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BELLSOUTH CORP  
Form 425  
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Subject Company: BellSouth Corporation

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**AT&T: Strong Execution,  
Substantial Opportunity**

**Rick Lindner**

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

[LOGO]

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**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. Reconciliation between the non-GAAP financial measures and the GAAP financial measures are available on the company's Web site at [www.att.com/investor.relations](http://www.att.com/investor.relations).

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**Note**

**In connection with the proposed merger, AT&T Inc. ( AT&T ) filed a registration statement on Form S-4 (Registration No. 333-132904), containing a joint proxy statement/prospectus of AT&T and BellSouth Corporation ( BellSouth ), with the Securities and Exchange Commission (the SEC ) on March 31, 2006. Investors are urged to read the registration statement and the joint proxy statement/prospectus contained therein (including all amendments and supplements to it) because it contains important information. Investors may obtain free copies of the registration statement and joint proxy statement/prospectus, 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 proxy statement for its 2006 annual meeting of stockholders, filed with the SEC on March 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 is included in the registration statement and joint proxy statement/prospectus contained therein, and other relevant documents filed with the SEC.

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**Strong Track Record of Creating Opportunities, Delivering Results**

Transactions	Wireless and wireline
Wireless	Solid subscriber growth Robust expansion in data services
Business	Consistent strength in small/medium Encouraging trends in enterprise
Consumer	Strong growth in broadband and bundling End of UNE-P, growth in VoIP Next-generation network deployment under way and on track

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**What Sets AT&T Apart?**

[GRAPHIC]

Industry's Premier Assets

Industry's Largest Synergy Opportunities

Strong Track Record

Positive Outlook

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**Strong Execution: EPS Growth**

AT&T Inc. Adjusted  
Earnings per Share by Quarter

[CHART]

**Four consecutive quarters** with sequential and year-over-year growth in adjusted earnings per share

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**Strong Execution: Cingular Wireless**

Churn  
Reduction  
Average Monthly  
Subscriber Churn

[CHART]

Revenue  
Growth Rates

[CHART]

2005 revenue comparisons to pro forma results. Pro forma includes results from AT&T Wireless and other acquired properties and excludes results from markets that have been divested.

**640 basis point adjusted OIBDA margin expansion over the past year**

OIBDA margin is defined as operating income plus depreciation and amortization divided by wireless service revenue. Adjusted OIBDA margin excludes cash merger integration charges of \$105 million in 1Q05, and \$64 million of cash merger integration charges in 1Q06.

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**Strong Execution: Business**

Regional Business  
Pro Forma Growth Rates

[CHART]

Enterprise Pro Forma Revenue Growth Rates

Enterprise Data Revenues

[CHART]

Total Enterprise Revenues

[CHART]

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**Strong Execution: Regional Consumer**

DSL Penetration  
of Consumer  
Primary Lines

[CHART]

Consumer  
Revenue  
Connections  
(millions)

[CHART]

Consumer revenue connections are made up of retail access lines, DSL lines and video subscribers.

In 1Q06, **5.7% year-over-year growth** in consumer revenue per line

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**Strong Execution: AT&T Merger Integration**

Front-line **enterprise sales** force consolidation complete

Selling high-end enterprise portfolio in **small/medium** space

**Network buildout** begun, customer migration to start in June

Expect to have all legacy SBC mass market LD **traffic migrated** by 4Q06

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**Strong Execution: Margin Expansion**

AT&T Inc. Consolidated Adjusted  
Operating Income Margin

[CHART]

1Q06 adjusted operating income margin **above guidance range**

4Q05 excludes \$106 million of non-merger severance charges and \$866 million of merger integration and amortization costs; 1Q06 excludes \$529 million of merger integration and amortization costs.

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**Execution and Valuation**

**More than 9% total return** year to date, despite merger announcement, consistent with overall market

Forward-looking P/E ratio at a **substantial discount** to S&P 500, well below historical norms

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**Positive Outlook**

Expected AT&T Free Cash  
Flow After Dividends

[CHART]

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

Following BellSouth merger, **return to revenue growth** in 2007, versus pro forma 2006

**Share repurchase** of at least \$10 billion planned over the next 19 months, with at least \$2 billion expected in 2006

Expectations assume planned BellSouth merger closes by year end 2006. Free cash flow after dividends is cash from operations plus proportionate share of Cingular free cash flow, less capital expenditures and dividends. After BellSouth merger, free cash flow after dividends will be cash from operations less capital expenditures and dividends.

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**Substantial Opportunity**

AT&T has large, clearly defined upside potential across its business

1. **Wireless**
2. **Business**
3. **Broadband**
4. **Cost Structure**

AT&T's potential in all of these areas will be expanded by its planned merger with BellSouth

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**Substantial Opportunity:  
Wireless Margin Expansion**

OIBDA Margins

[CHART]

1Q06 OIBDA margin adjusted to exclude cash merger integration charges of \$64 million.

Opportunity for an **additional 1,000 basis points** of margin expansion over next two years on \$35 billion revenue base

**Substantial margin potential ahead:** network integration and systems conversion

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**Substantial Opportunity: Wireless Data**

Cellular/PCS Spectrum Depth  
(MHz in Top 100 Markets)

[CHART]

Source: Raymond James Equity Research

1Q Cingular Wireless **data revenues up 53%**

**3G UMTS/HSDPA** network to launch in most major markets this year

Voice and data on one network

Average data speeds up to 700 kbps with bursts of up to 3 mbps

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**Substantial Opportunity: Enterprise**

[GRAPHIC]

AT&T's global network and advanced product sets deliver value to customers around the world

Superior Network

Global backbone network averages 5.1 petabytes per business day

30 Internet data centers on 4 continents

Dedicated MPLS access in 127 countries

Superior Portfolio

Broad suite of managed services, hosting and consulting services

Security and business continuity

Enterprise mobility products

VoIP and other IP-based services

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**Substantial Opportunity:  
Encouraging Enterprise Trends**

Enterprise Retail Pricing Trends

[CHART]

In voice and data transport, gap between average pricing in portfolio and point-of-sale pricing has narrowed

Capturing **technology migration**

Excellent marketplace **momentum**, positive response to merger

**Volumes** are strong

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**Substantial Opportunity:  
Small/Medium Business**

[GRAPHIC]

Large customer base

**Stable local voice revenues** in recent quarters

**15% growth in small/medium business data revenues** year over year, with double-digit increases in both transport and IP data

**Significant opportunity** to migrate services developed and proven in enterprise space

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**Substantial Opportunity:  
Project Lightspeed**

**Integrated** IP video, high speed Internet and voice network

**Natural extension** of current fiber deployment

**Logical and disciplined** approach

**Superior** network for both business and consumer services

[GRAPHIC]

Offer integrated services and leverage applications and content across  
**three screens:**  
high speed Internet, wireless, TV

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**Project Lightspeed Update**

**Controlled Market Entry**

More than 200 channels  
Hundreds of hours of VoD content  
DVR capabilities  
Fast channel change  
Interactive program guide  
High speed Internet access up to 6 Mbps

**Scaled Launch**

15 - 20 markets  
3 SD streams and 1 HD stream  
More than 300 channels  
Significant increase in VOD  
Interactive applications

Future options include remote-access capabilities, customizable L-bar, multiple picture-in-picture functionality, whole-home DVR, My Photos channel

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**BellSouth Merger: Simplified Wireless Ownership and Operating Structure**

[GRAPHIC]

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

Allows for shared R&D and product development, **shared content and applications**

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**BellSouth Merger: Expanded Business and Broadband Opportunities**

**Enterprise Business**

Enterprise customers in Southeast will benefit from AT&T's global reach

Single point of contact, unified effort for wireless and wireline enterprise sales

**Small/Medium Business**

AT&T's large-business services can be migrated to BellSouth's small/medium-business base

**Project Lightspeed**

BellSouth's deep fiber deployment consistent with Project Lightspeed

Half of BellSouth's households are served by fiber with loops of less than 5,000 feet

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**BellSouth Merger: Synergy/Cost Savings Opportunities**

Combine functions, coordinate operations, share technology platforms at AT&T, BellSouth and Cingular

**Advertising** moving from three brands to one

**Traffic** BellSouth LD traffic moved to AT&T network, Cingular traffic moved to common IP backbone

IT, support and customer care **platforms optimized**

R&D and **product development** spread across larger base, with support from AT&T Labs

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**Substantial Opportunity: Cost Reduction**

AT&T has the industry's largest set of clearly identified merger synergy cost-reduction opportunities. Expected annual savings by 2008:

**\$3 billion** or more from Cingular/AT&T Wireless integration

**\$2.5 billion** or more from SBC/AT&T merger integration

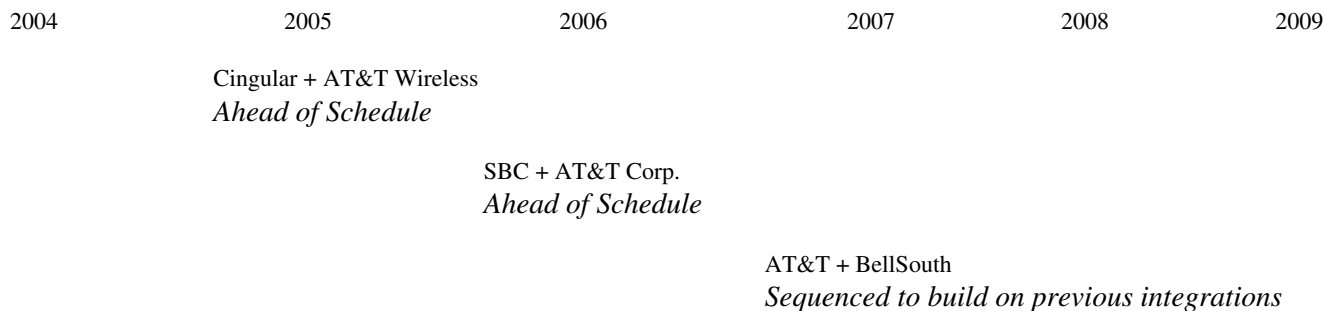
Approximately **\$2 billion** from BellSouth merger integration, approaching \$3 billion in 2009

**\$1.2 billion** from additional operational initiatives

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**The Timing Is Right**



**Disciplined approach**

Detailed planning

Dedicated teams

Integration goals built into all operational budgets and plans

Weekly reviews

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**AT&T In Summary**

Premier Assets

Wireless  
Business

Broadband  
Directory

Cost Reduction Opportunities

Annual cost reductions from merger synergies plus operational initiatives expected to exceed \$8 billion by 2008

Positive Outlook

Expect to deliver double-digit EPS growth in each of next three years, with growing free cash flow after dividends

Management committed to building a strong track record based on consistent execution

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**AT&T: Strong Execution, Substantial Opportunity**

**Rick Lindner**

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

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