

AT&T Investor Update

4Q08 Earnings Conference Call
January 28, 2009



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Agenda

Introduction

Brooks McCorcle

Senior Vice President-Investor Relations

Opening Remarks

Randall Stephenson

Chairman, Chief Executive Officer and President

4Q08 Results, Outlook

Rick Lindner

Senior Executive Vice President
and Chief Financial Officer

Q and A

Closing Comment

Cautionary Language Concerning Forward-Looking Statements

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4Q08 Execution and Highlights

Major advances
over past year
strengthen AT&T's
position, expand
opportunities for
2009 and beyond

Strong wireless growth – >2 million net subscriber additions, >4 million iPhone activations in 2H08

Industry-leading wireless data growth – up 51.2% year over year

Accelerated AT&T U-verseSM TV ramp – passed 1 million subscribers, network deployed to 17 million living units

Continued double-digit growth in IP data services – advanced business services, U-verse ramp

Sustained dramatic turnaround in wholesale – IBM alliance continues to ramp

Maintained the best consolidated operating margins among telecom peers – delivered on merger synergies, streamlined organization, continued cost improvement

Returned value to shareowners – >\$15 billion in 2008 through dividends and share repurchases, 25th consecutive annual dividend increase

EPS Summary

4Q08 reported and adjusted EPS includes:

- \$0.05 - iPhone activations
- \$0.01 - hurricane-related costs
- \$0.01 - foreign exchange impacts on equity income

	4Q08	4Q07
Reported EPS	\$0.41	\$0.51
<hr/>		
Adjustments:		
Merger-Related Costs		
Merger integration		0.04
Noncash merger-related costs	0.12	0.15
Trust investment losses	0.05	
Workforce reduction	0.07	
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Adjusted EPS	\$0.64	\$0.71

Pretax adjustments to earnings:

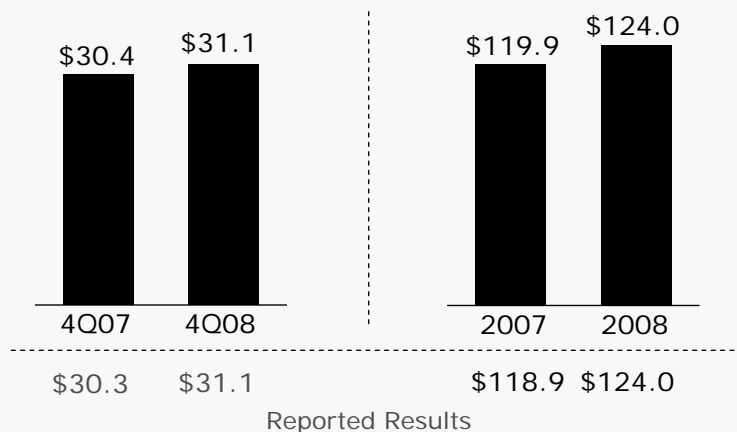
- 4Q08: noncash merger-related costs of \$1,056 million, workforce reduction charge of \$617 million and trust investment losses of \$445 million.
- 4Q07: merger integration, noncash intangible amortization and purchase accounting effect totaling \$1,800 million.

Totals may not foot due to rounding.

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

Consolidated Revenue Growth

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



2007 revenues adjusted to exclude merger-related directory accounting impact.

4Q08 Customer Revenue Mix

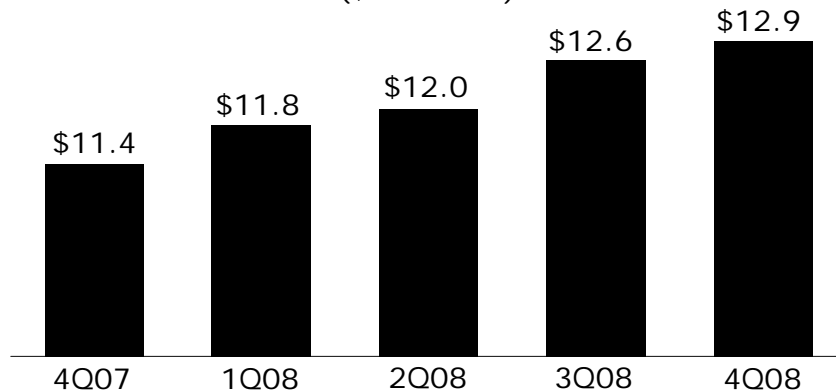


Total adjusted consolidated revenues grew 3.4% for the full year, up 2.2% in 4Q08. Fourth-quarter highlights:

- 13.2% wireless revenue growth
- Wireless represented 41.4% of total 4Q08 revenues, up from 37.4% a year earlier
- 14.2% growth in wireline IP data revenues, which include business services and AT&T U-verse services
- These drivers more than offset expected pressures in wireline voice

Wireless Subscriber, ARPU and Revenue Growth

AT&T Wireless Revenues
(\$ in billions)

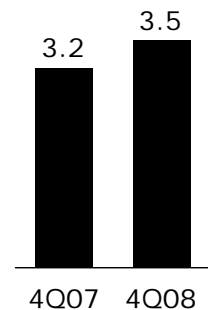


13.2% 4Q08 wireless revenue growth, service revenues up 13.3%

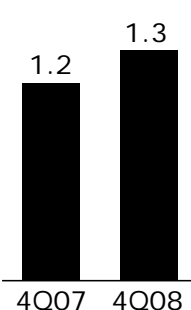
Strong subscriber gains

- 2.1 million net adds in 4Q08
- 7.0 million increase in wireless subscriber base over past year to reach 77.0 million

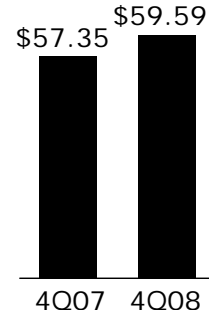
Postpaid Gross Adds
(in millions)



Postpaid Net Adds
(in millions)



Postpaid Subscriber ARPU

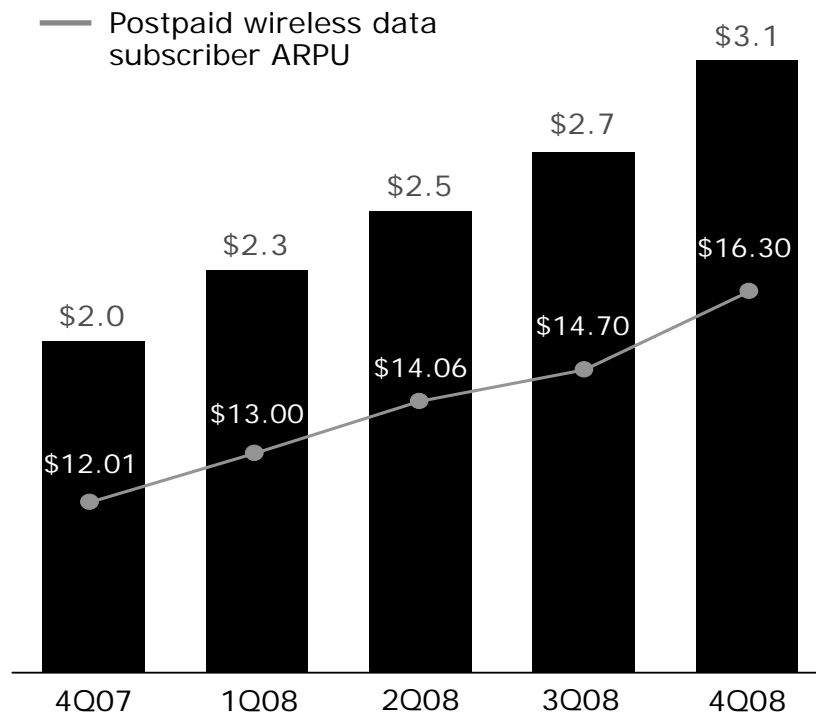


Postpaid ARPU growth:

- 3.9% year-over-year growth in postpaid subscriber ARPU
- Postpaid data ARPU up \$1.60, or 10.9%, sequentially, and up 35.7% year-over-year growth

51.2% Wireless Data Growth

AT&T Wireless Data Revenues (\$ in billions)



Significant gains in industry's strongest growth area

- 12th consecutive quarter with >50% wireless data revenue growth
- Continued strong growth across data product portfolio — including Internet access revenues, multimedia messaging and media bundles
- Nearly 80 billion text messages in 4Q08, more than double 4Q07 volume
- Number of 3G devices in service and 3G active data users on network more than doubled over past year

Wireless Data Growth Drivers

Apple iPhone 3G



BlackBerry® Bold™



Premier Network

- Nation's fastest 3G network
- Only U.S. carrier to have 3G HSPA broadly deployed
- HSPA Release 7 expected to deliver potential peak speeds exceeding 20 Mbps
- Key advantage: significant interim speed improvements available on path to 4G

Premier Device Lineup

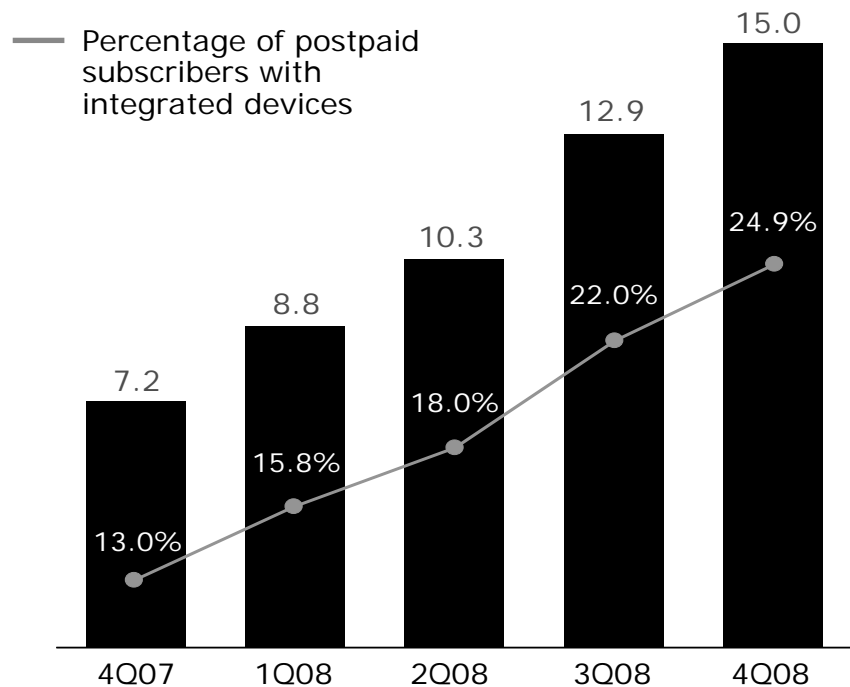
- High-end exclusives: iPhone 3G, BlackBerry Bold
- Attractive array of Quick Messaging devices for text-centric youth market
- Broad selection of LaptopConnect cards, including embedded devices in the Dell Mini and Acer Netbook

Rich Applications and Content

- Largest catalog of mobile music among U.S. wireless companies
- AT&T Mobile TV, AT&T VideoShareSM
- Navigation services
- Transaction services, including banking

Industry Leader in Wireless Integrated Devices

AT&T Wireless Integrated Devices in Service
(in millions)



Subscriber gains at the high end, creating value:

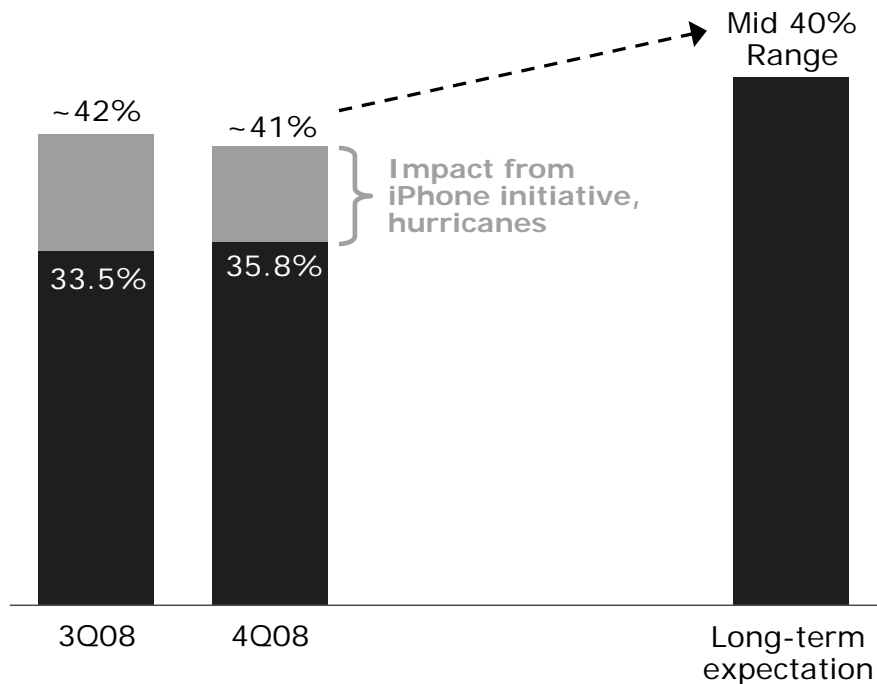
- ~60% of 4Q08 postpaid net adds selected integrated devices
- Integrated device subscriber ARPUs average 1.6x postpaid base

iPhone 3G results confirm plan assumption, outlook:

- 1.9 million activations in 4Q08 and >4 million in less than six months; ~40% new AT&T subscribers
- High ARPU
- Low churn
- High recurring margin
- Net present value is >2x average postpaid subscriber

Wireless Margin Expansion

AT&T Wireless Unadjusted OIBDA Service Margin

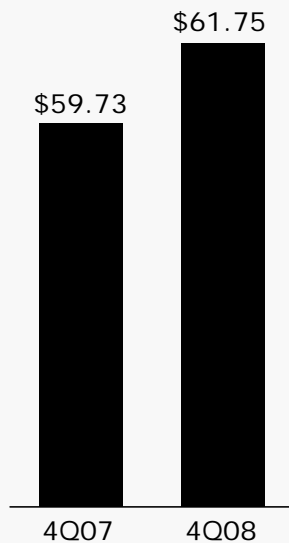


Clear path to substantial wireless margin expansion

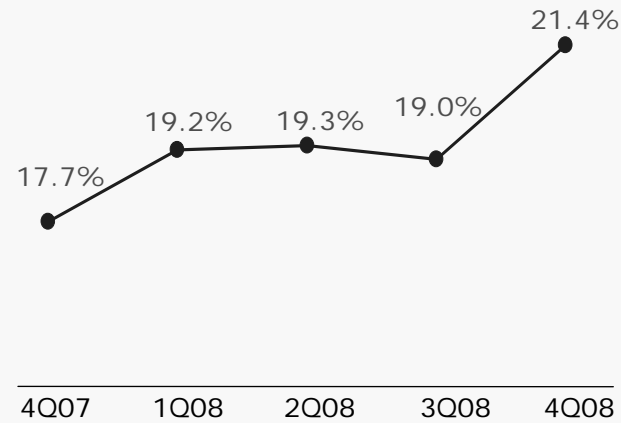
- ARPU and churn characteristics of iPhone 3G customer base drive margin expansion
- 230 basis point sequential increase in unadjusted OIBDA service margin in 4Q08 — driven by iPhone 3G economics
- Expect to achieve wireless OIBDA service margins in the low 40% range by end of 2009 and mid 40% range longer term

Wireline Consumer ARPU Growth Driven by AT&T U-verse TV and Broadband

AT&T Regional Consumer Revenue Per Household Served



Total Consumer IP Revenue Year-Over-Year Growth — Includes Broadband and AT&T U-verse Services



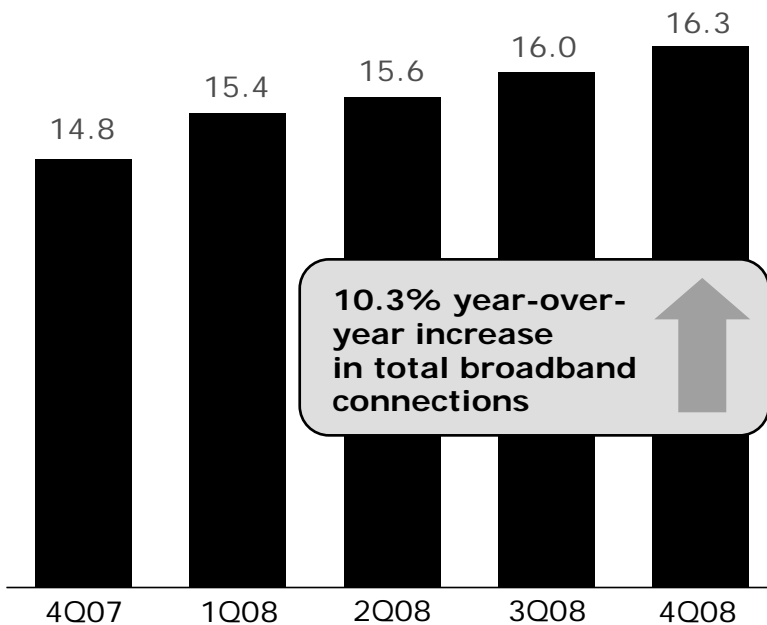
AT&T consumer IP data revenues up 21.4% versus 4Q07, driven by growth in U-verse TV and broadband

- 3.4% year-over-year increase in average revenue per household served, continuing trends of recent quarters
- Improved access line trends in U-verse TV market areas
- Accelerated ramp in AT&T U-verse TV, with >90% broadband attach rate

Broadband Growth

AT&T Total Broadband Connections

Wireline Broadband Users Plus Wireless 3G
LaptopConnect Users
(in millions)



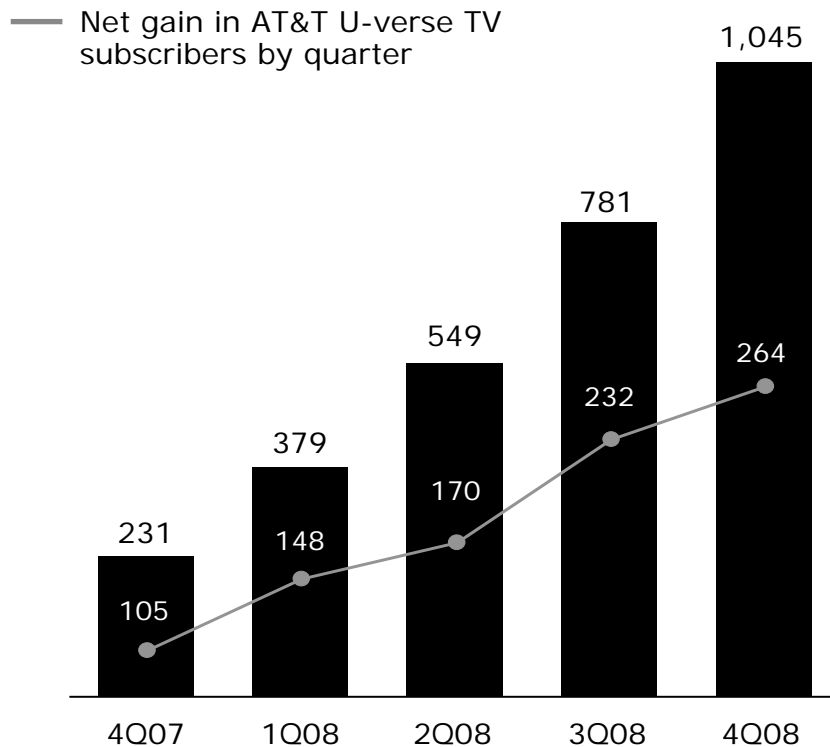
1.5 million net gain in total broadband connections over past year; 357,000 added in 4Q08

- Rapid growth in AT&T U-verse high speed Internet connections
- 3G LaptopConnect cards in service nearly doubled over past year
- Continued strong growth in wireless/broadband bundles
- Wireless and wired broadband subscribers benefit from AT&T's Wi-Fi footprint — industry's largest with nearly 20,000 U.S. hotspots

Strong AT&T U-verse Ramp

AT&T U-verse TV Subscribers in Service

(in thousands)

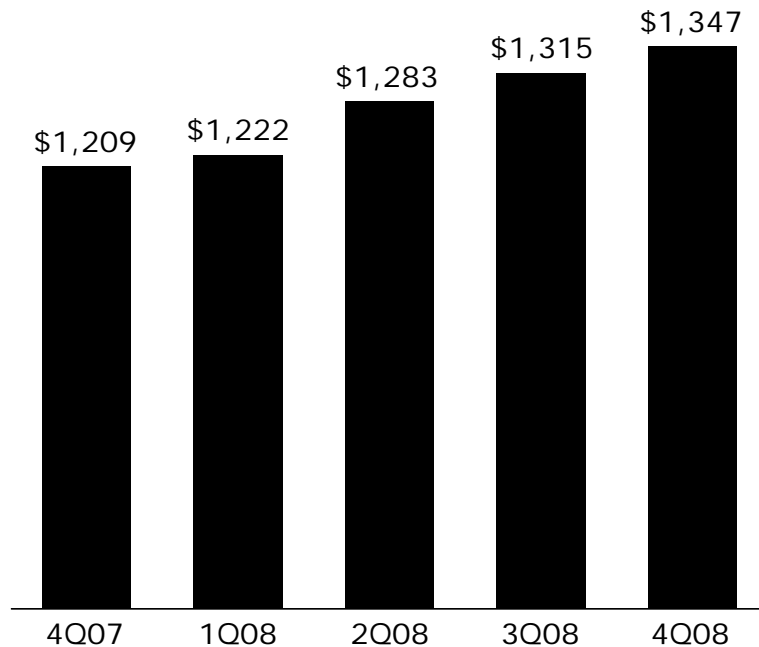


Strong sales trends, operational progress and new service features drive mass-market success story

- Total Home DVR rollout and second HD stream migration completed in 2H08
- AT&T U-verse TV scored highest in customer satisfaction in North Central, South and West regions by J.D. Power and Associates
- Achieving mid-teens penetration within 18 months of launch
- Network deployment now reaches 17 million living units
- Multibillion-dollar revenue opportunity during next few years

Business Trends Driven by Continued Strong IP Data Growth

AT&T Retail Business IP Data Revenues — Enterprise and Regional Business
(\$ in millions)



Retail business revenue trends reflect continued double-digit IP data growth offset by expected economic pressures on voice and transport volumes

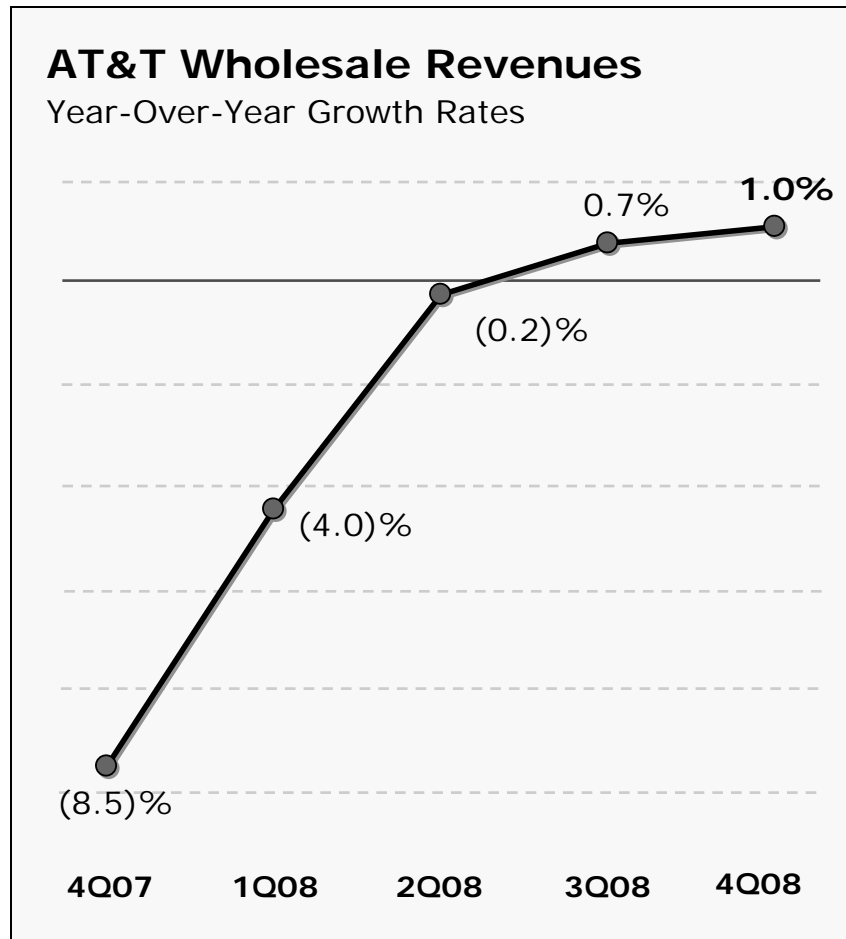
Enterprise

- Wireless an increasing advantage in contract wins
- Double digit growth in IP data revenues with >20% VPN revenue growth

Regional Business

- 13.3% growth in IP data revenues, solid mid-single-digit growth in transport data revenues
- 18.3% IP data and Ethernet revenue growth

Wholesale Turnaround

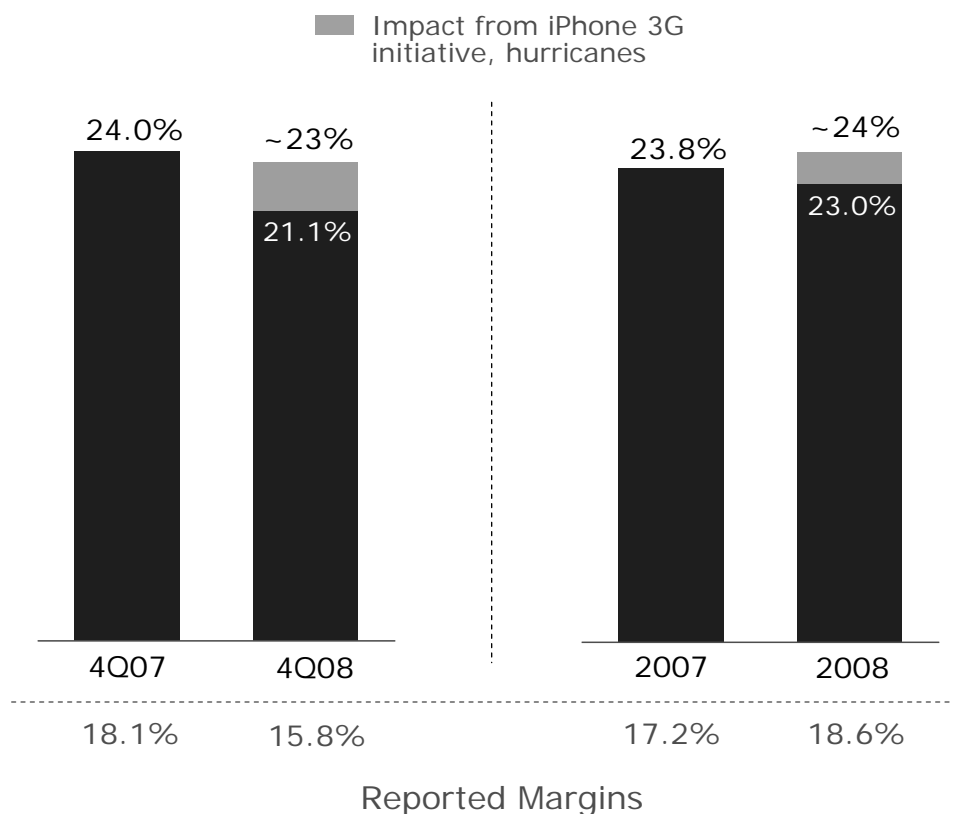


Significant improvement over past year with solid demand for data services offsetting expected declines in local voice

- Solid fundamentals driven by wireless growth, reduced impacts from carrier traffic migration
- Connections with more than 600 carriers in more than 220 countries and territories
- Revenues from AT&T's global network alliance with IBM continue to increase, with further ramp expected in 2009

Consolidated Margins

AT&T Adjusted Operating Income Margin



Merger integration and amortization costs and other items excluded from adjusted operating income margins: \$1,800 million in 4Q07 and \$1,673 million in 4Q08; \$8,168 million in 2007 and \$5,520 million in 2008.

Margins reflect revenue growth, operational improvements, near-term pressure from iPhone 3G initiative and hurricane-related costs

- Merger synergies and execution of major operational cost initiatives on track
- Hurricane impacts totaled ~\$120 million in 4Q08 and \$265 million for the full year
- iPhone dilution of ~\$450 million in 4Q08 and ~\$1.3 billion for full-year 2008
 - High-margin subscribers
 - Impacts expected to decline over next few quarters

Solid Cash Generation, Sound Balance Sheet

AT&T Cash Summary

(\$ in billions)

	4Q08	2008
Cash From Operations	\$10.9	\$33.7

Capital Expenditures	\$5.5	\$20.3

Free Cash Flow	\$5.4	\$13.3

Cash Returned To Shareowners	\$2.4	\$15.6

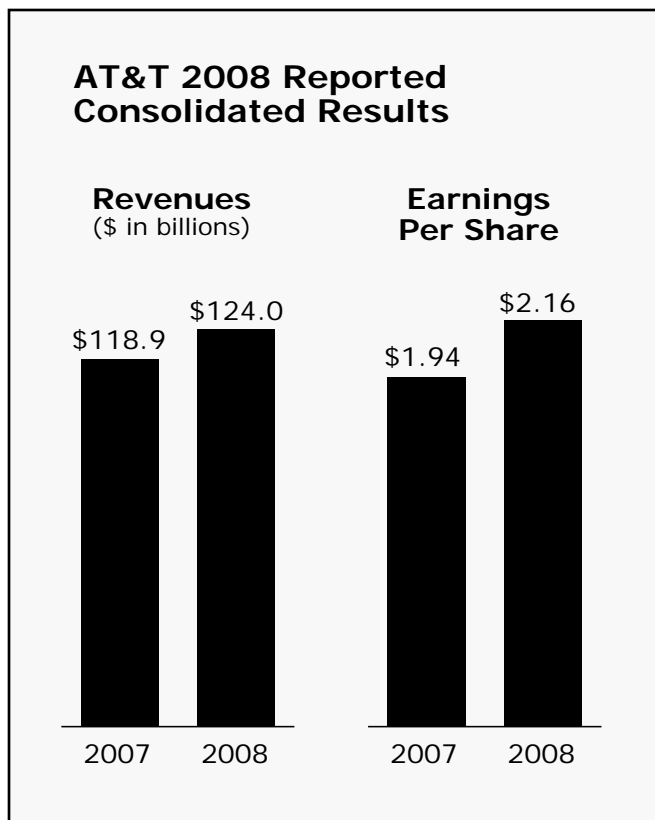
Totals may not foot due to rounding.

Solid cash flow provides financial flexibility for continued investments in growth drivers while returning substantial value to shareowners

- Continued strong balance sheet and credit ratings
- Current focus on debt reduction and dividends ahead of share repurchases
- Total debt reduced by \$5.2 billion in second half of 2008

2009 Outlook

To simplify reporting, and with major merger integration projects now largely complete, in 2009, AT&T will no longer adjust results for merger-related costs and instead will present reported financial quarterly results accompanied by detail on factors impacting results.



2009 Expectations

- Grow consolidated revenues in low single digits
- Manage costs aggressively
- Expand wireless OIBDA margins to low 40% range by end of 2009 with a long-term expectation of reaching the mid 40% range
- Deliver stable consolidated earnings and margins excluding noncash pension/retiree benefit pressure
- Execute a focused, disciplined capital program, while investing in key growth initiatives
- Deliver free cash flow stable with 2008 levels
- Continue strong record of returning value to shareowners

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