

AT&T Investor Update

3Q08 Earnings Conference Call
October 22, 2008



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Agenda

Introduction

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Results

Rick Lindner
Senior Executive Vice President
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Wireless

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President and Chief Executive Officer,
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Q and A

Cautionary Language Concerning Forward-Looking Statements

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EPS Summary

Strong iPhone 3G activations totaling 2.4 million. Initiative expands market, generates long-term value. 3Q08 reported and adjusted EPS reduced \$0.10 by iPhone activations and \$0.02 by hurricane-related costs.

	3Q08	3Q07
Reported EPS	\$0.55	\$0.50
<hr/>		
Adjustments:		
Merger integration costs		0.04
Noncash merger-related costs	0.12	0.17
<hr/>		
Adjusted EPS	\$0.67	\$0.71

Pretax adjustments to earnings:

- 3Q08: noncash intangible amortization of \$1,096 million.
- 3Q07: merger integration, noncash intangible amortization and purchase accounting effect of \$1,898 million.

Totals may not foot due to rounding.

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

AT&T 3Q08 Highlights: Premier Assets, Disciplined Execution Across Operations

- **1.7 million retail postpaid wireless net adds** – best quarterly total in company's history
- **2.4 million iPhone 3G activations** – approximately 40% new to AT&T
- **50.5% wireless data revenue growth** – Internet access revenues and multimedia message volumes more than doubled versus 3Q07
- **Stable business trends** – sequential growth in wholesale, enterprise and regional business customer revenues
- **Further acceleration in U-verseSM TV ramp** – 232,000 net adds to reach 781,000 in service
- **Strong balance sheet** – debt balance reduced by \$3.4 billion in 3Q, financial strength to return value to shareowners while investing in key growth areas

Consolidated Revenue Growth

AT&T Adjusted Consolidated Revenues
(\$ in billions)



Total adjusted revenues up 3.3% versus adjusted results for 3Q07, up 1.5% sequentially

- 15.4% wireless revenue growth
- 16.2% increase in wireline IP data revenues
- Stable business trends with major turnaround in wholesale
- These drivers more than offset pressures in consumer voice

Adjusted revenues for 2007 exclude merger-related directory accounting impact.

Accelerating a New Era of Wireless Growth

- » iPhone 3G activations have exceeded expectations and have brought a significant halo effect

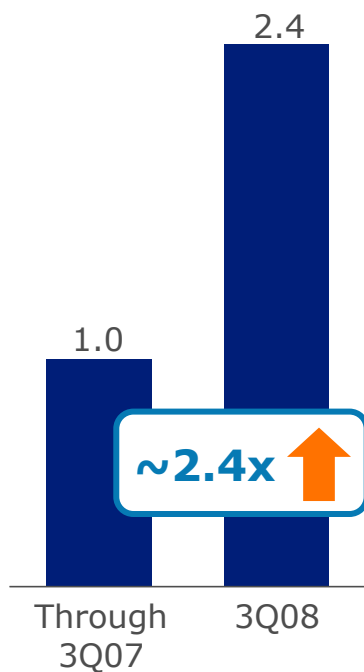
- » The iPhone 3G is attracting high-quality, high-ARPU customers — winning share at the high end

- » Robust data revenue growth, early in the game with substantial opportunity ahead

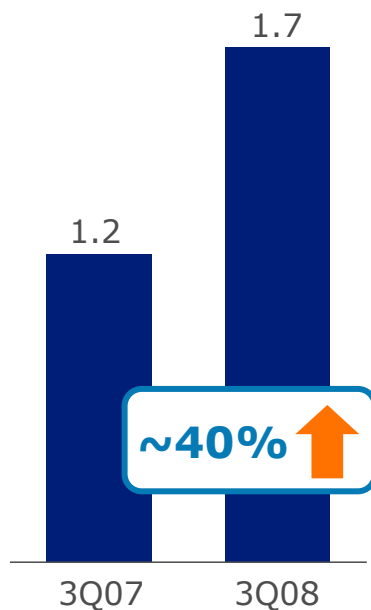
- » AT&T has a clear, customer-friendly technology road map for sustained leadership in advanced wireless services

Strong iPhone 3G Activations Drive Record Retail Postpaid Subscriber Growth

iPhone Activations
(in millions)



Retail Postpaid Net Adds
(in millions)

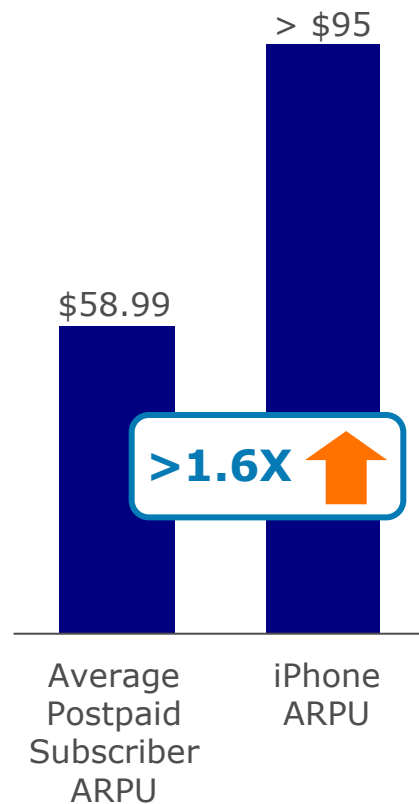


iPhone 3G exclusive is driving strong subscriber growth, winning customers at the high end:

- 2.4 million iPhone 3G activations, ~40% of them for new AT&T subscribers
- 2.0 million total wireless net adds, 1.7 million postpaid
- More than two-thirds of 3Q08 postpaid net adds chose an integrated device

iPhone 3G Delivers High-Value Subscribers

3Q08 iPhone ARPU Versus Average Postpaid Subscriber ARPU

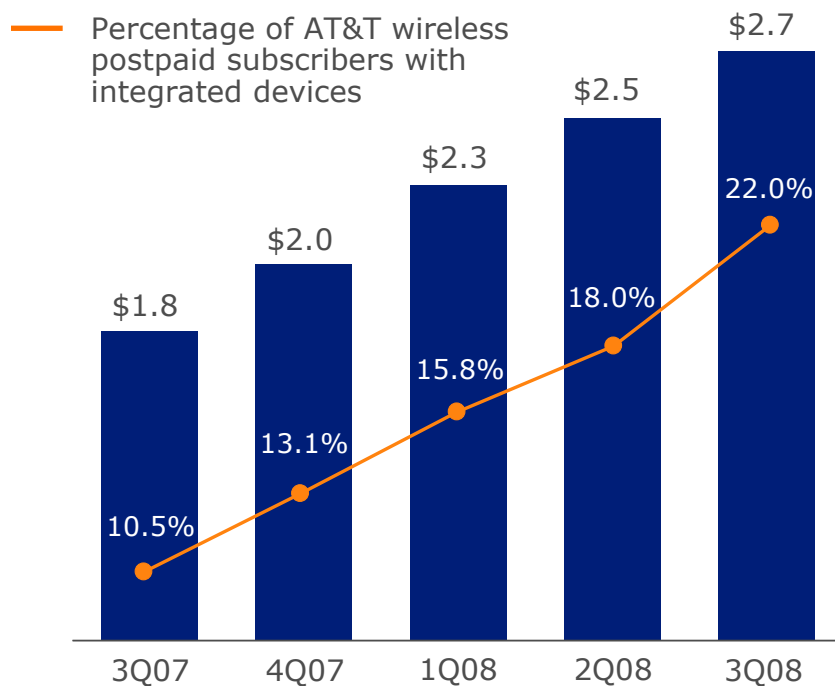


- **High ARPU** – iPhone 3G ARPU >1.6 times the average subscriber ARPU for postpaid base
- **Low churn** – iPhone churn is significantly lower than the average for postpaid base
- **High NPV** – Net present value of an iPhone 3G subscriber >2x average postpaid subscriber



Wireless Data Revenues Up 50.5%

Wireless Data Revenues
(\$ in billions)



Continued rapid growth, still early in the adoption curve:

- Internet access revenues and multimedia message volumes more than double 3Q07 levels
- 22.0% of postpaid subscribers now use integrated devices, with ARPU significantly better than average for postpaid base
- >17 million 3G handsets in base, up ~2.5x from 3Q07
- Nearly 5.9 million broadband-speed integrated devices/laptop cards in service, up 2.8 million in 3Q08

Nation's Fastest 3G Network With Clear, Customer-Friendly Technology Path



Outstanding Spectrum Position

- Unencumbered 700 MHz spectrum in 100% of top 200 markets
- Average 90 MHz of spectrum in top 100 markets



Premier 3G Network Today

- Only U.S. carrier to have HSPA in a broadly deployed 3G network
- Nation's fastest 3G network, 3G deployment covering 324 U.S. markets

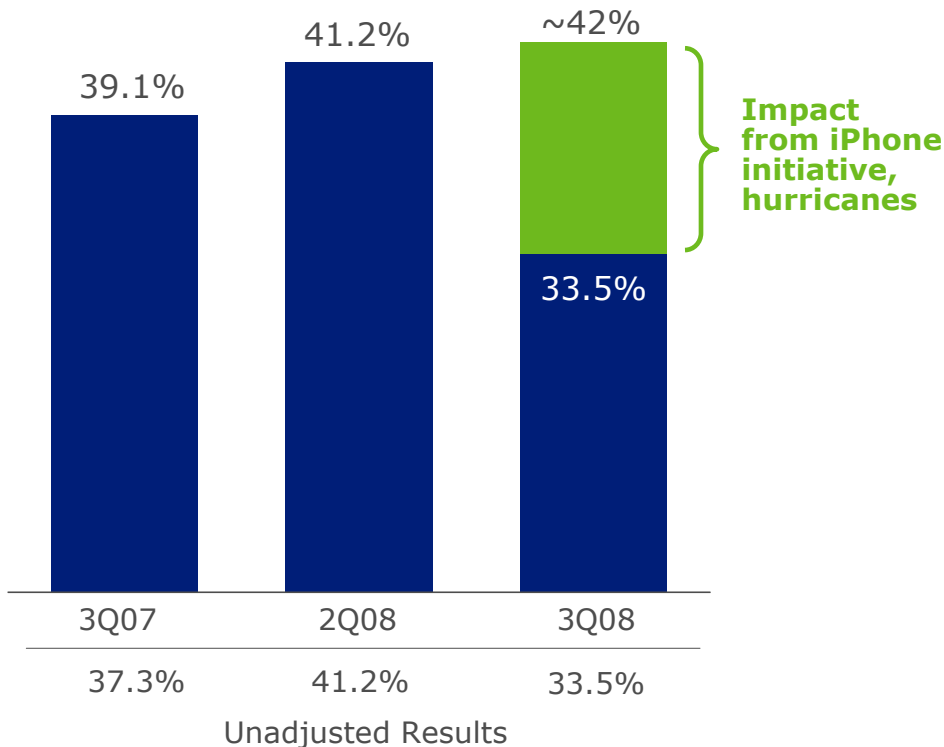


Opportunities to Further Increase Speeds on Way to 4G

- Starting in 2009, HSPA Release 7 could deliver peak speeds exceeding 20 Mbps
- 4G builds on technology foundation, allowing for backward compatibility to our GSM and HSPA networks

Wireless Service Margin

AT&T Adjusted Wireless OIBDA Service Margin



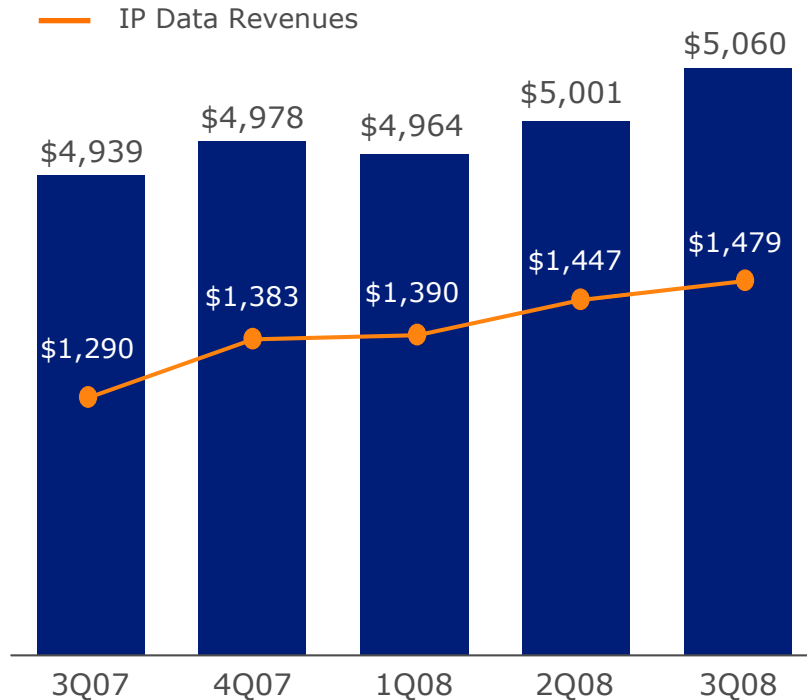
Merger integration costs excluded from adjusted OIBDA service margin: \$177 million in 3Q07.

3Q08 wireless OIBDA service margin reflects the near-term impact of strong iPhone activations and hurricane costs.

- Continued cost improvements in network, customer service and billing
- Record sales of integrated devices drive near-term dilution, long-term value
- Expect full-year OIBDA service margin of better than 37%

Stable Business Trends With Strong IP Data Growth

AT&T Total Wireline Business Data Revenue (\$ in millions)



Enterprise

- Total revenues up 0.8% sequentially, down 1.4% versus 3Q07, reflecting some softness in voice and transport volumes
- 17.8% enterprise IP data growth
- Sales flow solid, major new contracts beginning to ramp

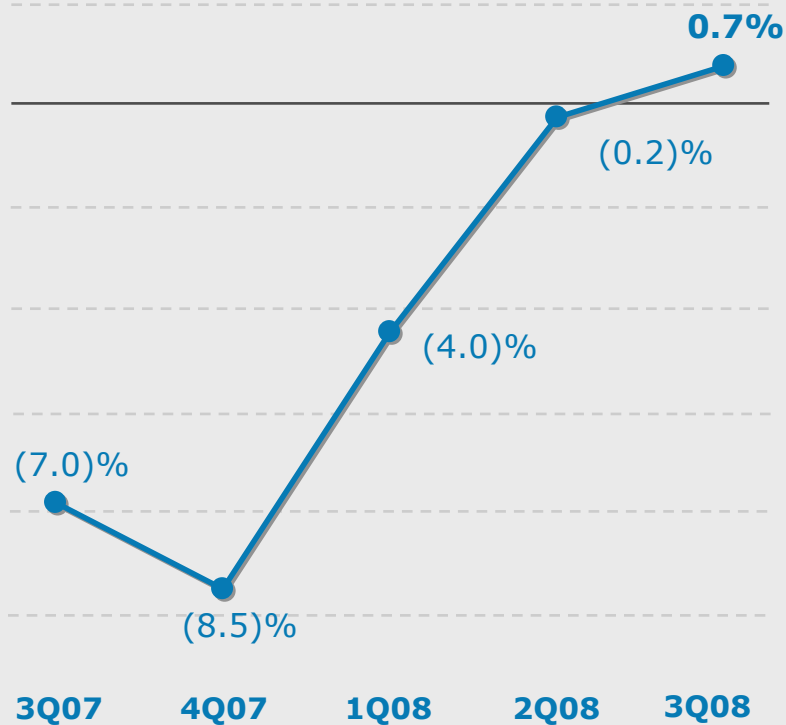
Regional Business

- Revenues up 0.7% sequentially, up 2.3% year-over-year
- 8.4% growth in data revenues, with double-digit increase in IP data
- 18.9% IP data and Ethernet revenue growth – now 53.6% of regional business data revenues

Turnaround in Wholesale

Wholesale Revenues

Year-Over-Year Growth Rates

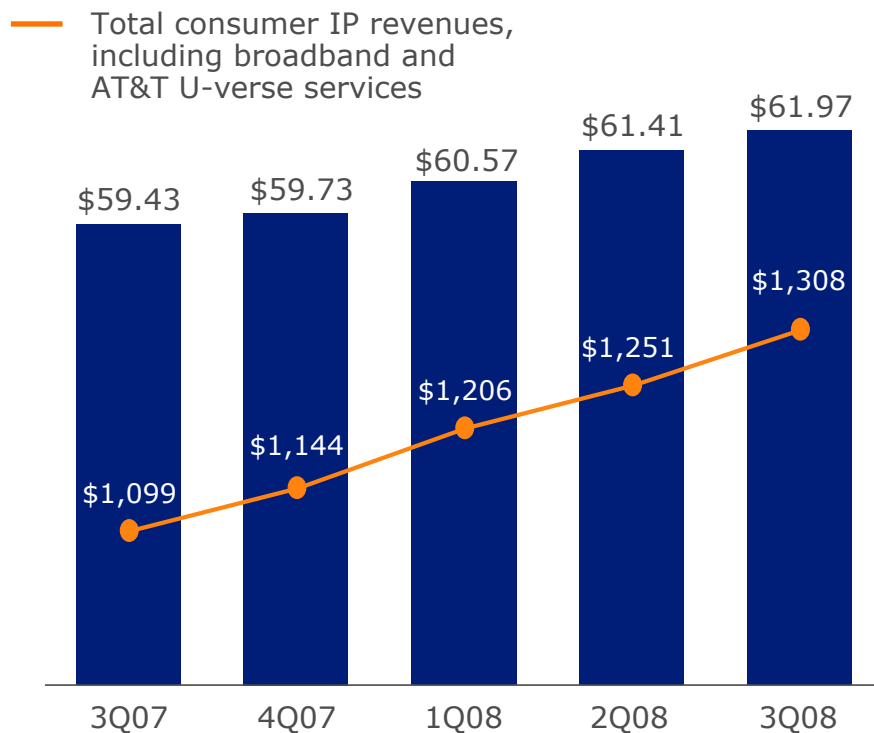


Significant improvement continues with return to year-over-year growth in wholesale revenues

- Third consecutive quarter of sequential growth in wholesale revenues
- Improved fundamentals driven by data services, wireless growth, reduced impacts from carrier traffic migration
- Further ramp in revenues from IBM agreement expected in 4Q08

Regional Consumer Driven by Broadband and Video

AT&T Regional Consumer Revenue Per Household Served



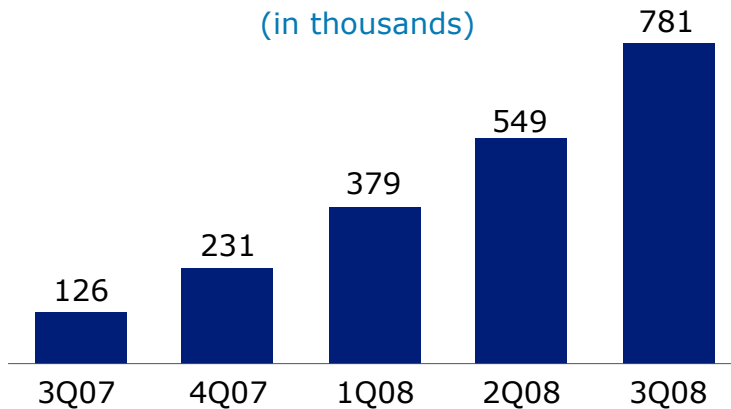
AT&T consumer IP data revenues up 19.0% versus 3Q07, reflecting growth in U-verse TV and related services

- 4.3% increase in average revenue per household served, continuing trends of recent quarters
- Strong growth in AT&T U-verse TV; broadband attach rate greater than 85%
- Improved access line trends in U-verse TV market areas
- Strong market reception to wireless/broadband bundle continues

Further Ramp in AT&T U-verse TV

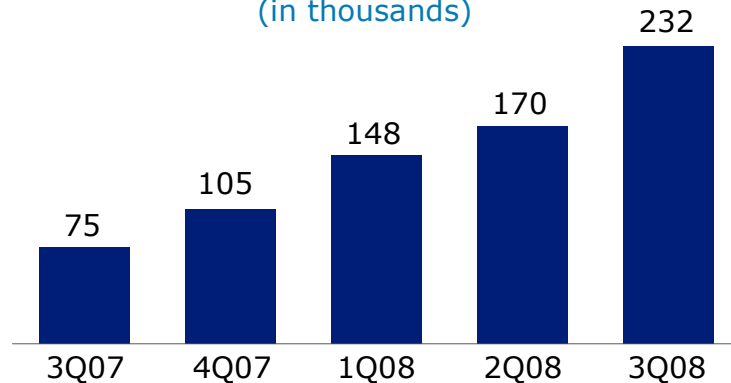
AT&T U-verse TV Subscribers in Service

(in thousands)



AT&T U-verse TV Net Subscriber Additions

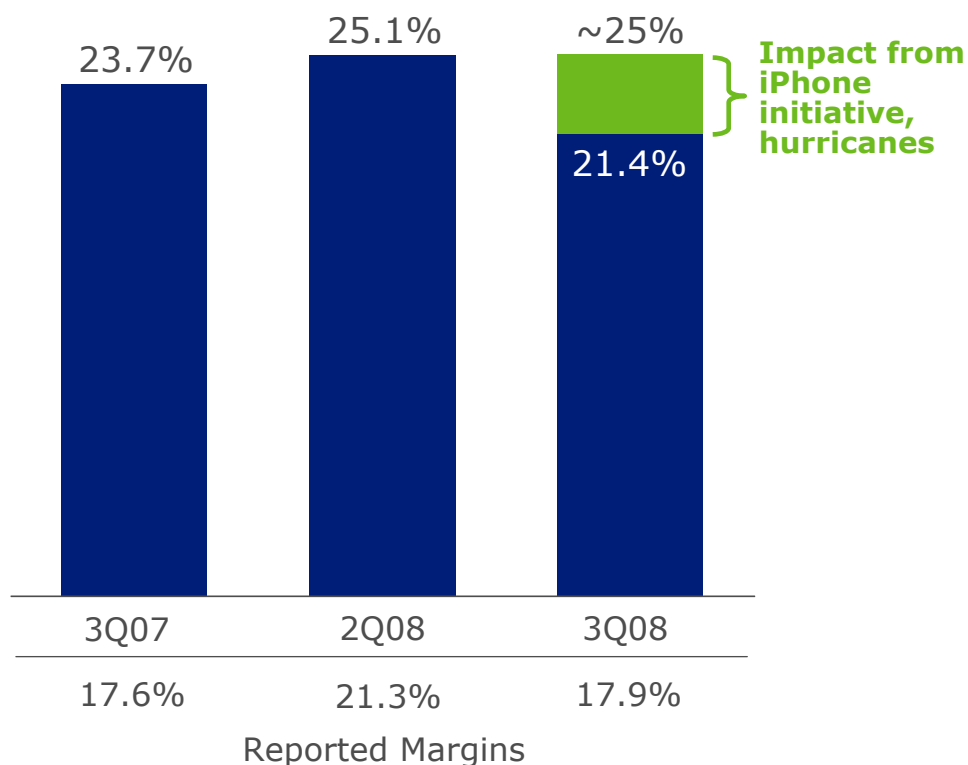
(in thousands)



- Network deployment now reaches 14 million living units
- On track to reach >1 million subscribers this year
- >10% penetration reached in established market areas in less than 12 months
- AT&T U-verse TV ranked highest in customer satisfaction in North Central, South and West regions by J.D. Power and Associates
- 2nd HD stream migration completed in 3Q
- Total Home DVR rollout progressing, to be completed by end of year

Consolidated Margins

AT&T Adjusted Operating Income Margin



Merger integration and amortization costs and other one-time items excluded from adjusted operating income margins: \$1,898 million in 3Q07, \$1,169 million in 2Q08 and \$1,096 million in 3Q08.

Consolidated margins reflect near-term impact of better-than-expected results from iPhone initiative, hurricane-related costs

- iPhone dilution of ~\$900 million
- Hurricane impacts totaling ~\$145 million
- Synergies and operational cost initiatives on track
- Expect full-year adjusted operating income margin of approximately 23%

Strong Cash Generation, Sound Balance Sheet, Attractive Yields

Cash Summary

(\$ in billions)

	3Q08	YTD
Cash From Operations	\$9.3	\$22.8
Capital Expenditures	\$5.3	\$14.8
Free Cash Flow	\$4.0	\$7.9
Cash Returned To Shareowners	\$2.3	\$13.2

Solid cash flow allows for continued investments in growth drivers while returning value to shareowners

- Continued strong balance sheet and credit ratings
- Total debt reduced by \$3.4 billion in 3Q08
- Expect 2008 free cash flow of approximately \$14 billion

AT&T 3Q08 Summary

- **Solid execution** across operations, growing revenues
- **Strong wireless growth continues**, with excellent gains in subscribers and data adoption
- **iPhone 3G delivering better-than-expected results** and strong growth in high-value customers, creating value
- **Stable business trends**, with sequential growth in enterprise, small/midsized, wholesale
- **Continued ramp in AT&T U-verse TV** with high broadband attach rate
- **Solid balance sheet** with strong credit metrics
- **Strong record of returning value to shareowners**, strong yields

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