

Shareholder Questions and Answers related to the proposed AT&T / BellSouth merger

Terms of the Merger

Q: What are the terms of the merger?

A: In the merger, shareholders of BellSouth will receive 1.325 shares of AT&T common stock for each common share of BellSouth.

Q: Why are BellSouth and AT&T planning to merge?

A: BellSouth believes this merger represents the right opportunity for the Company, our shareholders, our customers and our employees. It will create one of the largest providers of communications services in the world and will allow us to better respond to competitive forces in our industry and pursue growth opportunities.

Revised! Q: What approval is required and how long will it take for the merger to close?

A: The merger is subject to customary closing conditions, and approval by the shareholders of both companies and applicable governmental authorities. An important step in the process was reached when BellSouth and AT&T shareholders approved the merger at their respective Special Meetings of Shareholders on July 21, 2006. We currently expect the merger to close in the fall of 2006.

Q: When will the shareholders know if the merger has taken place?

A: We currently expect the merger to close in the fall of 2006. AT&T will issue a news release on the date of the closing announcing the closing has occurred. The news release will appear in the general press and on BellSouth's Internet site, www.bellsouth.com/investor.

Q: Will this merger transaction be taxable to me?

A: No, the merger is not anticipated to be a taxable event since it is a stock-for-stock transaction. However, you should consult your tax advisor regarding your particular situation.

Merger Approval Process

Revised! Q: Have shareholders had a chance to vote on the proposed merger?

A: Yes. BellSouth held a special meeting of shareholders to obtain approval for the transaction on July 21, 2006. Shareholders of BellSouth Corporation overwhelmingly voted to approve a merger agreement with AT&T. Approximately 97 percent of the shares that were voted approved the merger. This represents 1.22 billion, or more than 67 percent, of the company's outstanding shares. Approval of the merger agreement required a positive vote of a majority of the outstanding shares.

New! Q: What is the status of the merger approvals?

In addition to shareholder approval, BellSouth must still obtain regulatory approvals from the Department of Justice, the Federal Communications Commission, and various state commissions. All in all, we have made substantial progress toward completion of these requirements, and we expect to close the transaction in the fall.

BellSouth Shares

Q: How will the merger affect my BellSouth stock?

A: After the merger is approved and closed, each outstanding share of BellSouth common stock will be exchanged for 1.325 shares of AT&T stock. All BellSouth shareholders will, therefore, become shareholders of AT&T. No action will be required by you until after the closing of the merger. Following the closing, you will receive instructions from AT&T regarding the exchange of your shares.

Q: Will there be a cash payment or cash option for BellSouth shares from AT&T? How much will it be?

A: There will be no cash payment from AT&T. After the merger is approved and closed, each outstanding share of BellSouth common stock will be exchanged for 1.325 shares of AT&T stock. All BellSouth shareholders will, therefore, become shareholders of AT&T. No action will be required by you until after the closing of the merger. Following the closing, you will receive information from AT&T regarding the exchange of your shares.

Q: What does the \$37.09 per share exchange value that was mentioned in the press release mean to me? How do I calculate the exchange value of my BellSouth stock into AT&T stock?

A: BellSouth shareholders will receive 1.325 shares of AT&T common stock for each share of BellSouth that they hold immediately prior to the merger. For the purpose of calculating or estimating the value of your exchanged shares, you would multiply your BellSouth "share" balance by the 1.325 "exchange ratio" at that time to determine the number of AT&T shares you would receive. The market valuation of your new AT&T share balance at the time of exchange would be determined by multiplying your AT&T share balance by the trading price of AT&T's common stock on the market at that point in time.

Based on the above calculation, each share of BellSouth common stock would have represented approximately \$37.09 at the close of business on March 3, 2006 (if the merger had closed at that time). Each share of BellSouth stock will be exchanged for 1.325 shares of AT&T common stock, and the closing price of AT&T's common stock on March 3, 2006 was \$27.99 (1.325 AT&T shares x \$27.99 = \$37.09 per BellSouth share). The value of each former BellSouth common share following the merger will fluctuate based on the market price of AT&T's common stock.

Q: Is \$37.09 the amount of money a shareholder would have received if he or she sold BellSouth shares on March 6, 2006?

A: The price for buying or selling a share of stock is based on the market price on the date and time of the trade. BellSouth's stock closed at \$34.50 on March 6, 2006. In the merger, shareholders of BellSouth will receive 1.325 shares of AT&T common stock for each common share of BellSouth. Based on AT&T's closing stock price on March 3, 2006 (the last trading day before the announcement of the transaction), this exchange ratio was valued at \$37.09 per BellSouth common share. This price per share represents a 17.9 percent premium over BellSouth's closing stock price on March 3, 2006.

Q: Is it better just to sell all of my BellSouth shares?

A: Whether to buy or sell stock is a personal decision. We recommend you consult your investment advisor.

Q: Will shareholders be asked to turn in their certificates? If so, when?

A: We currently expect the merger to close in the fall. Following the closing of the merger you will receive a packet of information and instructions from AT&T including a Transmittal Form for your certificated stock. You will be required to complete the Transmittal Form and return it, along with your stock certificate(s) (or an affidavit of loss if you have misplaced your stock certificate(s)) to receive your shares of AT&T stock.

Q: What will happen to my BellSouth shares after the merger is approved and what action must I take now?

A: After the merger is approved and closed, each outstanding share of BellSouth common stock will be exchanged for 1.325 shares of AT&T stock. All BellSouth shareholders will, therefore, become shareholders of AT&T. No action is required by you at this time. Following the closing, you will receive instructions from AT&T.

Q: After the merger, how will any partial ("fractional") share of BellSouth common stock be handled during the exchange for AT&T stock?

A: Only whole shares will be exchanged for AT&T shares. As a result, any fractional share will be sold and a check will be mailed to you. If your BellSouth shares are held in a stock brokerage account, by a bank or other nominee, then you are considered the "beneficial holder" of the shares. If this is the case, please contact your broker or appropriate agent regarding how they will treat a fractional share.

Q: Will there be a forced liquidation of any partial ("fractional") share?

A: Only whole shares will be exchanged for AT&T shares. As a result, any fractional share will be sold and a check will be mailed to you. If your BellSouth shares are held in a stock brokerage account, or by a bank or other nominee, then you are considered the "beneficial holder" of the shares. If this is the case, please contact your broker or appropriate agent regarding how they will treat a fractional share.

Dividends

Q: What will happen to my BellSouth dividends?

A: BellSouth will continue to pay quarterly dividends declared by BellSouth's Board of Directors until the merger with AT&T is closed. The merger is expected to result in an increased dividend for BellSouth's shareholders following the transaction. At closing each share of BellSouth stock, which currently pays an annual dividend of \$1.16, will be converted into 1.325 shares of AT&T stock. Since AT&T's current annual dividend is \$1.33, the dividend received on a share of BellSouth stock held today will effectively increase 52 percent to \$1.76 post-merger ($\$1.33 \text{ annual dividend per share} \times 1.325 \text{ shares} = \$1.76 \text{ annual dividend}$). All dividends are subject to the discretion of the Board of Directors.

Q: What is AT&T's dividend rate?

A: AT&T's current annual dividend is \$1.33 per share. The merger is expected to result in an increased dividend for BellSouth's shareholders following the transaction. At closing, each share of BellSouth stock, which currently pays an annual dividend of \$1.16, will be converted into 1.325 shares of AT&T stock. Since AT&T's current annual dividend is \$1.33, the dividend received on a share of BellSouth stock held today will effectively increase 52 percent to \$1.76 post-merger ($\$1.33 \text{ annual dividend per share} \times 1.325 \text{ shares} = \$1.76 \text{ annual dividend}$). All dividends paid by AT&T are subject to the discretion of AT&T's Board of Directors.

Q: If the merger goes through will dividends still be paid?

A: All dividends paid by AT&T are subject to the discretion of AT&T's Board of Directors. AT&T's current annual dividend is \$1.33 per share. The merger is expected to result in an increased dividend for BellSouth's shareholders following the transaction. At closing, each share of BellSouth stock, which currently pays an annual dividend of \$1.16, will be converted into 1.325 shares of AT&T stock. Since AT&T's current annual dividend is \$1.33, the dividend received on a share of BellSouth stock held today will effectively increase 52 percent to \$1.76 post-merger ($\$1.33 \text{ annual dividend per share} \times 1.325 \text{ shares} = \$1.76 \text{ annual dividend}$).

Direct Investment Plan (Plan)

Q: Will BellSouth continue to have its Direct Investment Plan (Plan)?

A: BellSouth's current Plan will continue for existing participants until the merger closing. However, no new participants can be added. After the closing, AT&T will need to address this question with regard to the AT&T shares received in exchange for the BellSouth shares at closing.

Transfer Agent for the New Company

Q: Who will be the transfer agent for the new company?

A: Mellon Investor Services will remain as the transfer agent for BellSouth until the closing of the transaction. After the closing, AT&T will work with the transfer agent that best suits their business needs.

Cingular

Q: Since BellSouth owns 40 percent of Cingular, what will happen to Cingular?

A: Until the transaction is closed, Cingular will continue to operate under the current management and governance structure. AT&T will own 100 percent of Cingular following the closing. Post closing impacts on Cingular will need to be addressed by AT&T. AT&T announced the Cingular brand name will no longer be used following closing and that Cingular's headquarters will remain in Atlanta.

Contact Information

Q: Who do I contact if I have questions or need information regarding this merger?

A: Visit BellSouth's Web site, www.bellsouth.com/investor, for information and updates regarding the proposed merger. You can also write to BellSouth Investor Relations at 1155 Peachtree Street, Room 14B06, Atlanta, Georgia 30309-3610.