

AT&T Investor Update

2Q08 Earnings Conference Call
July 23, 2008

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Agenda

Introduction

Brooks McCorcle
Senior Vice President-Investor Relations

Results

Rick Lindner
Senior Executive Vice President
and Chief Financial Officer

Q and A

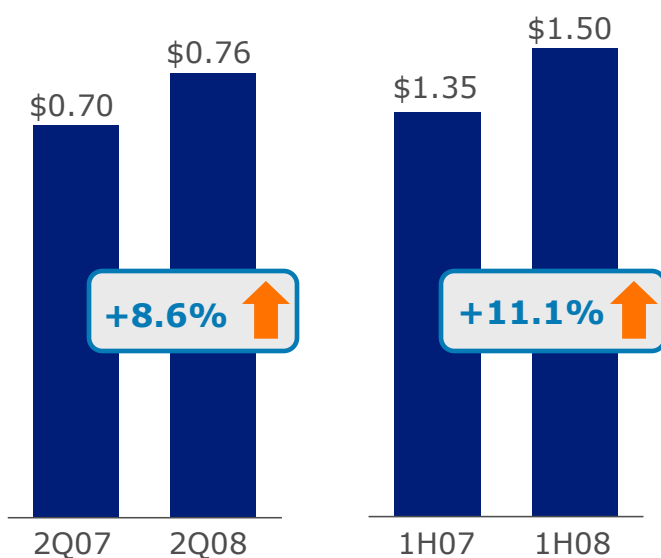
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EPS Summary

AT&T Adjusted EPS Growth



	2Q08	2Q07	Growth
Reported EPS	\$0.63	\$0.47	34.0%
Adjustments:			
Merger integration costs		0.03	
Noncash merger-related costs	0.13	0.20	
Adjusted EPS	\$0.76	\$0.70	8.6%

Pretax adjustments to earnings:

- 2Q08: noncash intangible amortization of \$1,169 million. 2Q07: merger integration, noncash intangible amortization and purchase accounting effect of \$2,164 million.
- YTD 2008: noncash intangible amortization of \$2,377 million; workforce reduction charge of \$374 million. YTD 2007: merger integration, noncash intangible amortization and purchase accounting effect of \$4,470 million. Gain from wireless transactions of \$(409) million.

Further details are available at www.att.com/investor.relations.

Rick Lindner

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



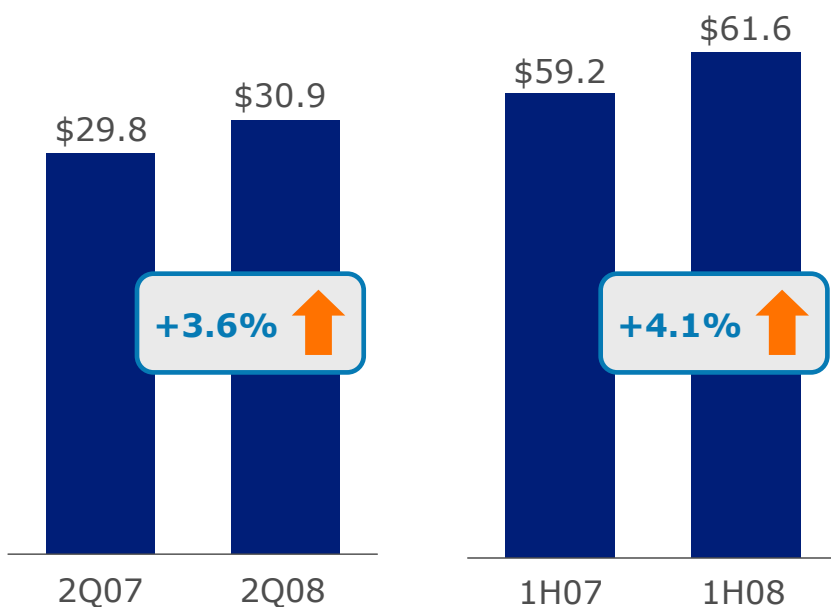
AT&T 2Q08 Highlights: Great Assets, Focused and Disciplined Execution

- **Strong wireless growth** – total revenues up 15.8%, wireless data revenues up 52.0%, further reduction in postpaid churn
- **Further advance in wholesale turnaround** – solid demand, reduced impact from carrier migration
- **Enterprise fundamentals remain solid** – sales and new service adoption remain strong
- **Continued ramp in AT&T U-verseSM TV** – 170,000 net adds to reach 549,000 in service, on trajectory to exceed 1 million in service by year end
- **Cost initiatives on track** – 25.1% adjusted consolidated operating income margin, full benefits of wireline reorganization to be realized in 2H08
- **Substantial value returned to shareowners** – 1H08 dividends paid totaled \$4.8 billion, share repurchases totaled \$6.1 billion

Consolidated Revenue Growth

Adjusted Consolidated Revenue Growth Rates

Year-Over-Year, Pro Forma



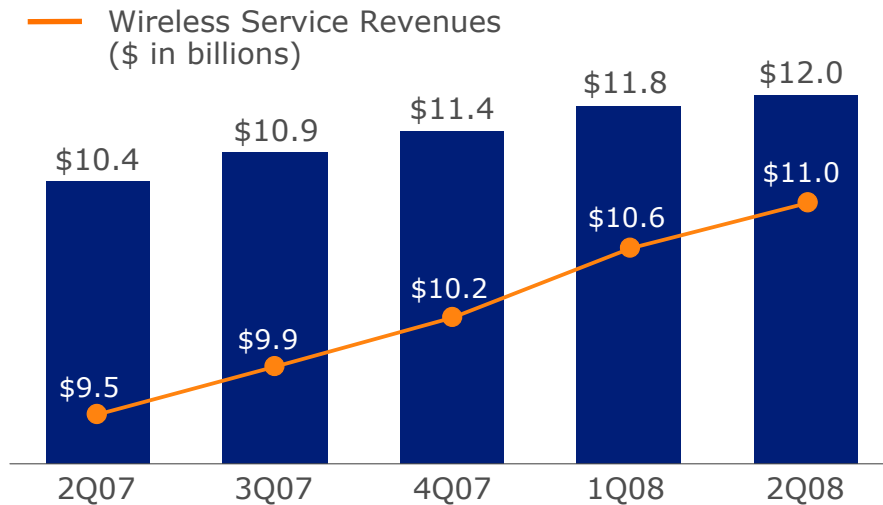
Revenues for 2007 are adjusted to exclude merger-related directory accounting impact.

Major 2Q drivers:

- Continued strength in wireless with mid-teens wireless service revenue growth
- Significant improvement in wholesale revenue trends
- Strong double-digit growth in IP data

Strong Wireless Growth

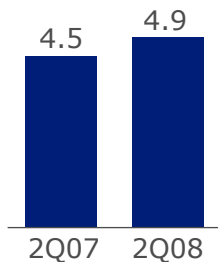
AT&T Total Wireless Revenues



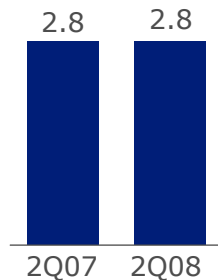
Total wireless revenues up 15.8%, service revenues up 14.8%. Major drivers:

- **Solid subscriber gains**
 - 1.3 million total net adds
 - 894,000 postpaid net adds, up >26% from 1Q08 levels
- **Strong flow share** with 4.9 million 2Q08 total gross adds
- **Further improvement in postpaid churn** – down both year over year and sequentially to 1.1%
- **Growth in postpaid subscriber ARPU** – up 3.5% year over year and up 1.5% sequentially

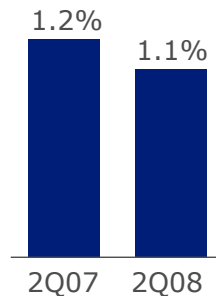
Total Gross Adds (in millions)



Postpaid Gross Adds (in millions)

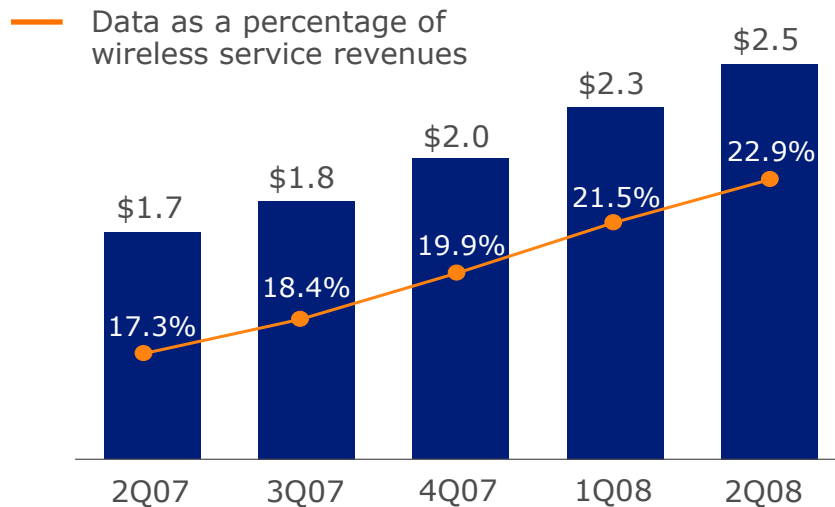


Postpaid Churn



Wireless Data Revenues up 52%

Wireless Data Revenues (\$ in billions)



2Q08 YOY Wireless Data Revenue Growth

Internet access	>100%
E-mail	>50%
Messaging	>50%
Data access	>50%

Wireless data growth coming from both consumer and business users

- Internet access revenues more than doubled 2Q07 levels
- Revenues from e-mail, messaging and data access all up more than 50%
- Multimedia messages up >170%
- Early in the adoption curve:
 - Approximately 18% of postpaid subscribers now use integrated devices, with ARPU roughly double the company average
 - 13 million 3G handsets in customer base

Accelerating a New Era of Wireless Data Growth



Outstanding Spectrum Position

- Contiguous, unencumbered 700 MHz spectrum in 100% of top 200 markets
- Average 90 MHz of spectrum in top 100 markets

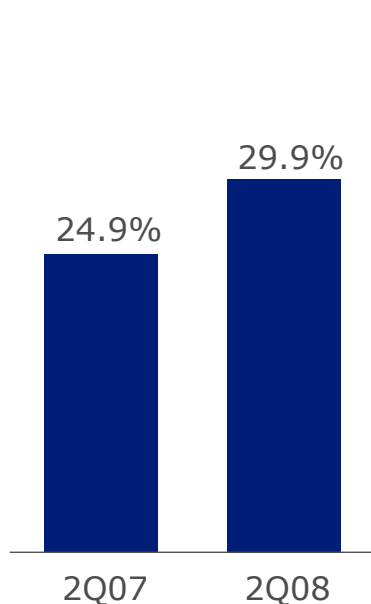
Powerful, Cost-Efficient Technology Path

- Nation's fastest 3G network
- 3G deployment covering 300 U.S. markets, to reach approximately 350 markets by year's end
- Only U.S. carrier to have fully deployed HSPA in its 3G network
- Interim steps to substantially increase speeds on way to 4G, all backward compatible

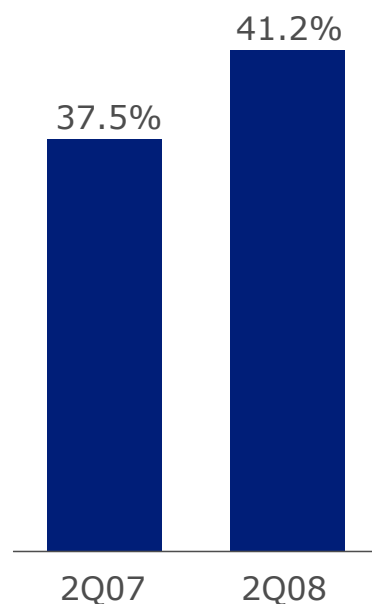
Initial July iPhone 3G sales volume nearly double 2007 2G iPhone launch

Wireless Margin Expansion

Adjusted Operating Income Margin



Adjusted OIBDA Service Margin



Adjusted service OIBDA margin up 370 basis points year over year. Major drivers:

- Strong revenue growth
- Improved network cost structure
- Continued operational improvements in areas such as customer service and billing

Unadjusted Results

Period	Adjusted Operating Income Margin	Adjusted OIBDA Service Margin
2Q07	15.4%	35.8%
2Q08	25.5%	41.2%

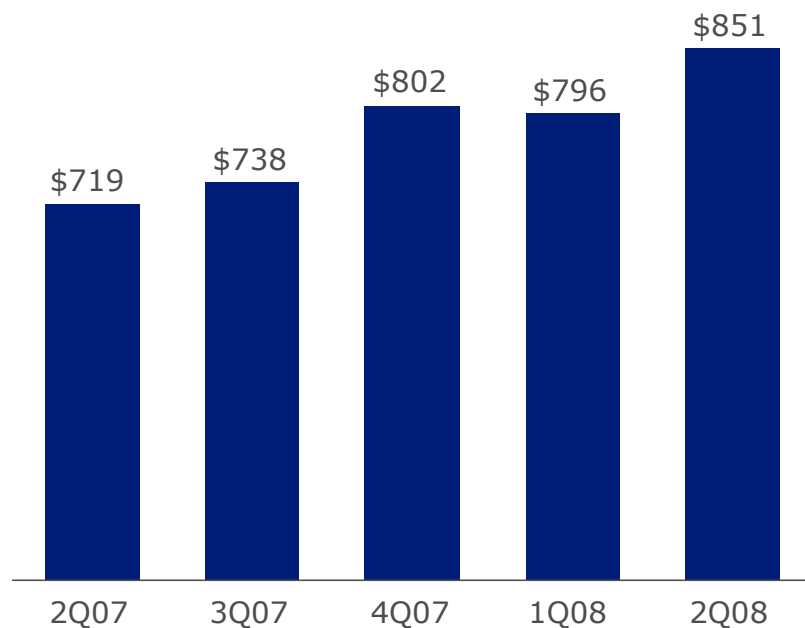
Unadjusted Results

Merger integration and amortization costs excluded from adjusted operating income margins: \$983 million in 2Q07 and \$529 million in 2Q08.
Excluded from adjusted OIBDA service margin: \$163 million in 2Q07.

Continued Enterprise Strength Led By Strong IP Data Growth

Enterprise IP Data Revenues

Includes Virtual Private Networking,
Hosting, Managed Internet Services,
IP Conferencing Services
(\$ in millions)



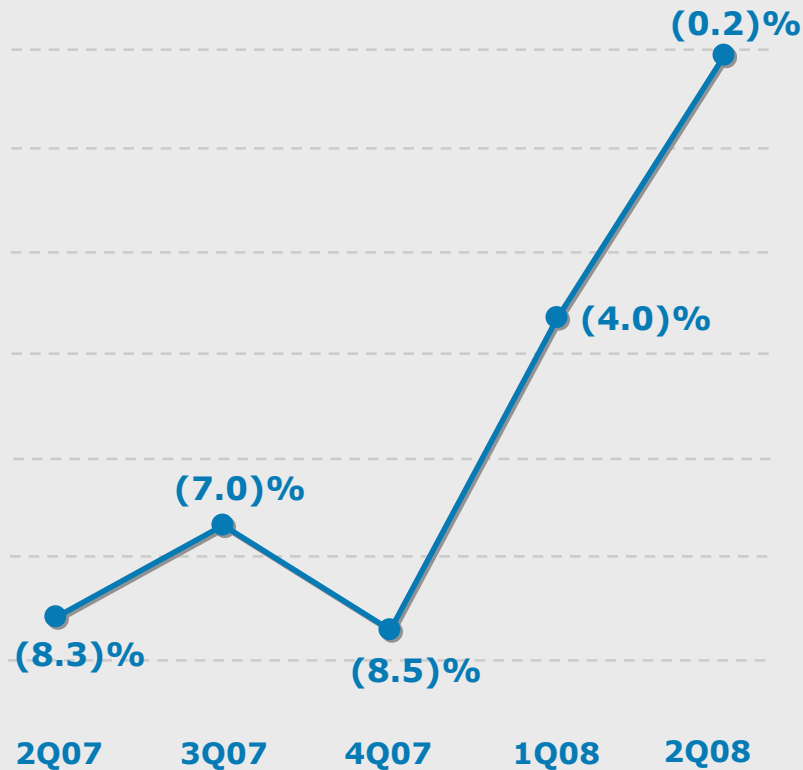
Fundamental enterprise trends in terms of sales and new service adoption remain solid

- Strong IP data growth of 18.4%
- Revenues from major new contracts expected to begin ramping in 2H08
- Continue to expect positive enterprise revenue growth for the full year 2008

Turnaround in Wholesale Trends

Wholesale Revenues

Year-Over-Year Growth Rates



Wholesale revenue trends continue to stabilize, significant 2Q08 improvement in year-over-year growth rate

- Second consecutive quarter of sequential growth in total wholesale revenues
- Improved fundamentals driven by data services, wireless growth, reduced impacts from carrier traffic migration
- Merger conditions have passed one-year anniversary
- Further ramp in revenues from IBM agreement expected in 2H08

Sustained Growth in Regional Business

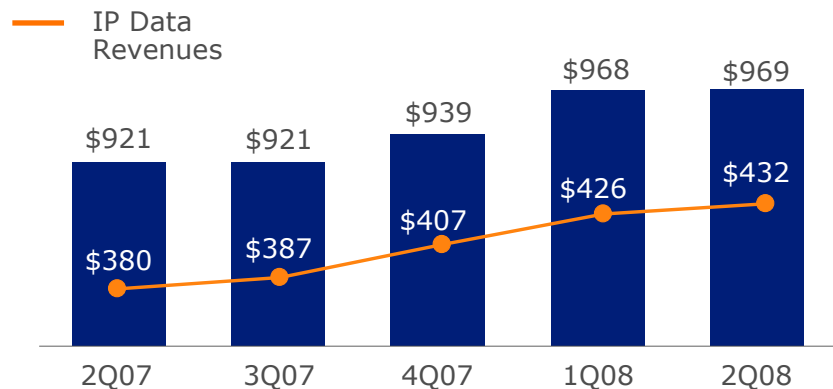
Regional Business Total Revenue
(\$ in millions)



Total regional business revenues up 1.6%

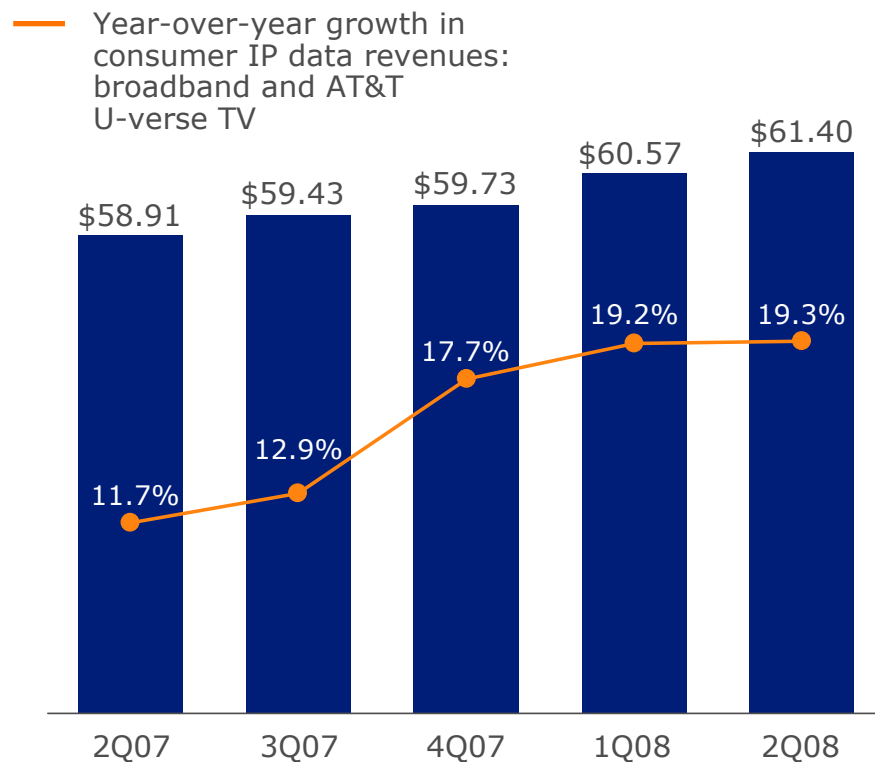
- 5.2% increase in data revenues, with double digit growth in IP data
- Strong double digit growth in Ethernet, VPN, managed Internet services
- Increased focus on business bundles, including wireless
- Delivering business broadband services over U-verse platform

Regional Business Data Revenue
(\$ in millions)



Regional Consumer Driven by Broadband and Video Connections

Regional Consumer Revenue Per Household Served

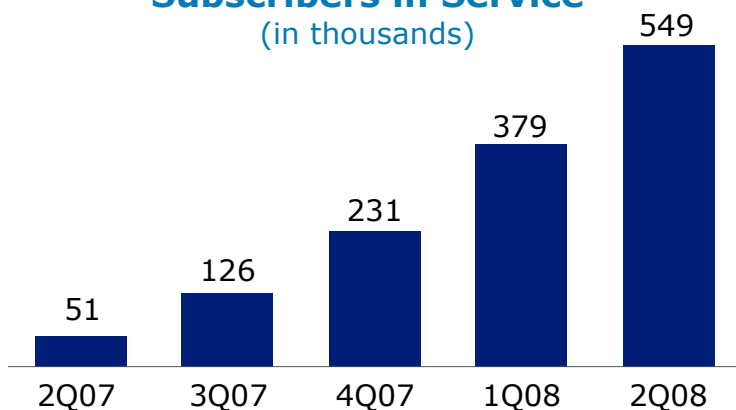


AT&T is leading in the transformation of consumer communications centered on mobility, broadband connectivity and IP-based services

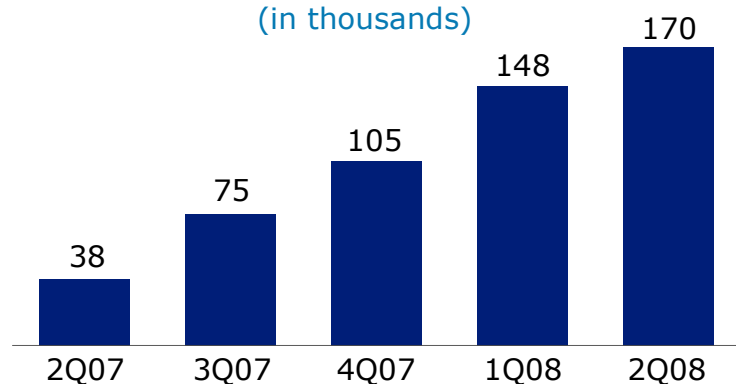
- Average revenue per household served is up 4.2%, continuing trends of recent quarters
- Strong growth in AT&T U-verse TV with high broadband attach rate
- Improved access line trends in U-verse TV market areas
- Strong market reception to wireless/broadband bundle
- Overall access line and broadband connections reflect 2Q seasonality and macro-economy

Further Ramp in AT&T U-verse TV

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



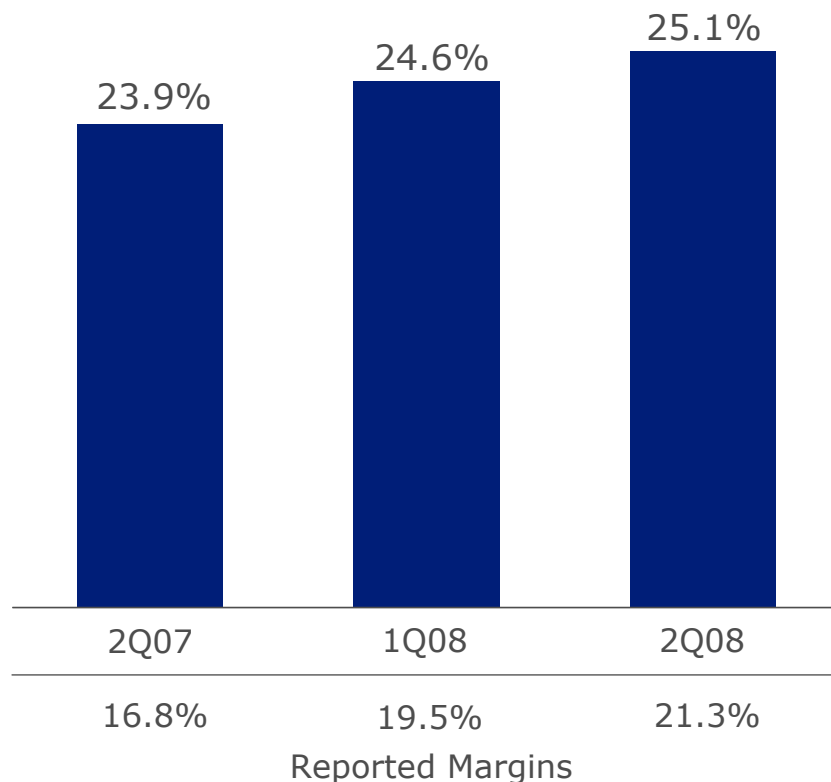
**AT&T U-verse TV
Net Subscriber Additions**
(in thousands)



- Network deployment now reaches more than 11 million living units, service available in 53 markets
- More than 10% penetration reached in established market areas in less than 12 months
- On track to reach target of more than 1 million subscribers by the end of 2008
- Average install times down nearly 15% since 4Q07
- 2nd HD stream migration to be completed in 3Q
- Total Home DVR in trial phase, full rollout by EOY

Margin Expansion

AT&T Adjusted Operating Income Margin



Merger integration and amortization costs and other one-time items excluded from adjusted operating income margins: \$2,164 million in 2Q07, \$1,582 million in 1Q08 and \$1,169 million in 2Q08.

Consolidated margin expansion driven by progress on major cost initiatives, disciplined execution

- Continued strength in wireless margins
- Wireline margins reflect merger synergy initiatives and operational cost initiatives
- On track to deliver incremental 2008 expense savings of more than \$2 billion
- Majority of savings from wireline reorganization savings will be realized in 2H08
- Expect adjusted operating income margin of approximately 24% for the full year 2008

Strong Cash Profile, Sound Balance Sheet, Attractive Yields

Strong cash flow allows for investments in operations while returning substantial value to shareowners

2Q08 Cash Summary

Cash from Operations	\$8.5B
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Free Cash Flow	\$3.2B
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Cash returned to Shareowners	\$4.4B
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- \$2.0 billion in share repurchases in 2Q08
- Continued strong balance sheet and credit ratings
- Free cash flow yield of 6.7%*

Outlook Reaffirmed:

- Expect 2008 free cash flow in the \$16 billion range

*FCF yield was calculated as of 7/18

Focused and Disciplined Execution, Solid Momentum Heading into 2H08

- **Strong wireless momentum** – total revenues up 15.8%, wireless data revenues up 52.0%
- **Strong iPhone 3G launch** – nearly 2x 2007 iPhone sales
- **Enterprise fundamentals remain solid** – major contracts expected to ramp further in 2H08
- **Wholesale turnaround continuing** – sound fundamental demand and further ramp in IBM revenues ahead
- **Continued ramp in AT&T U-verse TV** – with improving operational metrics
- **Cost initiatives on track** – full benefits of wireline reorganization to be realized in 2H08

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