

AT&T Investor Update

4Q07 Earnings Conference Call
Jan. 24, 2008



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Agenda

Introduction

Rich Dietz
Senior Vice President-Investor Relations

Results

Rick Lindner
Senior Executive Vice President
and Chief Financial Officer

Q and A

Cautionary Language Concerning Forward-Looking Statements

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EPS Summary

Double-digit growth in adjusted earnings per share for 11 consecutive quarters and three straight years

	4Q07	4Q06
Reported EPS	\$0.51	\$0.50
<hr/>		
Adjustments:		
Merger integration, amortization and purchase accounting effect	0.19	0.11
<hr/>		
Adjusted EPS	\$0.71	\$0.61

Pretax adjustments to earnings: Merger integration and noncash intangible amortization of \$624 million in 4Q06 and \$1,800 million in 4Q07. Totals may not foot due to rounding. Further details are available at www.att.com/investor.relations.

Rick Lindner

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



Strong Results, Outlook Reaffirmed

- **Industry-record wireless quarter** with 2.7 million net adds
- **Significant step up in enterprise services revenue growth** with good momentum heading into 2008
- **Stable regional revenue trends** in both business and consumer
- **On track** to deliver mid-single-digit consolidated revenue growth in 2008
- **Strong cash generation** with \$16.4 billion full-year free cash flow
- **More than \$19 billion** in value returned to shareowners in 2007

Adjusted EPS Growth, Margin Expansion



- Fourth-quarter adjusted margin up 580 basis points
- 23.8% full-year adjusted operating margin, well ahead of original outlook and at top end of most recent range

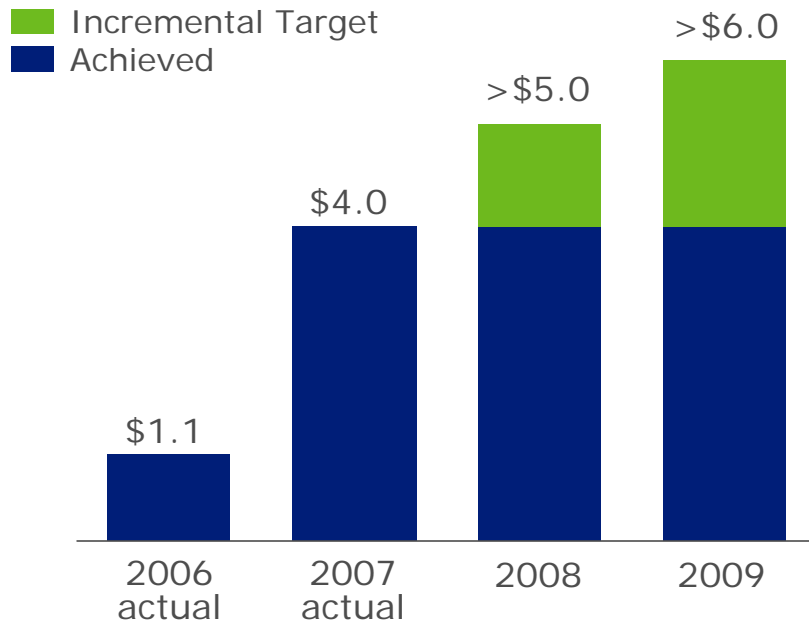
2008 Outlook

- Further margin expansion: adjusted operating margin in 25% – 26% range
- Continued double-digit growth in adjusted EPS

Merger integration and amortization costs and other one-time items excluded from adjusted EPS: \$624 million in 4Q06 and \$1,800 million in 4Q07. Excluded from adjusted operating income margins: \$315 million in 4Q06 and \$1,800 million in 4Q07.

2007 Merger Synergies Reach \$4 Billion, Significant Upside Opportunity in 2008

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



- Network and traffic migration initiatives on track
- Labor savings on plan
- BellSouth and Cingular brand migration work largely complete

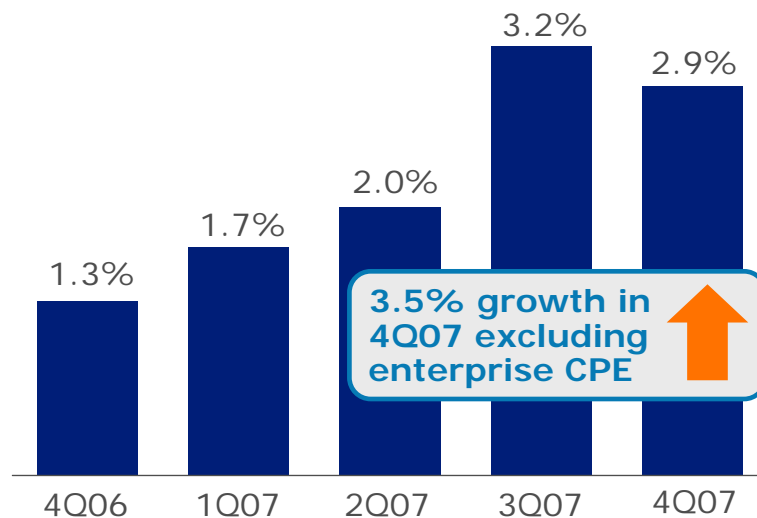
»»» 2008 Outlook

- \$2 billion in incremental operating expense savings from merger synergies and additional expense-reduction initiatives

Solid Momentum Toward Mid-Single-Digit Revenue Growth in 2008

Consolidated Revenue Growth Rates

Year-Over-Year Pro Forma



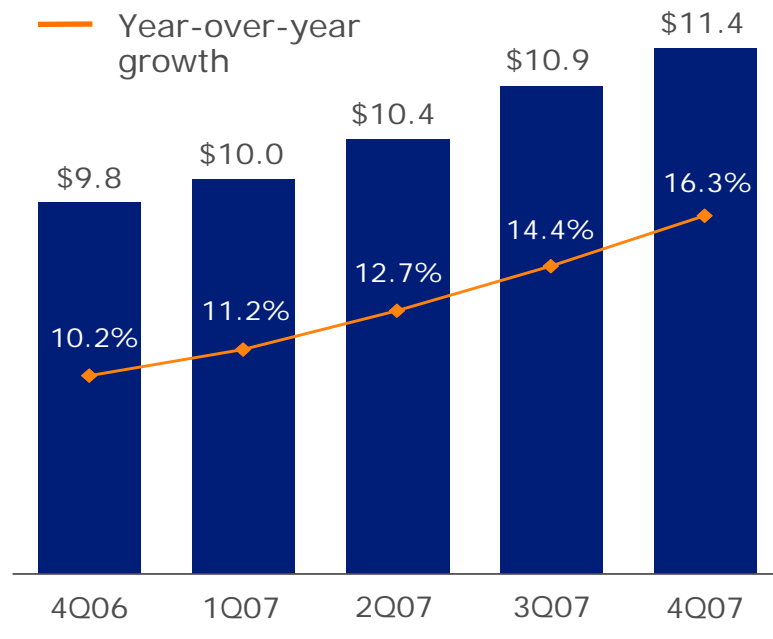
1Q07, 2Q07, 3Q07 and 4Q07 revenues adjusted to exclude Advertising & Publishing revenue deferral impacts of \$409 million, \$306 million, \$196 million and \$53 million, respectively.

Major revenue growth drivers:

- Strong mid-teens wireless growth
- Significant improvement in recurring enterprise revenue trends; CPE comparisons will have less impact starting in 1Q08
- Stable trends in both regional consumer and business
- Wholesale expected to stabilize as we move through 2008
- Reduced impact from National Mass Markets

Accelerating Wireless Revenue Growth

AT&T Wireless Revenues (\$ in billions)



Wireless Service Revenues, YOY Growth Rates (\$ in billions)				
\$8.8	\$9.1	\$9.5	\$9.9	\$10.2
13.0%	13.5%	14.9%	13.7%	15.7%

Major Drivers:

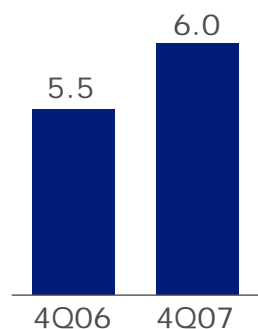
- **Strong subscriber growth:** 12% subscriber growth with 7.3 million net subscriber adds over past year, excluding Dobson acquisition
- **ARPU growth:** Six consecutive quarters of year-over-year increases in service ARPU

2008 Outlook

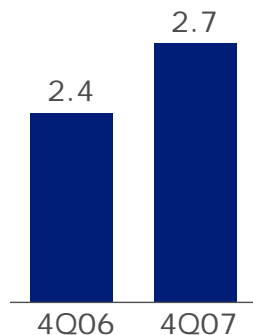
- Mid-teens percentage growth in wireless service revenues, including Dobson

Record Wireless Subscriber Growth

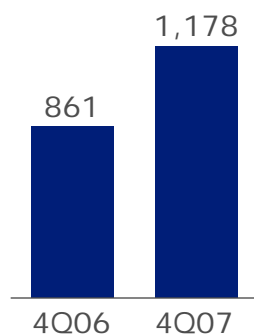
Gross Adds
(in millions)



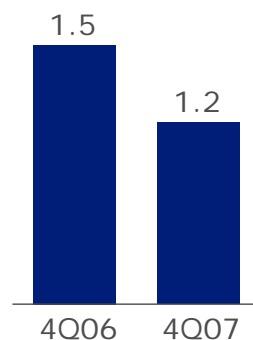
Net Adds
(in millions)



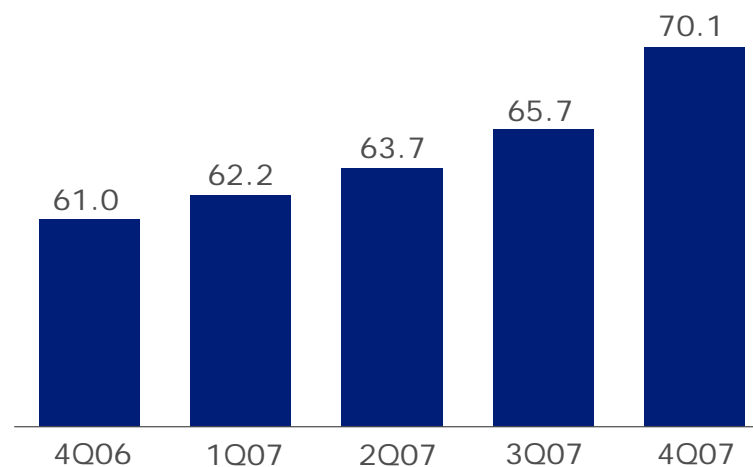
Postpaid Net Adds
(in thousands)



Postpaid Churn



AT&T Total Wireless Subscribers
(in millions)



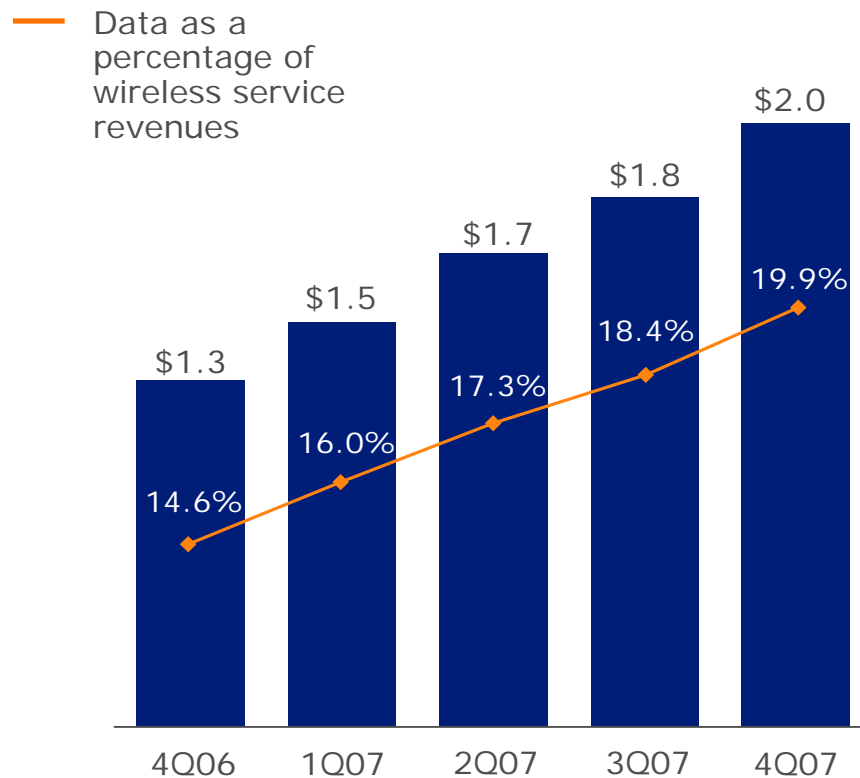
4Q07 Subscriber Growth

(in millions)

End of 3Q07 in service	65.7
4Q net adds	2.7
Dobson acquisition	1.7
End of 4Q07 in service	70.1

Wireless Data Revenues up 57.5%

Wireless Data Revenues
(\$ in billions)



Wireless data revenues up 57.5% year-over-year; large data revenue upside remains

- Approximately 12% of devices are integrated devices, with ARPU more than double the 2G base
- Approximately 13% of devices are 3G, which drives 20% higher ARPU than 2G base

4Q07 YOY Wireless Data Revenue Growth

Internet access	>40%
Messaging	>50%
E-mail	>60%
Data access	>70%
MediaBundle	>70%

Cutting-Edge Devices and Services



Pantech Duo



Blackjack II



Apple iPhone



BlackBerry Curve



Samsung SLM

PDA Leadership

- Apple iPhone
- Blackjack II — Windows Mobile 6 device
- Pantech Duo™ — 3G global smart device, AT&T U.S. exclusive
- BlackBerry® Curve

Feature-Packed Phones

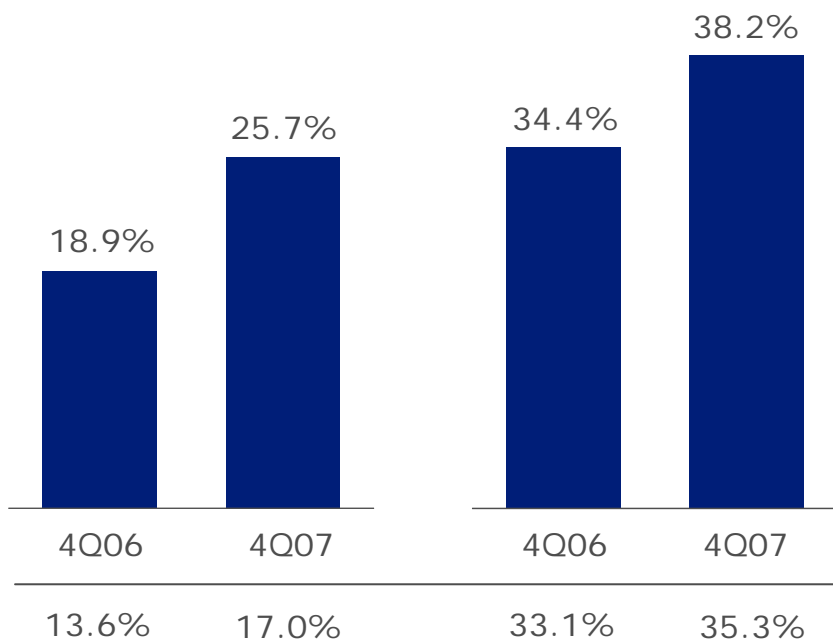
- Samsung SLM™ — newest lightweight mobile phone with music and multimedia capabilities
- Shine™ by LG — stylish new multimedia device, AT&T exclusive

Compelling Services

- Largest mobile music solution among national wireless carriers
- Launched mobile banking service with major U.S. banks

Wireless Margin Expansion

Adjusted Operating Income Margin



Unadjusted Results

Merger integration and amortization costs excluded from adjusted operating income margins: \$516 million in 4Q06 and \$991 million in 4Q07. Excluded from adjusted OIBDA service margins: \$115 million in 4Q06 and \$295 million in 4Q07.

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

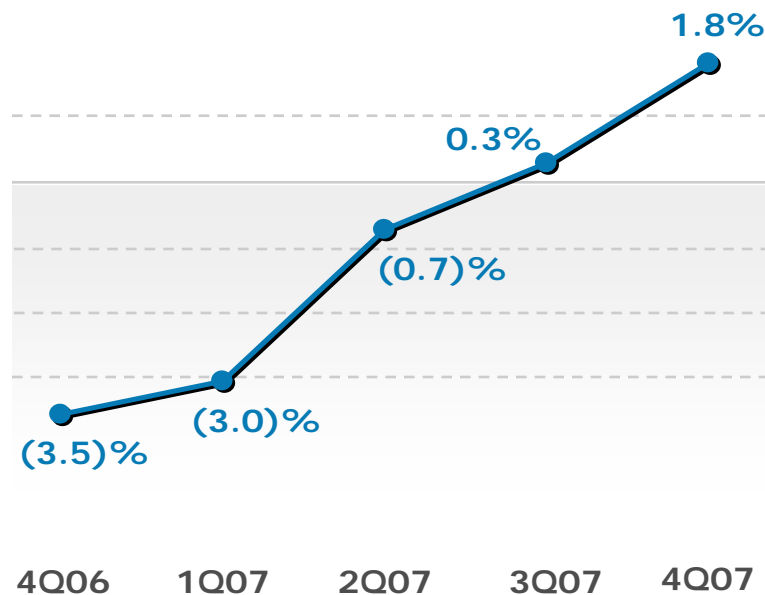
- Improved network cost structure
- IT system shutdowns complete
- Approximately 390,000 customers moved off the TDMA network in 4Q; approximately 390,000 remain, two-thirds wholesale

2008 Outlook

- Adjusted OIBDA margins in the low 40 percent range for the full year; mid-40 percent range by end-of-year 2008

Further Step Up in Enterprise With Solid Momentum for 2008

**Recurring Enterprise Service
Revenues — YOY Growth Rates**
Excludes USi and CPE sales



Total pro forma enterprise growth rates: 4Q06 (3.5)%, 1Q07 (3.8)%, 2Q07 (1.8)%, 3Q07 (0.3)% and 4Q07 (1.9)%

Major enterprise growth drivers:

- Solid demand
- Strong double-digit growth in IP data revenues
- VPN services up 31%
- Hosting services up 19%
- New orders strong in second half of 2007 and heading into 2008

2008 Outlook

- Growth in enterprise revenues throughout 2008

Positive Dynamics Driving Enterprise and Wholesale

Premier Global Network

- Serves nearly 120,000 customers; operations in 164 countries
- 38 Internet Data Centers worldwide
- Most extensive U.S. deployment of OC-768 technology

Fundamental Growth

- Wireless
- Application services
- Content delivery
- Migration to IP; faster revenue-recovery cycles

Incremental Growth Drivers

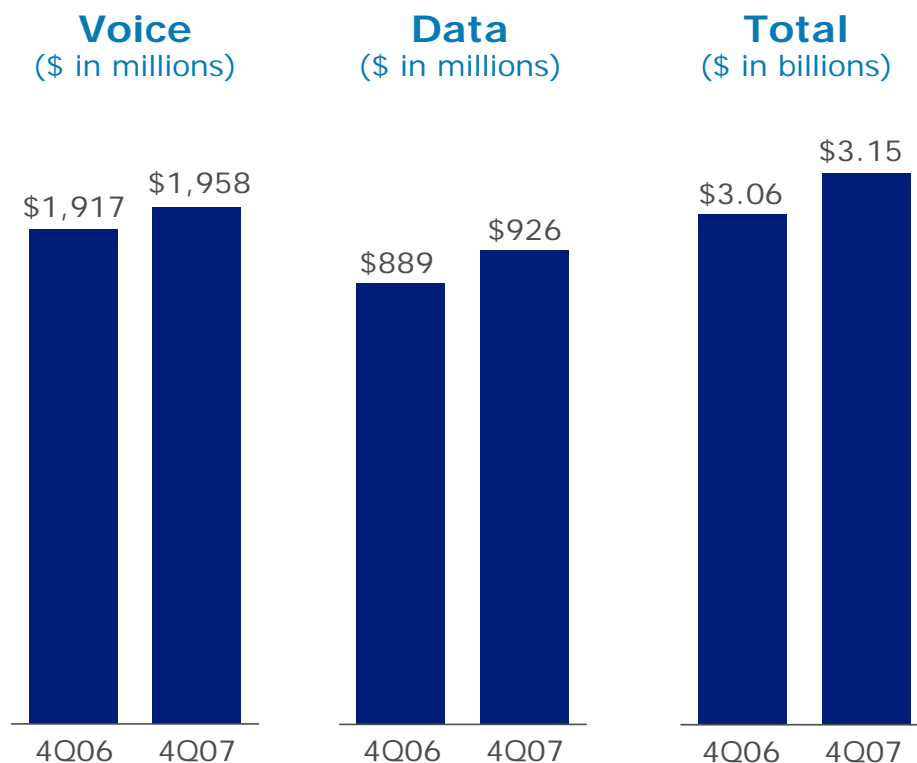
- IBM alliance
- SAP hosting agreement
- Reduced impacts from carrier traffic migration
- Merger conditions passing one-year anniversary

»»» 2008 Outlook

- Wholesale revenues expected to stabilize and return to growth in 2008

Regional Business Growth

Regional Business Revenues 4Q06 Pro Forma



Regional small/mid-sized business revenues up approximately 5%; total regional business revenues up 2.8%

- 4.2% growth in regional business data revenues led by double-digit growth in IP-based services including:
 - Virtual private networking
 - Broadband connectivity
 - Managed Internet services
- Continued growth in regional voice revenues

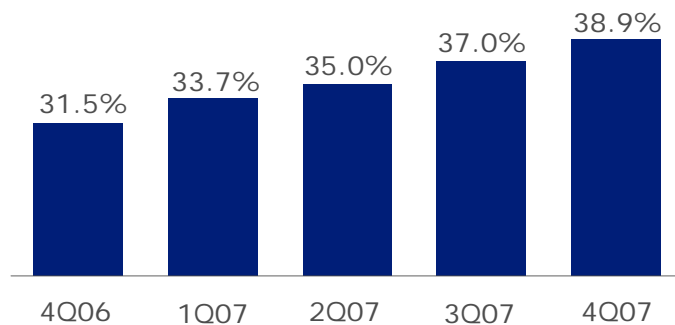
2008 Outlook

- Mid-single-digit growth

Growth in Consumer Connections

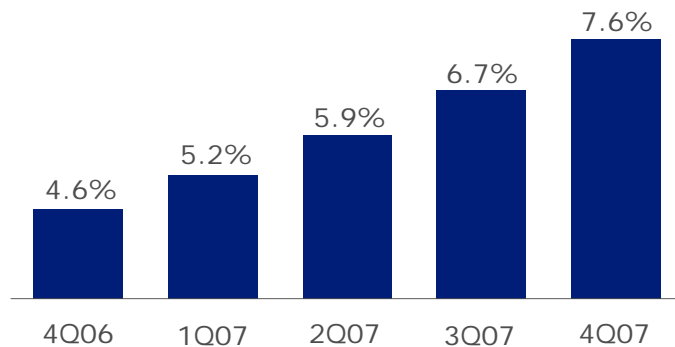
Consumer Broadband Penetration

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



Consumer Video Penetration

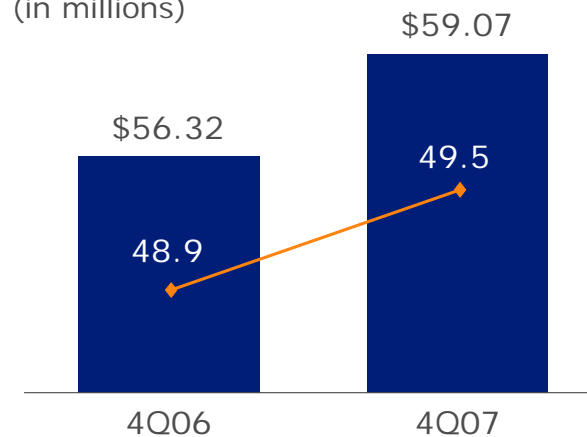
Bundled Satellite and AT&T U-verseSM Video Subscribers as a Percentage of Consumer Primary Lines — 2006 Pro Forma



Total Regional Consumer Revenue per Primary Line

Total Regional Consumer Connections

Traditional access lines, broadband connections and video connections (in millions)



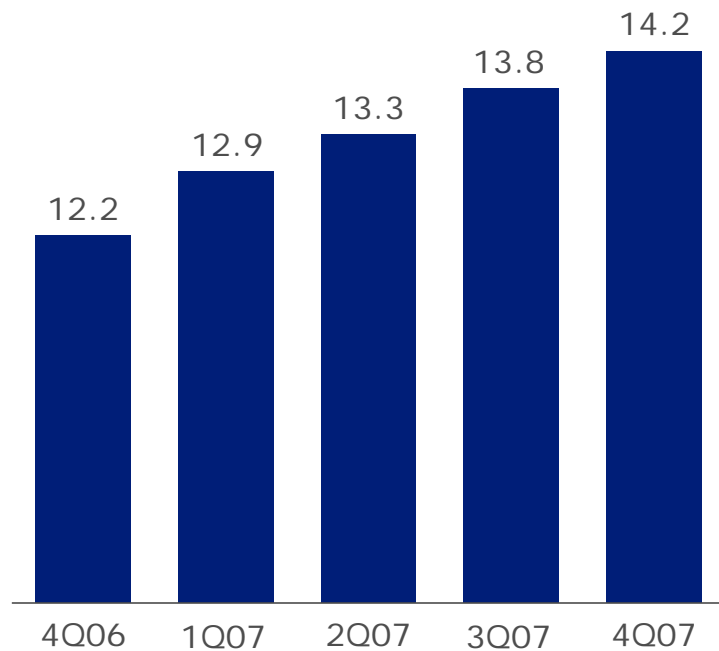
2008 Outlook

- Positive growth in regional consumer revenues driven by broadband and video

Double-Digit Broadband Growth

Total Broadband Connections

2006 Pro Forma
(in millions)



Broadband revenues up 13.7% year over year. Major drivers:

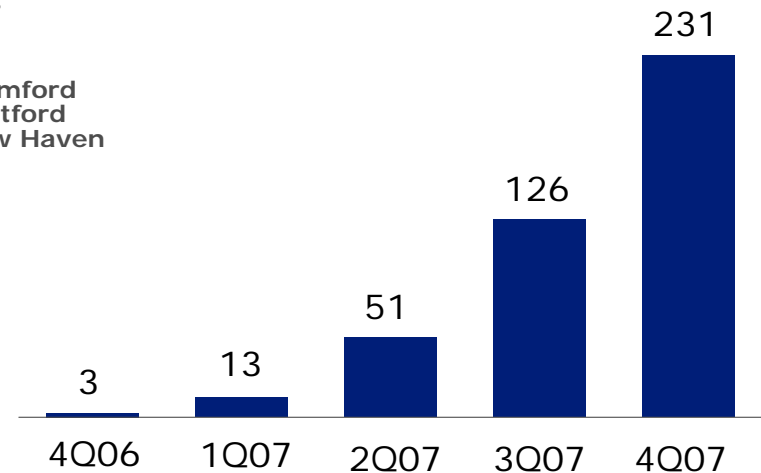
- 2.0 million, 16% increase in total broadband connections over past year to reach 14.2 million in service
- Significant ramp in wireless/broadband bundle sales
- New features/offers:
 - Free Wi-Fi for 1.5 Mbps and above
 - 10 Mbps U-verse service

Accelerated Ramp in AT&T U-verse TV

AT&T U-verse Services Available in 41 Markets Across U.S.



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



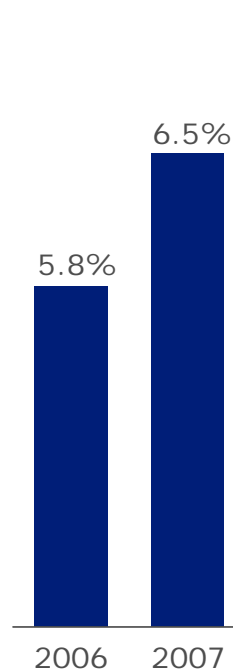
- Pre-holiday weekly install rate of approximately 12,000, ramping to 40,000 by the end of 2008
- Targeting more than 1 million in service by the end of 2008

Strong Free Cash Flow

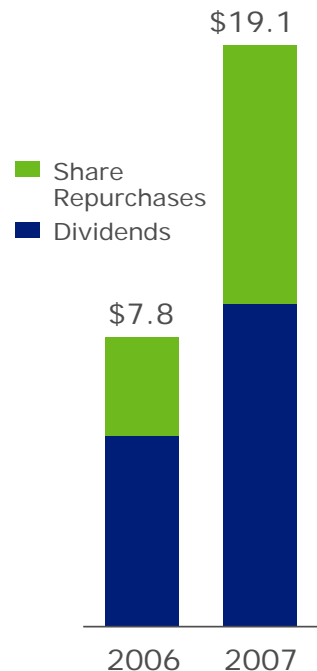
Free Cash Flow
(\$ in billions)



Free Cash Flow Yield



Cash Returned to Shareowners
(\$ in billions)



Major actions taken in December:

- 12.7% dividend increase, largest in company's history
- New 400 million share repurchase authorization, approximately 6.6 percent of shares outstanding
- Based on current market conditions and outlook, expect to complete repurchases in authorization by the end of 2009

2008 Outlook

- Free cash flow in the \$16 billion – \$17 billion range

Summary: Strong Results, Outlook Reaffirmed

- **Accelerating momentum across key growth areas:** wireless, enterprise, video and converged services
- **Revenue growth ramp:** solid momentum toward mid-single-digit consolidated revenue growth in 2008
- **Margin expansion:** merger integration and operational initiatives on track, expect further expansion in adjusted consolidated margins in 2008
- **Double-digit adjusted EPS growth:** three straight years, 11 consecutive quarters; expect continued double-digit growth
- **Strong free cash flow:** allowing for investment in future of business and substantial return of value to shareowners

**Focus on execution, strong record
of delivering on targets**

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