnitySM plan sales accelerating, nation's largest calling community

Significant progress in brand transitions
and brand repositioning

Double-Digit Adjusted EPS Growth



Tenth consecutive quarter of double-digit growth in adjusted EPS

3Q07 results not adjusted for:

- \$171 million pretax for legal matters, nonmerger severance and other nonrecurring items
- Offset at net income level by income tax adjustments

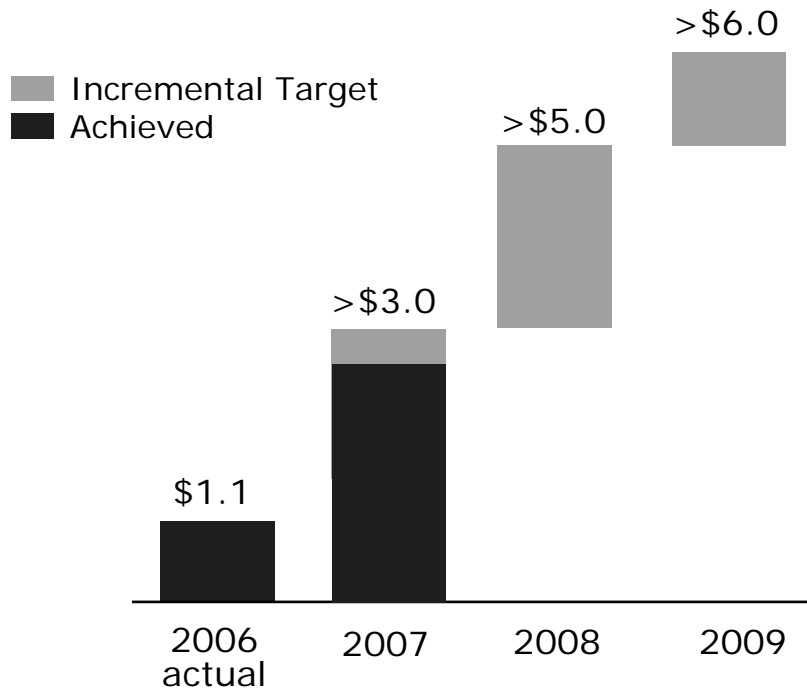
Margin outlook:

- Continue on track to operate at the top end of 23% – 24% margin range for 2007

Merger integration and amortization costs and other one-time items excluded from adjusted operating income margins: \$140 million in 3Q06 and \$1,898 million in 3Q07. Excluded from adjusted EPS: \$412 million in 3Q06 and \$1,898 million in 3Q07.

Merger Integration on Track

**AT&T and BellSouth
Merger Cost Synergy Run Rates**
Expense and Capital
(\$ in billions)



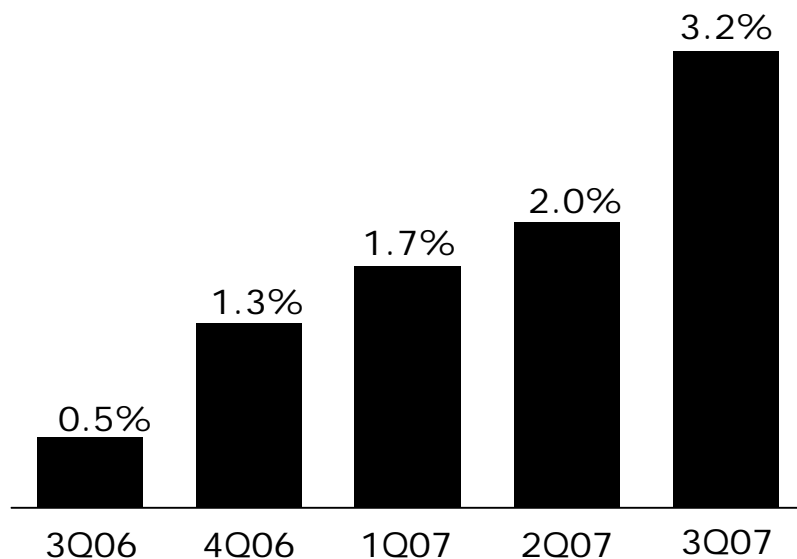
\$2.8 billion merger savings achieved through 3Q07, approximately 70% expense and 30% capital

- Network and traffic migration initiatives on track
- Labor savings on plan
- BellSouth and Cingular brand migration work largely complete
 - 95% of company-owned retail stores have been rebranded
 - 100% of vehicles now rebranded

Revenue Growth Ramp

Consolidated Adjusted Revenue Growth Rates

Year-Over-Year Pro Forma



1Q07, 2Q07 and 3Q07 revenues adjusted to exclude Advertising & Publishing revenue deferral impacts of \$409 million, \$306 million and \$196 million, respectively.

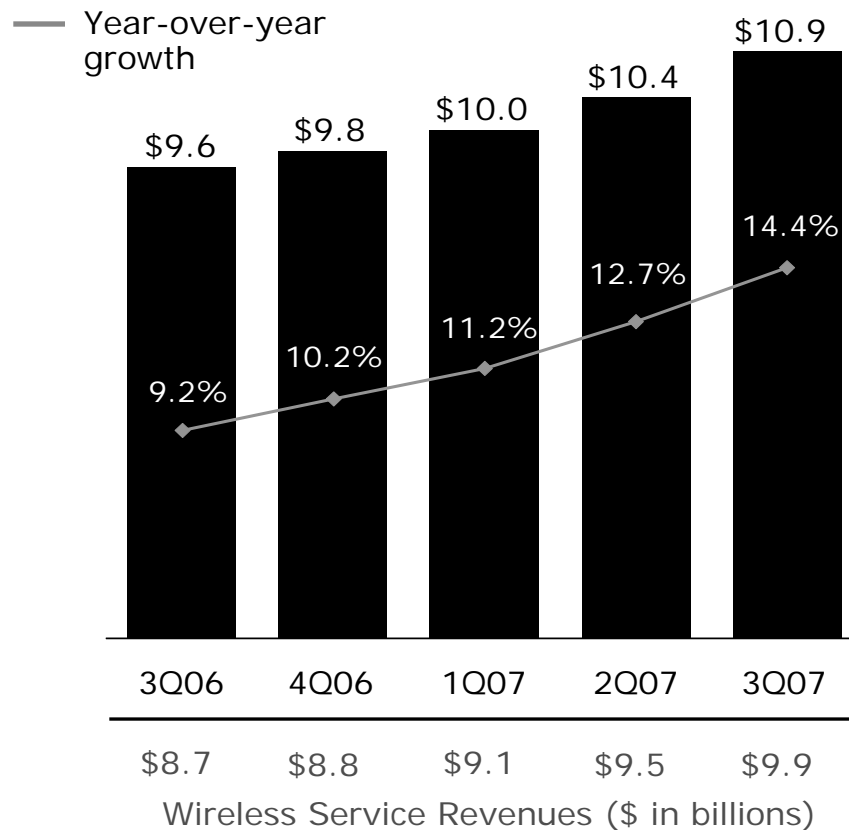
Fifth consecutive quarter of improved pro forma year-over-year revenue growth rate, 1.8% sequential growth

- Strong wireless growth
- Significant improvement in enterprise trends
- Continued solid results in both regional consumer and business

Accelerated Wireless Growth

Wireless Revenue Growth

Year-Over-Year Growth Rates
(\$ in billions)



Subscriber Growth

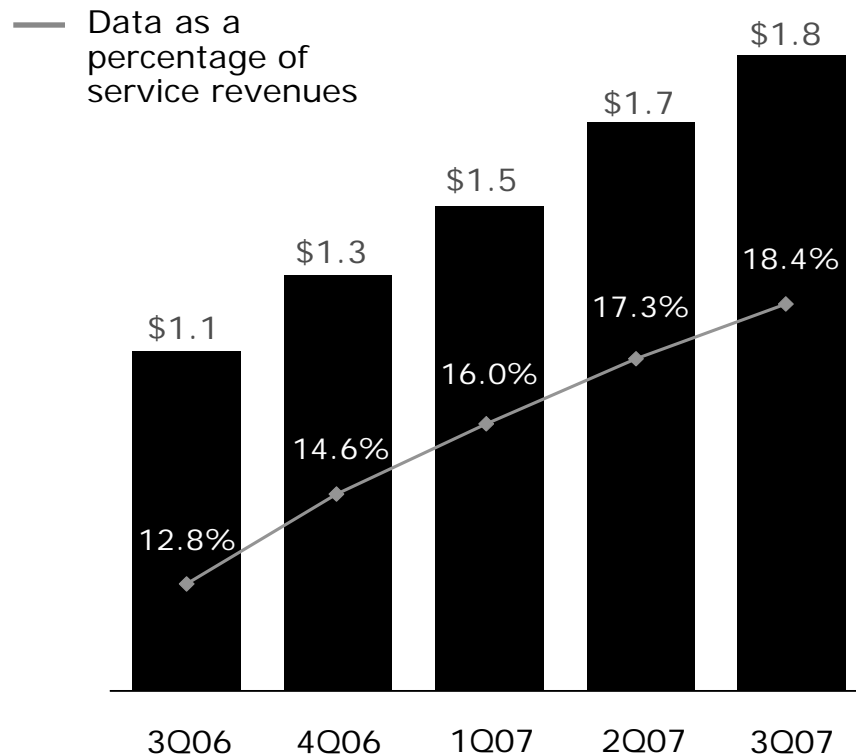
- 5.3 million gross adds, up 16% versus 3Q06 and up 17% sequentially
- 2.0 million net subscriber gain in 3Q07, up 47% from 3Q06 and up 37% sequentially
- 1.2 million postpaid net adds in 3Q07, up 30.6% versus 2Q06 and up 32.9% sequentially
- 7.0 million net subscriber increase over past four quarters

ARPU Growth

- Fifth consecutive quarter of year-over-year ARPU growth

Robust Wireless Data Growth

Wireless Data Revenues
(\$ in billions)



Wireless data revenues up 63.9%, fifth consecutive quarter of better than 60% year-over-year growth

- Continued strong gains across both consumer and business customers
- Large data revenue upside remains
 - Approximately one-third of postpaid customers are on data plans
 - Approximately 7 million customers using 3G devices
- Increased sales of advanced handsets including the Apple iPhone

Cutting-Edge Wireless Handsets, Innovative New Services



High-Profile Exclusives

- Apple iPhone
- AT&T Tilt

Data-Rich Devices

- BlackBerry® 8820 adds Wi-Fi capabilities
- Sierra Wireless AirCard® 881 LaptopConnect card

Expanded Entertainment Options

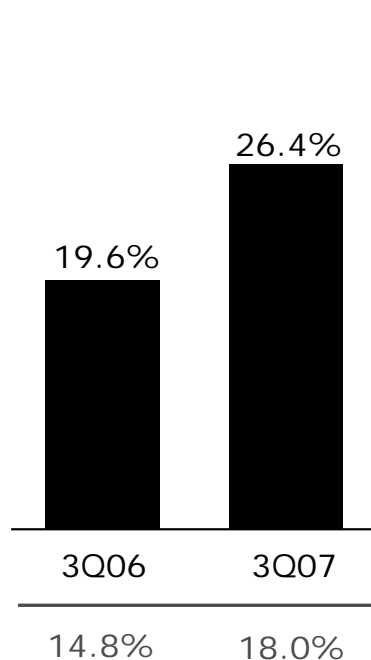
- 5 million track Napster library available starting in November
- Largest mobile music solution among national wireless carriers

Converged Services

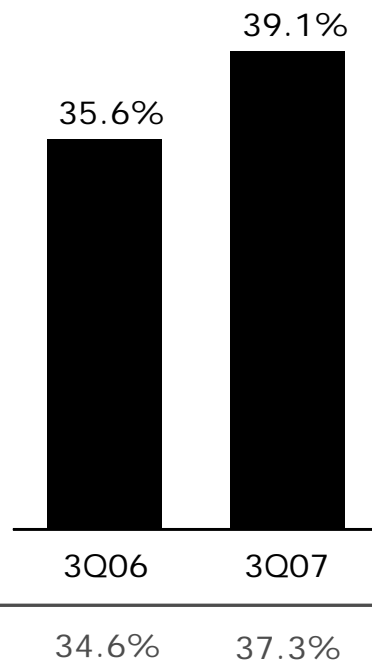
- AT&T Unity plan, nation's largest calling community
- My MEdia™ Net, lets customers manage wireless home pages via their PCs

Wireless Margin Expansion

Adjusted Operating Income Margin



Adjusted OIBDA Margin



Unadjusted Results

Merger integration and amortization costs excluded from adjusted operating income margins: \$453 million in 3Q06 and \$918 million in 3Q07. Excluded from adjusted OIBDA service margins: \$87 million in 3Q06 and \$177 million in 3Q07.

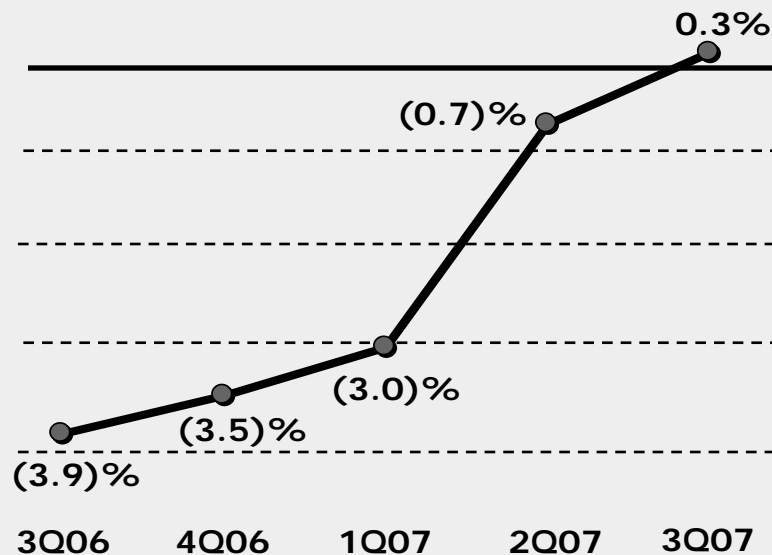
Wireless margin expansion driven by double-digit revenue growth, reduced churn and merger integration

- Improved network cost structure
- IT system shutdowns nearly complete
- California/Nevada JV unwind nearly complete — 98% of AT&T customers on AT&T network
- Approximately 560,000 customers moved off the TDMA network in 3Q; approximately 780,000 remain, two-thirds wholesale

Improved Growth Trajectory, Solid Momentum in Enterprise

Recurring Enterprise Service Revenues – YOY Growth Rates

Excludes USi and CPE sales



Total pro forma enterprise growth rates: 3Q06 (4.8%), 4Q06 (3.5%), 1Q07 (3.8%), 2Q07 (1.8%) and 3Q07 (0.3%).

Recurring revenue growth year over year. Improved trend line driven by strong demand and double-digit growth in IP data revenues

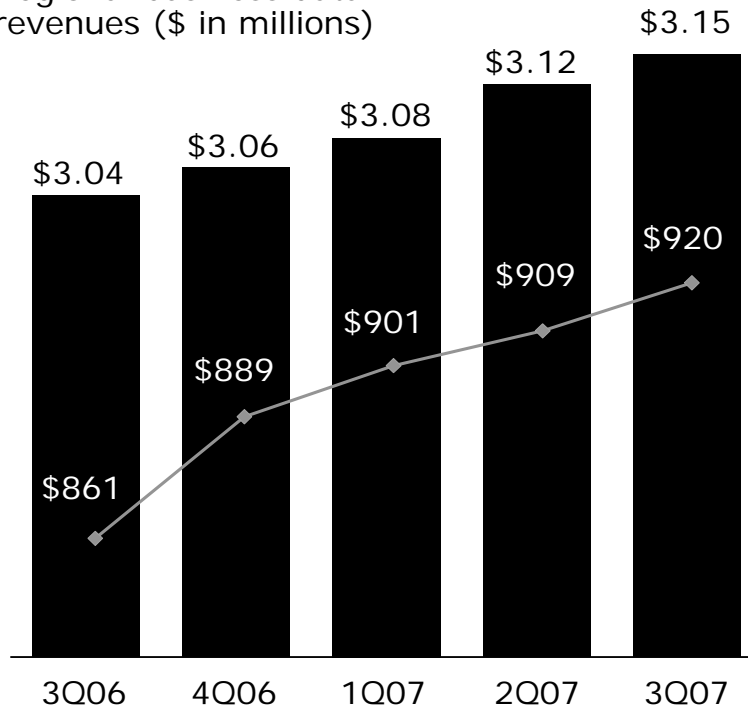
- VPN services up 32%
- Hosting services up 19%
- 38 Internet Data Centers worldwide by end of 2007
- Continued strong volume growth in data transport
- First major win under GSA Networkx contract
- IBM contract and Interwise transaction

Regional Business Growth

Regional Business Revenues

2006 Pro Forma
(\$ in billions)

— Regional business data revenues (\$ in millions)



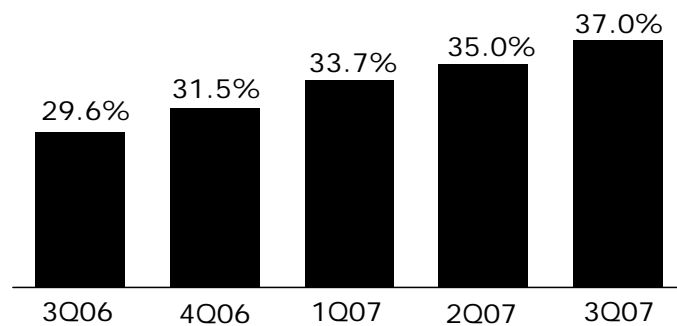
Regional small/mid-sized business revenues up 6%; total regional business revenues up 3.4%

- 6.9% growth in regional business data revenues led by IP-based services
 - Virtual private networking
 - Broadband connectivity
 - Managed Internet services
- Continued growth in regional voice revenues with continued growth in access lines

Growth in Consumer Connections

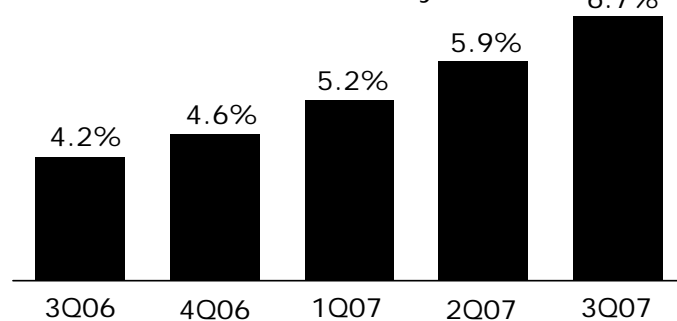
Consumer Broadband Penetration

Broadband Connections as a Percentage of Primary Consumer Lines — 2006 Pro Forma

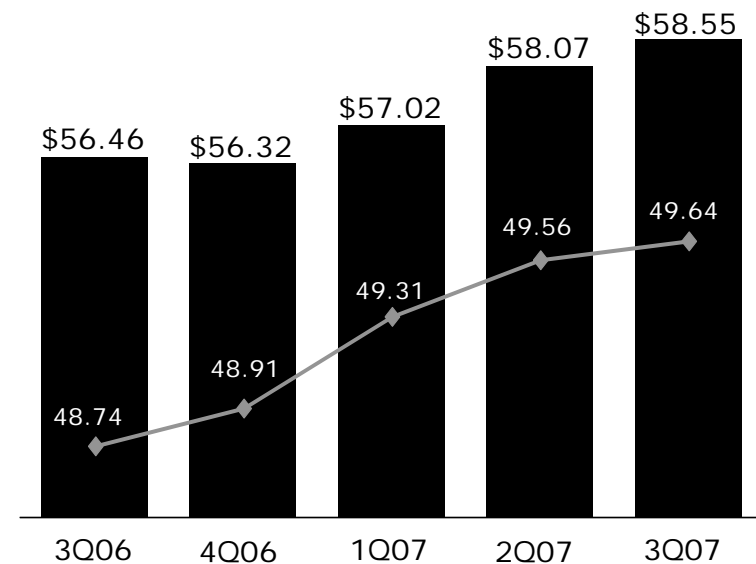


Consumer Video Penetration

Bundled Satellite and AT&T U-verse Video Subscribers as a Percentage of Consumer Primary Lines



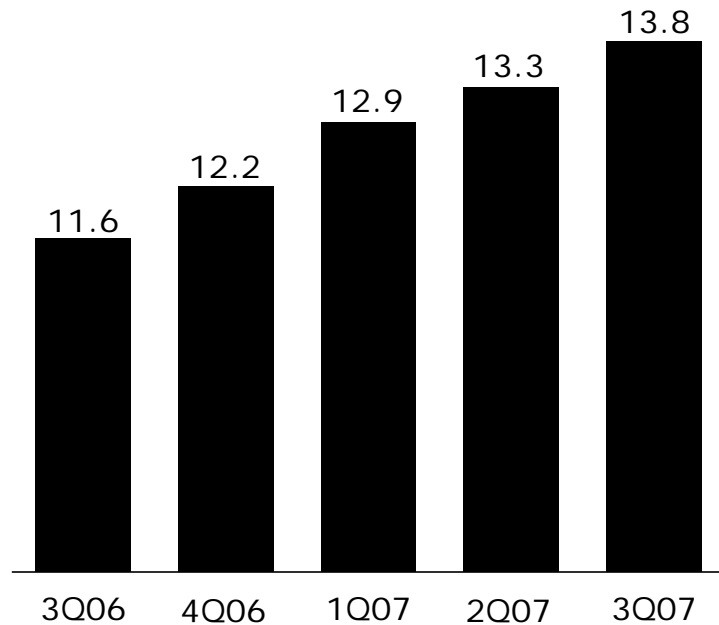
Total Regional Consumer Revenue per Primary Line



— Total Regional Consumer Connections
Traditional access lines, broadband connections and video connections

Broadband Growth

Total Broadband Connections
2006 Pro Forma
(in millions)



3Q07 broadband net adds of 499,000; gross consumer broadband sales up more than 10% year over year

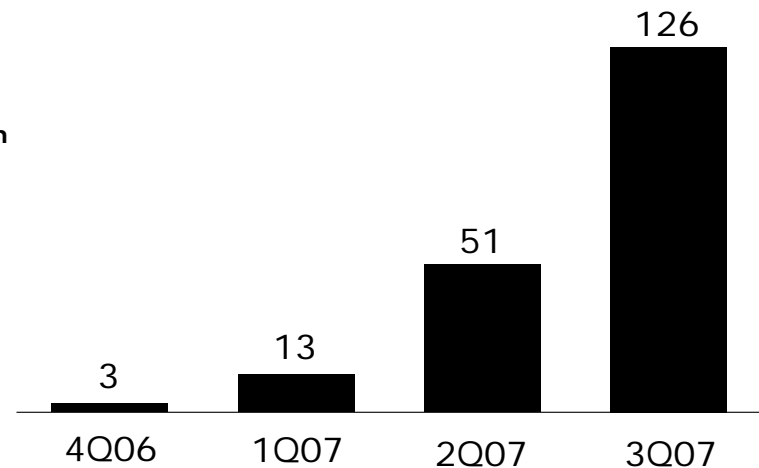
- 2.2 million, 18.6% increase in total broadband subscribers over past year to reach 13.8 million in service
- 44% of consumer broadband base on speed tiers of 3.0 Mbps or higher
- 14% year-over-year growth in broadband revenue
- Wireless/broadband bundle expanded, solid results in August trial

Accelerated Ramp in AT&T U-verse TV

AT&T U-verse Services Available
in 33 Markets Across U.S.



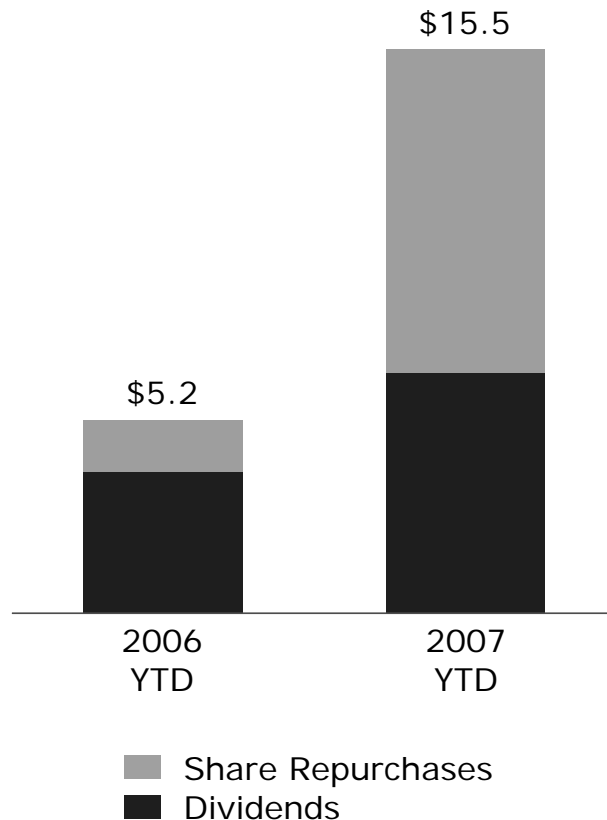
AT&T U-verse Video
Subscribers in Service
(in thousands)



Weekly install rate approaching 10,000 at the end of 3Q07,
up from 5,500 three months earlier.

Free Cash Flow Growth

Cash Returned to Shareowners
(\$ in billions)



Cash Summary
(\$ in billions)

	3Q07	YTD
Cash from Operations	\$9.2	\$24.2
Capital Expenditures	\$4.7	\$12.1
Free Cash Flow before Dividends	\$4.6	\$12.1
Dividends Paid	\$2.2	\$6.6
Free Cash Flow after Dividends	\$2.4	\$5.5

Expect full-year 2007 free cash flow after dividends to be in the \$6.0 billion to \$7.0 billion range

AT&T 3Q07 Performance Summary

- Improved revenue growth ramp led by wireless and strengthening enterprise momentum
- Merger integration initiatives and synergies solidly on track, with additional opportunities for productivity improvement
- Strong adjusted margins at high end of full-year outlook range
- Sustained double-digit adjusted EPS growth
- Strong free cash flow allowing for investments in the future of our business and substantial return of value to shareowners — share repurchases and dividend growth
- Accelerating momentum through key strategic initiatives in wireless, enterprise, video and converged services

**Intense focus on execution, strong record
of delivering on targets**

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