

For Immediate Release
July 24, 2006

BellSouth Reports Second Quarter Earnings

- ***Normalized earnings per share of 60 cents, up 18 percent***
- ***Expanding margins in Communications Group***
- ***Strong customer growth and record low churn at Cingular***

ATLANTA – BellSouth Corporation (NYSE: BLS) announced second quarter 2006 earnings per share (EPS) from continuing operations of 49 cents, up 14.0 percent compared to the second quarter of 2005. Normalized EPS from continuing operations was 60 cents, a 17.6 percent increase compared to the second quarter of 2005. During the first six months of the year, BellSouth's reported income from continuing operations has grown \$200 million compared to the prior year while normalized net income for the first six months has expanded more than \$300 million exceeding \$2 billion. A list of normalizing items is provided in the table below.

"Three consecutive quarters of double-digit earnings growth reflects the strength of our broadband and wireless businesses," said Duane Ackerman, Chairman and Chief Executive Officer. "Continued revenue growth and our focus on cost management in the wireline business and increased profitability at Cingular demonstrate that we continue to successfully execute in the ever-changing communications market."

Normalized Results from Continuing Operations

Normalized results from continuing operations include BellSouth's 40 percent proportionate share of Cingular's revenues and expenses that are recognized as equity earnings for purposes of GAAP reporting. Normalized results exclude the impact of significant nonoperational or nonrecurring items.

Normalized revenue growth of 3.4 percent was driven by growth across all operating segments of the business, resulting in normalized revenues of more than \$8.8 billion for the second quarter of 2006. For the quarter, operating income before depreciation and amortization (OIBDA) exceeded \$3.4 billion representing a 38.7 percent OIBDA margin. OIBDA margin improved 160 basis points year-over-year and 120 basis points sequentially. Normalized net income of \$1.1 billion grew 15.1 percent compared to the second quarter of 2005 driven by improved profitability at both Cingular and Communications Group.

Reported Results from Continuing Operations

For the second quarter of 2006, BellSouth's consolidated reported revenues from continuing operations were \$5.2 billion, up 1.2 percent compared to the same quarter of 2005. Income from continuing operations was \$887 million, up 11.6 percent compared to the same quarter of the previous year.

For the second quarter of 2006, operating free cash flow (defined as net cash provided by operating activities less capital expenditures) was \$980 million. Capital expenditures for the quarter were \$950 million, including approximately \$130 million of incremental expenditures for Katrina restoration efforts.

Proposed Merger with AT&T

On March 5, 2006, BellSouth and AT&T announced an agreement to merge the two companies in a combination that will create a more effective and efficient provider of wireless, broadband, video, voice and data products.

On Friday, July 21, 2006, shareholders of both BellSouth and AT&T voted overwhelmingly to approve the merger agreement. The companies have made significant progress toward obtaining the regulatory approvals from the Department of Justice, the Federal Communications Commission and various state commissions. The merger is expected to close in the fall.

Communications Group

In the second quarter of 2006, Communications Group revenues were \$4.7 billion, a 1.0 percent increase over the second quarter of 2005. Growth in the mass-market and stabilization in the large business customer segments contributed to the improved results. Revenue streams for broadband data and long distance in these segments outpaced declines in the traditional voice business. Communications Group operating margin improved significantly to 24.9 percent, an increase of 130 basis points year-over-year and sequentially as the Company continued to focus on cost controls and held revenues stable.

Network data revenues grew to \$1.3 billion, a 10.0 percent increase over the second quarter of 2005. Retail data revenues growth of 18.7 percent year-over-year was driven by a 40.9 percent increase in retail DSL revenues and continued momentum from emerging retail data services indicative of market growth in IP broadband services.

At the end of the second quarter, BellSouth served nearly 3.3 million broadband DSL customers. The Company added 128,000 new customers during the second quarter and continued to improve the economic mix of customers. Today, more than 25 percent of BellSouth's broadband customers subscribe to the Company's premium service offerings -- FastAccess® DSL Xtreme and FastAccess® DSL Xtreme 6.0.

BellSouth ended the second quarter with nearly 7.5 million long distance customers and at quarter-end served more than 60 percent of its mass-market customer base with long distance. The Company added 120,000 long distance customers during the second quarter. Approximately 63,000 customers added DIRECTV® service to their BellSouth bundle, resulting in a total of 691,000 customers who have included DIRECTV® service in their communications packages.

As of June 30, 2006, total access lines were 19.3 million, down 460,000 compared to March 31, 2006. Residential access line loss in the second quarter reflects seasonal loss patterns, wireless substitution and competition from cable telephony providers. Retail residential access lines were down 251,000. Retail small business access line gains were nearly 25,000, offset by a 48,000 decline in retail large business access lines that was predominantly driven by the loss of a single customer. Wholesale lines resold by BellSouth competitors declined 181,000 compared to March 31, 2006.

Summary Impacts of Hurricane Katrina

During the second quarter of 2006, BellSouth recognized incremental expenses associated with Hurricane Katrina of \$25 million, which is net of \$20 million in insurance recoveries during the quarter. BellSouth also incurred approximately \$130 million of incremental capital expenditures for Katrina restoration. Since the third quarter of 2005, BellSouth has incurred approximately \$910 million for Katrina-related network restoration expense and capital spending. We expect a portion of the cost associated with the Hurricane Katrina recovery effort to be covered by insurance. While the exact amount has not been determined, our current estimate of the total amount of covered losses that will be covered by insurance, net of our deductible is approximately \$250 million, of which \$40 million has been recognized to date. The actual recovery will vary depending on the outcome of the insurance loss adjustment effort.

Cingular Wireless

Cingular Wireless, the nation's largest wireless provider, was an important contributor to BellSouth's earnings growth in the second quarter of 2006. Strong customer growth, record low churn, improving revenue trends, and successful merger integration activities drove Cingular's margin expansion and net income growth.

Cingular added 1.5 million net new customers during the second quarter of 2006 and served a total of 57.3 million subscribers at the end of June. Postpaid customer additions were more than 1.0 million for the quarter, a 9.0 percent year-over-year improvement. Overall monthly subscriber churn for the quarter was a record-low 1.7 percent and postpaid churn was also the lowest-ever at 1.5 percent.

In the second quarter of 2006, Cingular's revenues were \$9.2 billion, an improvement of 7.1 percent over the same quarter a year ago and up 2.7 percent sequentially. Average revenue per user (ARPU) improved sequentially in the quarter to \$48.84, but declined 3.3 percent from the year-ago second quarter. The year-over-year decline in ARPU is primarily the result of the increase in the number of lower ARPU wholesale customers in Cingular's base. Retail subscriber ARPU improved year-over-year on growth of data services. Data ARPU continued its growth trajectory in the second quarter of 2006, increasing 38.7 percent to \$5.77 year-over-year and up 10.5 percent sequentially.

For the second quarter of 2006, normalized operating income before depreciation and amortization (OIBDA) margin was 32.6 percent, up 370 basis points compared to the second quarter of 2005. The Company's steady margin improvement illustrates continued execution of merger integration activities and progress on network integration

and system conversions. The continued decline in churn and strong gross and net customer additions are reflective of improving customer satisfaction. Customers are benefiting from improved network coverage and quality, promotional offers and devices and the capabilities of the growing 3G network.

Advertising & Publishing

For the seventh straight quarter, Advertising & Publishing grew revenues year-over-year reflecting continued growth in online advertising and growth in print advertising. Revenues were \$547 million, up 3 percent compared to the same quarter of 2005. Operating margins were strong at 46.1 percent for the second quarter of 2006, flat compared to the same period in the prior year.

Normalizing Items

For the second quarter of 2006, the difference between reported (GAAP) EPS from continuing operations and normalized EPS is shown in the following table. Full income statement reconciliation is included in the attached exhibits.

		2Q06
GAAP Diluted EPS – Income from continuing operations		\$0.49
Wireless merger integration costs		\$0.02
Wireless merger intangible amortization		\$0.04
Hurricane Katrina-related expenses		\$0.01
Severance		\$0.02
AT&T Merger Costs		\$0.01
Normalized Diluted EPS – Income from continuing operations⁽¹⁾		\$0.60

⁽¹⁾ May not sum due to rounding

Wireless merger integration costs – Represents BellSouth's 40 percent share of wireless merger integration costs incurred in connection with the Cingular/AT&T Wireless merger. Integration costs include one-time cash outlays or specified non-cash charges, including accelerated depreciation, directly related to rationalization of the wireless network, sales distribution channels, the workforce, information technology systems and real estate.

Wireless merger intangible amortization – Represents BellSouth's 40 percent share of the non-cash amortization of intangibles, primarily customer lists that were created in Cingular's acquisition of AT&T Wireless.

Hurricane Katrina-related expenses – Represents incremental labor and material costs primarily related to service restoration and network repairs in BellSouth's wireline business. These expenses have been reduced by partial insurance recoveries during the second quarter.

Severance – Represents the net severance-related costs recorded in the second quarter of 2006 associated with recently completed voluntary management workforce reductions.

AT&T Merger Costs – Represents specific deal-related costs directly associated with the pending merger with AT&T. Costs include legal and regulatory fees, costs of filing and printing the joint proxy and registration statement and expense associated with employee retention awards.

About BellSouth Corporation

BellSouth Corporation is a Fortune 500 communications company headquartered in Atlanta, Georgia. BellSouth has joint control and 40 percent ownership of Cingular Wireless, the nation's largest wireless voice and data provider with 57.3 million customers.

Backed by award-winning customer service, BellSouth offers the most comprehensive and innovative package of voice and data services available in the market. Through BellSouth Answers®, residential and small business customers can bundle their local and long distance service with dial-up and high-speed DSL Internet access, satellite television and Cingular® Wireless service. For businesses, BellSouth provides secure, reliable local and long distance voice and data networking solutions. BellSouth also offers print and online directory advertising through The Real Yellow Pages® and YELLOWPAGES.COM™ from BellSouth.

BellSouth believes that diversity and fostering an inclusive environment are critical in maintaining a competitive advantage in today's global marketplace. More information about BellSouth can be found at <http://www.bellsouth.com>.

Further information about BellSouth and Cingular's second quarter earnings can be accessed at www.bellsouth.com/investor. The press release, financial statements and Investor News summarizing highlights of the quarter are available at www.bellsouth.com/investor starting today at 8 a.m. Eastern Time (ET).

*BellSouth will host a conference call with investors today at 10 a.m. (ET). Dial-in information for the conference call is as follows:
Domestic: 888-370-1863
International: 706-634-1735*

The conference call will also be webcast live beginning at 10 a.m. (ET) on our Web site at www.bellsouth.com/investor. The webcast will be archived on our Web site.

*A replay of the call will be available through July 31, 2006, and can be accessed by dialing:
Domestic: 800-642-1687 - Conference ID: 1384532
International: 706-645-9291 - Conference ID: 1384532*

For More Information Contact:

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BellSouth Investor Relations at 800-241-3419

In addition to historical information, this document may contain forward-looking statements regarding events and financial trends. Factors that could affect our future results and could cause our actual results to differ materially from those expressed or implied in the forward-looking statements include: (i) a change in economic conditions in markets where we operate or have material investments which would affect demand for our services; (ii) the intensity of competitive activity and its resulting impact on pricing strategies and new product offerings; (iii) higher than anticipated cash requirements for investments, new business initiatives and acquisitions; (iv) unfavorable regulatory actions and (v) those factors contained in the Company's periodic reports.

Factors that could prevent or delay completion of the proposed merger with AT&T, could affect the future results of the merged company and could cause the merged company's actual results to differ from those expressed in the forward-looking statements include: (i) our and AT&T's ability to obtain governmental approvals of the proposed merger on the proposed terms and contemplated schedule; (ii) the risk that the businesses of AT&T and BellSouth will not be integrated successfully or as quickly as expected; (iii) 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; (iv) disruption from the merger making it more difficult to

maintain relationships with customers, employees or suppliers; and (v) those factors contained in the preliminary proxy statement relating to the proposed merger filed with the SEC.

The forward-looking information in this document is given as of this date only, and BellSouth assumes no duty to update this information.

This document may also contain certain non-GAAP financial measures. The most directly comparable GAAP financial measures, and a full reconciliation of non-GAAP to GAAP financial information, are attached hereto and provided on the Company's investor relations web site, www.bellsouth.com/investor.