



AT&T, BellSouth Merger

Substantial Synergy Opportunities,
Strengthened Growth Platforms in Wireless,
Business and Integrated Services

Agenda

Strategic Overview

Edward E. Whitacre Jr.
Chairman and CEO, AT&T Inc.

Duane Ackerman
Chairman and CEO, BellSouth Corporation

Transaction Summary

James S. Kahan
Senior Executive Vice President –
Corporate Development, AT&T Inc.

Synergy Opportunities

Randall Stephenson
Chief Operating Officer, AT&T Inc.

Financial Impacts

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

Qs and As

Cautionary Language Concerning Forward-Looking Statements

We have included or incorporated by reference in this document financial estimates and other forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These estimates and statements are subject to risks and uncertainties, and actual results might differ materially from these estimates and statements. Such estimates and statements include, but are not limited to, statements about the benefits of the merger, including future financial and operating results, the combined company's plans, objectives, expectations and intentions, and other statements that are not historical facts. Such statements are based upon the current beliefs and expectations of the management of AT&T Inc. and are subject to significant risks and uncertainties and outside of our control.

The following factors, among others, could cause actual results to differ from those described in the forward-looking statements in this document: the ability to obtain governmental approvals of the merger on the proposed terms and schedule; the failure of AT&T shareholders to approve the issuance of AT&T common shares or the failure of BellSouth shareholders to approve the merger; the risk that the businesses of AT&T and BellSouth will not be integrated successfully or as quickly as expected; the risk that the cost savings and any other synergies from the merger, including any savings and other synergies relating to the resulting sole ownership of Cingular Wireless LLC may not be fully realized or may take longer to realize than expected; disruption from the merger making it more difficult to maintain relationships with customers, employees or suppliers; and competition and its effect on pricing, spending, third-party relationships and revenues. Additional factors that may affect future results are contained in AT&T's, BellSouth's, and Cingular Wireless LLC's filings with the Securities and Exchange Commission ("SEC"), which are available at the SEC's Web site (<http://www.sec.gov>). AT&T is not under any obligation, and expressly disclaims any obligation, to update, alter or otherwise revise any forward-looking statement, whether written or oral, that may be made from time to time, whether as a result of new information, future events or otherwise.

This presentation may contain certain non-GAAP financial measures. Reconciliations between the non-GAAP financial measures and the GAAP financial measures are available on the applicable company's Web site at www.sbc.com/att.investor.relations for AT&T and www.bellsouth.com/investor for BellSouth.

Note

NOTE: In connection with the proposed merger, AT&T intends to file a registration statement on Form S-4, including a joint proxy statement/prospectus of AT&T and BellSouth, and AT&T and BellSouth will file other materials with the Securities and Exchange Commission (the "SEC"). Investors are urged to read the registration statement, including the joint proxy statement (and all amendments and supplements to it) and other materials when they become available because they contain important information. Investors will be able to obtain free copies of the registration statement and joint proxy statement, when they become available, as well as other filings containing information about AT&T and BellSouth, without charge, at the SEC's Web site (www.sec.gov). Copies of AT&T's filings may also be obtained without charge from AT&T at AT&T's Web site (www.att.com) or by directing a request to AT&T Inc. Stockholder Services, 175 E. Houston, San Antonio, Texas 78205. Copies of BellSouth's filings may be obtained without charge from BellSouth at BellSouth's Web site (www.bellsouth.com) or by directing a request to BellSouth at Investor Relations, 1155 Peachtree Street, N.E., Atlanta, Georgia 30309.

AT&T, BellSouth and their respective directors and executive officers and other members of management and employees are potential participants in the solicitation of proxies in respect of the proposed merger. Information regarding AT&T's directors and executive officers is available in AT&T's 2005 Annual Report on Form 10-K filed with the SEC on March 1, 2006 and AT&T's preliminary proxy statement for its 2006 annual meeting of stockholders, filed with the SEC on February 10, 2006, and information regarding BellSouth's directors and executive officers is available in BellSouth's 2005 Annual Report on Form 10-K filed with the SEC on February 28, 2006 and BellSouth's proxy statement for its 2006 annual meeting of shareholders, filed with the SEC on March 3, 2006. Additional information regarding the interests of such potential participants will be included in the registration statement and joint proxy statement, and the other relevant documents filed with the SEC when they become available.



Edward E. Whitacre Jr.

Chairman and Chief Executive Officer
AT&T Inc.

Strategic Benefits: Logical Step for Both Companies

- Improves AT&T's growth profile with increased exposure to wireless
- Creates a strong national and global competitor better positioned to innovate and deliver new services
- Gives Cingular Wireless single ownership with the industry's best combined wireless and wireline reach
- Strengthens capabilities in business markets through converged services and a single point of contact for both wireless and wireline
- Creates a company with expanded opportunities to deliver advanced broadband and IP-based services

Value-Creating Transaction

- Substantial synergies from multiple sources: network, IT, consolidating traffic, combining staff and headquarters functions, single brand
- \$18 billion net present value of expected synergies
- AT&T board of directors has authorized an expanded share repurchase – plan to buy back at least \$10 billion of our shares over the next 22 months

Commitment to Customers and Community Service

AT&T and BellSouth share a strong tradition and a commitment to people, communities and corporate citizenship

- High-quality customer service
- Community involvement and civic leadership
- Diversity in employee development and supplier relations



Duane Ackerman

Chairman and Chief Executive Officer
BellSouth Corporation

Benefits of Combination

- Uniting with one of the most respected companies in America
- Moving forward with industry progress and technology advancements
- Providing a strong portfolio of assets
- Continuing shareholder value

Benefits to Shareholders, Employees and Customers of BellSouth

- Shareholders benefit from:
 - 38% ownership in AT&T
 - Increased dividends
 - Merger synergies
- Customers benefit from:
 - Excellent customer service
 - Product innovation
- Employees benefit from:
 - Joining the largest global communications provider
 - Strong cultural fit



James S. Kahan

Senior Executive Vice President –
Corporate Development
AT&T Inc.

Transaction Summary

- All-stock transaction with fixed exchange ratio of 1.325 AT&T shares for each BellSouth share
- Exchange ratio represents a 17.9% premium to March 3 closing price for BellSouth's shares
- Transaction size:

Equity purchase price	\$67.1 billion
BellSouth net debt	16.8 billion
BellSouth's proportionate Cingular net debt	<u>5.5 billion</u>
Total transaction	\$89.4 billion

Net debt is total debt net of cash and short-term investments as of 12/31/05.

Share Repurchase Plans

- \$67.1 billion equity value of transaction – represents a premium of \$10 billion to equity market value at close of trading on March 3
- AT&T's board has authorized an expanded share repurchase of 400 million shares through 2008
 - Share buyback of at least \$10 billion planned over next 22 months
 - \$2 billion or more in 2006, as planned
- Share repurchase authorization approximates the transaction premium

Terms and Conditions

- Closing terms and conditions, interim operating covenants, and deal protections are all standard for a transaction of this size
- Thorough due diligence process
 - Experienced teams
 - Companies very familiar with each other's operations
 - Strong working relationship through joint ownership of Cingular Wireless
- 12 month drop-dead date can be extended for an additional six months by either company for certain regulatory approvals

Terms and Conditions

- Three BellSouth board members added to AT&T board
- Maintain Cingular Wireless and Southeast regional telephone headquarters in Atlanta
- Retention bonus plan to assure continuity, maintain key personnel

Approvals

- Shareowner approval at both AT&T and BellSouth
- Hart Scott Rodino filing – Department of Justice review
- Federal Communications Commission review
- At least five states in BellSouth's region including Florida, Kentucky, Louisiana, Mississippi and North Carolina
- Additional state reviews for IXC and CLEC certificates
- Limited foreign competition approvals
- Reasonable to expect approvals to be completed within 12 months



Randall Stephenson

Chief Operating Officer
AT&T Inc.

Substantial Value

- **Clear, achievable synergies, which drive attractive financial returns to shareowners**
 - Synergies ramp quickly
 - Most come from cost side of the business
 - Execution is straightforward
- **Simplified ownership and operating structure for Cingular Wireless**
- **Single brand – more effective and cost-efficient**
- **Accelerated technology evolution**
 - Cingular's wireless networks and AT&T's wireline networks both are moving to IP-based technologies
 - Significant opportunities in convergence with access to content and applications across three screens

Expected Synergies

- Headquarters/
Corporate
- Network and
Sales Operations
- IT Support
- Procurement
- Advertising/
Brand

- **More than \$2 billion** annual synergy run rate in 2008, growing to more than **\$3 billion** by 2010
- **More than 90%** of expected synergies come from clearly identified cost reductions
- **\$18 billion** net present value of identified synergies

Synergy Opportunities on Multiple Fronts

- Not just another ILEC to ILEC merger
- Combining functions, coordinating operations, sharing technology platforms at **three companies**: AT&T, BellSouth and Cingular

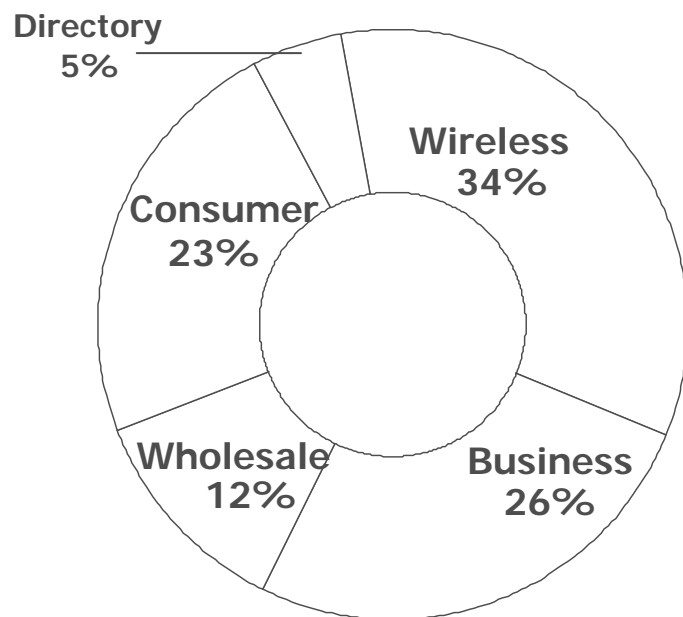
- Consolidate advertising spend, moving from three brands to one
- Consolidated staff and support functions from AT&T, BellSouth and Cingular
- Move BellSouth LD traffic from third parties to AT&T network
- Move Cingular traffic to common IP backbone
- Move AT&T dedicated access to BellSouth network
- Optimize IT, support and customer care platforms
- R&D, product development spread across larger base, AT&T Labs

Revenue Opportunities

- **Revenue synergies modeled conservatively**
- **Significant long-term revenue potential**
 - AT&T's large business services can be migrated to BellSouth's small and medium business base
 - Enterprise customers in Southeast will benefit from AT&T's global reach and advanced product sets
 - Single point of contact, unified effort in wireless/wireline enterprise sales
 - Industry's best combined wireless/wireline reach creates broader opportunity for integrated products

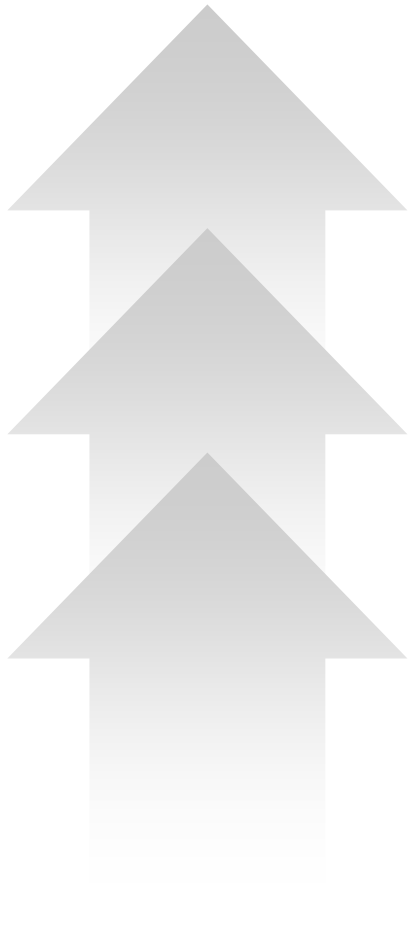
Revenue Mix: Improved Growth Profile

2007 Pro Forma Revenues – Combined AT&T + BellSouth



- **Increased exposure to wireless** with one-third of total 2007 revenues coming from Cingular
- **72% of total revenues** come from wireless and sales to business customers

Simplified Wireless Ownership and Operating Structure



- Allows for easier, faster integration of wireless and wireline networks and services
- Enables full shared use of network assets, including AT&T's IP backbone
- Drives operating efficiencies for both wireless and wireline, as duplicate staff and support functions are combined
- Allows for shared R&D and product development, shared content and applications

Logical Progression in Terms of Execution

- Cingular's integration of AT&T Wireless merger is **on or ahead of schedule** in every major area, 3G UMTS/HSDPA network deployment will be **largely complete in 2006**
- The majority of SBC/AT&T Corp. merger integration projects **on track to be completed in 2006**, ahead of BellSouth merger's expected close
- **BellSouth merger integration expected to begin in early 2007**, will be sequenced to build on progress in both previous integrations

Expect to utilize the proven planning approaches and experience from most recent integrations, with focus on keeping talented personnel, providing seamless experience to customers



Richard G. Lindner

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

Changes To Financial Statements

Prior to Merger with BellSouth

After Merger with BellSouth

Income Statement

- Cingular results included in Equity in Net Income of Affiliates line of Consolidated Statements of Income
- BellSouth and Cingular operating results will be consolidated in revenues and expenses

Balance Sheet

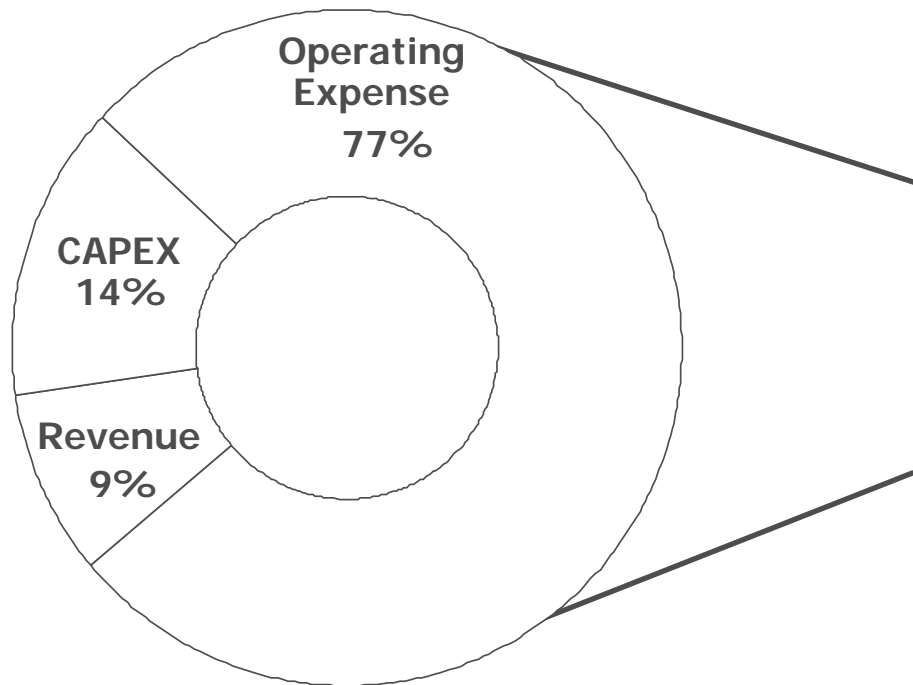
- AT&T investment in Cingular reflected in Investments in and Advances to Cingular Wireless
- Under purchase accounting, BellSouth and Cingular will incur opening balance sheet adjustments and be consolidated into AT&T's balance sheet

Cash Flow Statement

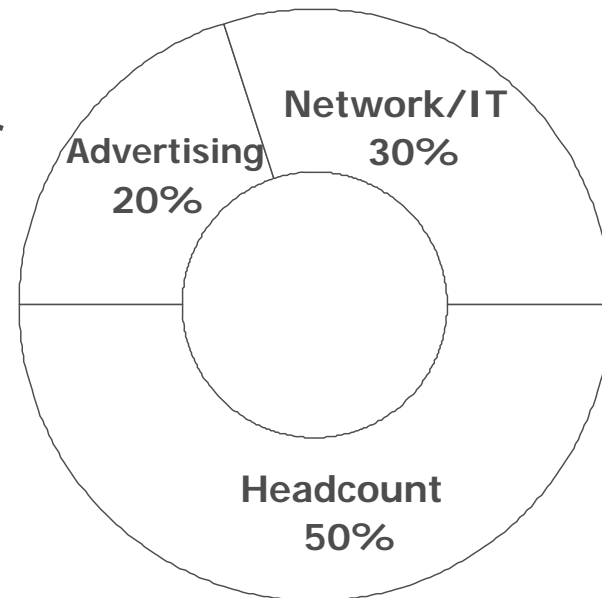
- AT&T records cash received from and paid to Cingular in Investing Activities and cash provided by Operating Activities
- BellSouth and Cingular cash flows will be recognized in net cash provided by operating, investing and financing activities

Breakdown of Expected Synergies

Percentage Breakdown
\$18 Billion of Net Synergies



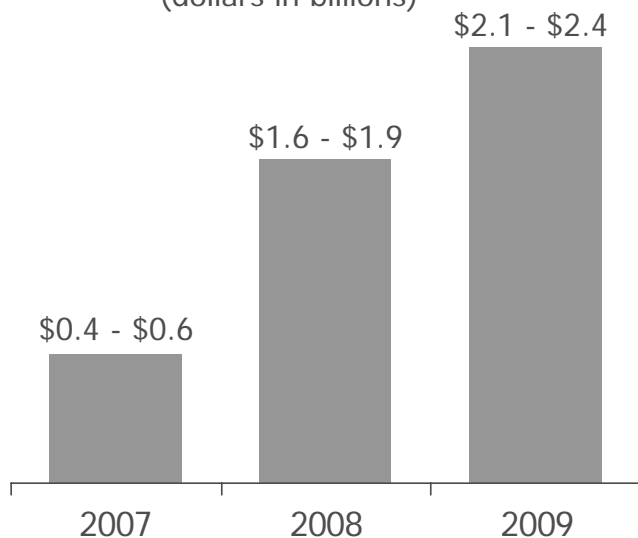
Percentage Breakdown
Operating Expense Synergies



Expected Expense Synergies

(dollars in billions)	2007	2008	2009
Organizational Consolidation	\$0.2 – \$0.3	\$0.8 – \$0.9	\$1.0 – \$1.1
Network/IT/Procurement	\$0.2 – \$0.3	\$0.4 – \$0.5	\$0.7 – \$0.8
Advertising	\$0.0 – \$0.0	\$0.4 – \$0.5	\$0.4 – \$0.5

Expense Synergies
(dollars in billions)



Sources of Operating Synergies

- Elimination of corporate duplication, consolidation of sales, marketing
- Optimization of transport and network operations
- Merge LD network and operations
- Procurement leverage
- Three brands going to one

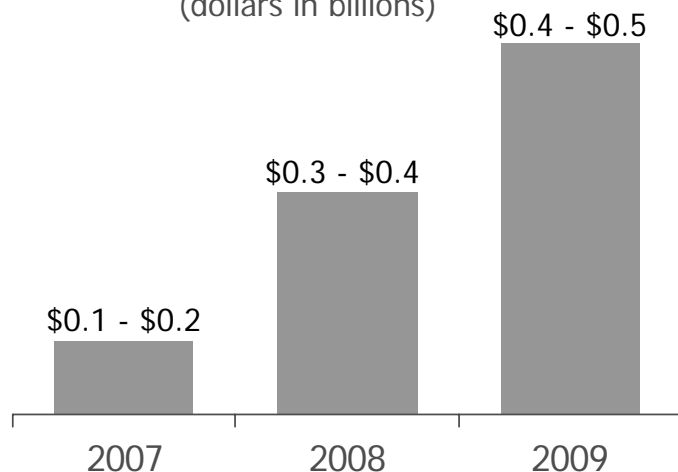
Capital Expenditure Synergy Opportunities

(dollars in billions)

	2007	2008	2009
Expected Capital Synergies	\$ 0.1 – \$ 0.2	\$ 0.3 – \$0.4	\$ 0.4 – \$ 0.5
Expected Integration Capital	\$(0.7) – \$(0.6)	\$(0.2) – \$(0.1)	\$(0.2) – \$(0.1)
Expected Net Capital Synergies	\$(0.6) – \$(0.4)	\$ 0.1 – \$ 0.3	\$ 0.2 – \$ 0.4

Expected Capital Synergies

(dollars in billions)



Sources of Capital Synergies

- Procurement
- Cingular IP network, voice, and transport facilities
- IT data centers, support systems

Revenue Synergy Opportunities

(dollars in billions)

	2007	2008	2009
Expected Revenue Synergies (EBITDA Impact)	\$0.0	\$0.0 – \$0.1	\$0.1 – \$0.2

Expected EBITDA from Revenue Synergies (dollars in billions)



Sources of Revenue Synergies

- Strengthened performance in business due to single point of contact for wireless and wireline
- Expansion of BellSouth's in-region medium business segments

Purchase Accounting Impacts

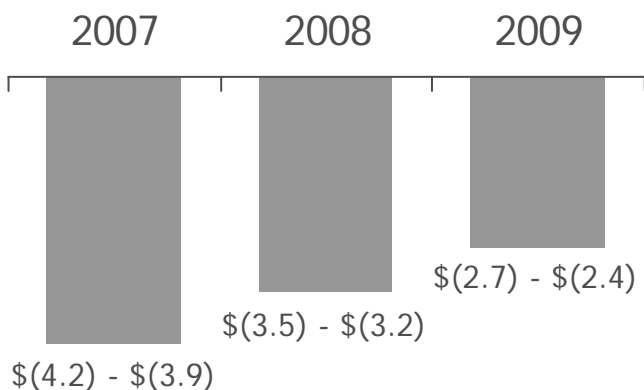
(dollars in billions)

Expected Accounting Impacts¹

2007	2008	2009
\$ (4.2) – \$ (3.9)	\$ (3.5) – \$ (3.2)	\$ (2.7) – \$ (2.4)

¹ Subject to modification with final valuation.

Expected Accounting Impacts (dollars in billions)



Sources of Accounting Impacts

- Valuation and amortization of purchased customer list intangibles
- Elimination of existing purchased amortization

Summary of Financial Impacts

(dollars in billions, pretax)

	2007	2008	2009
Synergies			
Revenue synergies (EBITDA Impact)	\$0.0	\$ 0.0 – \$ 0.1	\$ 0.1 – \$ 0.2
Expense synergies	\$ 0.4 – \$ 0.6	\$ 1.6 – \$ 1.9	\$ 2.1 – \$ 2.4
Capex synergies	\$ 0.1 – \$ 0.2	\$ 0.3 – \$ 0.4	\$ 0.4 – \$ 0.5
Total synergies	\$ 0.5 – \$ 0.8	\$ 1.9 – \$ 2.4	\$ 2.6 – \$ 3.1
One-time costs			
Integration costs – Expense	\$(2.0) – \$(1.8)	\$(0.4) – \$(0.2)	\$(0.1) – \$ 0.0
Integration costs – Capital	\$(0.7) – \$(0.6)	\$(0.2) – \$(0.1)	\$(0.2) – \$(0.1)
Integration costs – Total	\$(2.7) – \$(2.4)	\$(0.6) – \$(0.3)	\$(0.3) – \$(0.1)
Purchase accounting impacts¹			
Expected accounting impacts	\$(4.2) – \$(3.9)	\$(3.5) – \$(3.2)	\$(2.7) – \$(2.4)

¹ Subject to modification with final valuation.

Expected AT&T EPS Impacts

(earnings per share)	2007	2008	2009
Reported EPS	\$(0.62) – \$(0.58)	\$(0.33) – \$(0.29)	\$(0.19) – \$(0.15)
Plus:			
Intangible Amortization	\$ 0.41 – \$ 0.43	\$ 0.35 – \$ 0.37	\$ 0.27 – \$ 0.29
Integration Expense	\$ 0.19 – \$ 0.21	\$ 0.04 – \$ 0.06	\$ 0.01 – \$ 0.03
<hr/>			
Adjusted EPS	\$ (0.02) – \$ 0.02	\$ 0.08 – \$ 0.10	\$ 0.12 – \$ 0.14
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Expected Impacts To Guidance

January 2006 Outlook

Revised Outlook

EPS

- Double-digit adjusted EPS growth expected over each of the next three years

- No change

Revenue Growth

- Total revenues, including proportionate Cingular, returns to growth in 2008
- Business, including wholesale, returns to growth exiting 2008

- Total revenues return to growth in 2007
- No change

Expected Impacts To Guidance

January 2006 Outlook

Revised Outlook

Force

- From 2006-2008 ...
 - Merger-related reductions of 13,000
 - Additional 13,000 reduction driven by operational initiatives
- Nearly 10,000 additional reduction from AT&T/BellSouth merger from 2007-2009

Capex

- Excluding Cingular ...
 - \$8.0 billion to \$8.5 billion in 2006
 - Low teens as a percent of revenue in 2007 and 2008
 - Cingular: \$7.0 billion to \$7.5 billion in 2006
- No change for 2006
 - Mid-teens as percent of revenue for combined company in 2007 and 2008, including Cingular

Expected Impacts To Guidance

January 2006 Outlook

Revised Outlook

Cash Flow

- \$2 billion free cash flow after dividends¹ in 2006
 - \$4 billion to \$5 billion free cash flow after dividends¹ starting in 2007
- No change
 - No change in 2007, more than \$6 billion free cash flow after dividends² in 2008

Share Repurchase

- At least \$2 billion in 2006
- At least \$10 billion over the next 22 months with at least \$2 billion expected in 2006

¹Free cash flow after dividends is cash from operations plus proportionate share of Cingular free cash flow, less capital expenditures and dividends.

²Free cash flow after dividends is cash from operations less capital expenditures and dividends.

Financial Summary

- Significant **achievable synergies** that ramp quickly
- **Adjusted EPS neutral** in 2007, positive starting in 2008
- **Free cash flow additive** starting in 2008
- Cash flows provide potential for continued **dividend growth, share repurchase and debt retirement**
- **Minimal to no impact** on credit metrics



AT&T, BellSouth Merger

Substantial Synergy Opportunities,
Strengthened Growth Platforms in Wireless,
Business and Integrated Services