

BELLSOUTH CORP
Form 425
April 03, 2006

Filed by AT&T Inc.

Pursuant to Rule 425 under the Securities Act of 1933

and deemed filed pursuant to Rule 14a-12

of the Securities Exchange Act of 1934

Subject Company: BellSouth Corporation

Commission File No.: 1-8607

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Randall Stephenson

Chief Operating Officer

AT&T Inc.

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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. 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 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 will be included in the registration statement and joint proxy statement, and the other relevant documents filed with the SEC when they become available.

What Has Changed?

Solid Operational Momentum

AT&T Inc. Adjusted EPS

[CHART]

Reported Results

Significant **margin expansion** in both wireline and wireless

Seven consecutive quarters of **wireline revenue growth**

Better-than-projected 2005 performance from **former AT&T**

What Has Changed?

A Dramatically Different Company

Focused,
Logical Steps
Over Past
Two Years
To Transform
Business in
Key Areas

Wireless
Business
Broadband
Cost Structure

AT&T Today: Premier Wireless Assets

Outstanding reach, spectrum depth with IP-based network.

UMTS/ HSDPA network to be deployed in most top 100 markets this year.

Cingular Licensed Coverage
294 Million POPs

[GRAPHIC]

Cellular/PCS Spectrum
Depth MHz Top 100 Markets

[CHART]

Source: Raymond James Equity Research

AT&T Today: Premier Business Assets

AT&T's global network reaches virtually every developed country in the world.

Enterprise

One of the world's largest IP backbones

30 premium global data centers

Strongest MPLS service lineup in North America

Advanced product sets and customer care

Small/Medium

Broad customer base, strong relationships with growing revenues

Opportunity to migrate products and capabilities down market

AT&T Today: Growing Broadband Business

**AT&T Consumer DSL
Penetration of Primary Lines**

[CHART]

7 million DSL lines in service, doubled over past two years

1.8 million net increase in AT&T DSL lines over past four quarters, best among all providers

Project Lightspeed:

IP-Based Broadband Network

Integrated IP video, high-speed Internet and voice network

[GRAPHIC]

Natural extension of current fiber deployment

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

Logical and disciplined approach

Superior network for both business and consumer services

A Logical Next Step: BellSouth Merger

Enhances Potential in Key Areas

Wireless

Simplified ownership and operating structure

Integration of wireless and wireline networks and services

Business

Single wireless/wireline point of contact in enterprise space

Expanded opportunity in small-medium business space

Broadband

BellSouth's deep fiber deployment in local network

Cost Structure

Synergy opportunities expected to approach an annual run rate of more than \$2 billion in 2008

Synergy Opportunities

on Multiple Fronts

Combine functions, coordinate operations, share technology platforms at three companies:

AT&T, BellSouth and Cingular

Advertising moving from three brands to one

Consolidated staff and support functions AT&T, BellSouth and Cingular

BellSouth LD traffic moved to AT&T network

Cingular traffic moved to common IP backbone

AT&T dedicated access in Southeast moved to BellSouth network

IT, support and customer care platforms optimized

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

Cost Reduction Opportunities

Expected annual cost savings by 2008

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

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

\$1.2 billion from additional operational cost initiatives

AT&T Outlook

EPS Growth	Free Cash Flow	Share Repurchase
Double-digit adjusted EPS growth expected over each of the next three years	\$2 billion free cash flow after dividends(1) in 2006	At least \$10 billion over the next 22 months with at least \$2 billion expected in 2006
	\$4 - \$5 billion free cash flow after dividends(1) starting in 2007, >\$6 billion in 2008	

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

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

The New AT&T In Summary

Premier assets

U.S. leader in wireless, business, DSL broadband, directory

Solid operating momentum

Substantial margin expansion over past year in both wireless and wireline, merger integration on track

[GRAPHIC]

Large synergy opportunities

Cingular Wireless, AT&T acquisition, BellSouth merger

Positive financial outlook

Expect to deliver double-digit adjusted EPS growth, strong cash flow over next three years, \$10 billion in share repurchase over next 22 months

Randall Stephenson

Chief Operating Officer

AT&T Inc.
