



Financial & Operational Results

2Q06

July 24, 2006

Safe Harbor

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.

2Q06 Discussion

- Consolidated Results
- Operating Segment Results
 - Communications Group
 - Cingular
 - A&P
- Summary



2Q06 Financial Results - GAAP

(continuing operations)

	Quarter			YTD	
	<u>2Q06</u>	<u>Δ vs. 2Q05</u>	<u>Δ vs. 1Q06</u>	<u>2006</u>	<u>Δ vs. 2005</u>
Revenue	\$5.2B	+1.2%	+0.7%	\$10.4B	+1.4%
Operating Margin	25.1%	-120 bps	+100 bps	24.6%	-180 bps
Income from continuing ops	\$887M	+11.6%	+13.1%	\$1.7B	+13.1%
EPS from continuing ops	\$0.49	+14.0%	+14.0%	\$0.92	+13.6%

2Q06 Financial Results - Normalized

(continuing operations)

	Quarter			YTD	
	<u>2Q06</u>	<u>Δ vs. 2Q05</u>	<u>Δ vs. 1Q06</u>	<u>2006</u>	<u>Δ vs. 2005</u>
Revenue	\$8.8B	+3.4%	1.5%	\$17.5B	+4.0%
Operating Margin	23.1%	+180 bps	+120 bps	22.5%	+200 bps
Net Income	\$1.1B	+15.1%	+10.1%	\$2.1B	+17.5%
EPS from continuing ops	\$0.60	+17.6%	+11.1%	\$1.14	+18.8%

Key Normalizing Items 2Q06

(in millions except per share amounts)

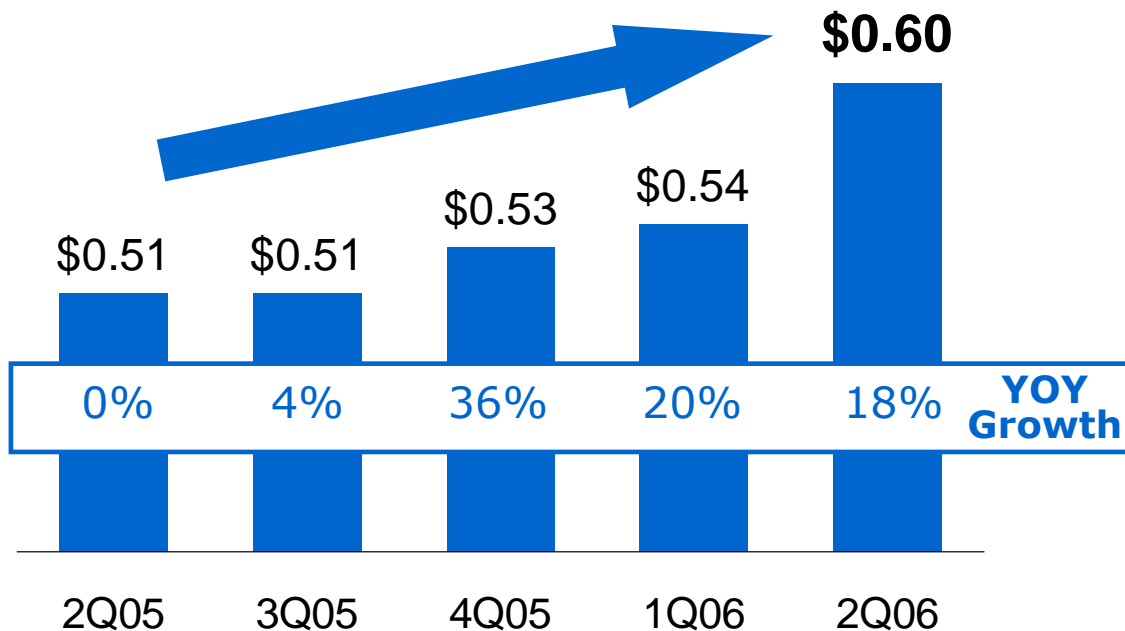
Revenue	Proportional consolidation of Cingular	\$3,609
Income	GAAP / Reported earnings per share from continuing operations	\$0.49
	Plus: Wireless merger integration costs	\$0.02
	Plus: Wireless merger intangible amortization	\$0.04
	Plus: Hurricane Katrina-related expenses	\$0.01
	Plus: Severance	\$0.02
	Plus: AT&T Merger Costs	<u>\$0.01</u>
	Total impact of normalizing items	\$0.10
	Normalized earnings per share from continuing operations ⁽¹⁾	\$0.60

⁽¹⁾ May not sum due to rounding

Three Consecutive Quarters of double-digit EPS Growth



BellSouth Normalized EPS
\$/share

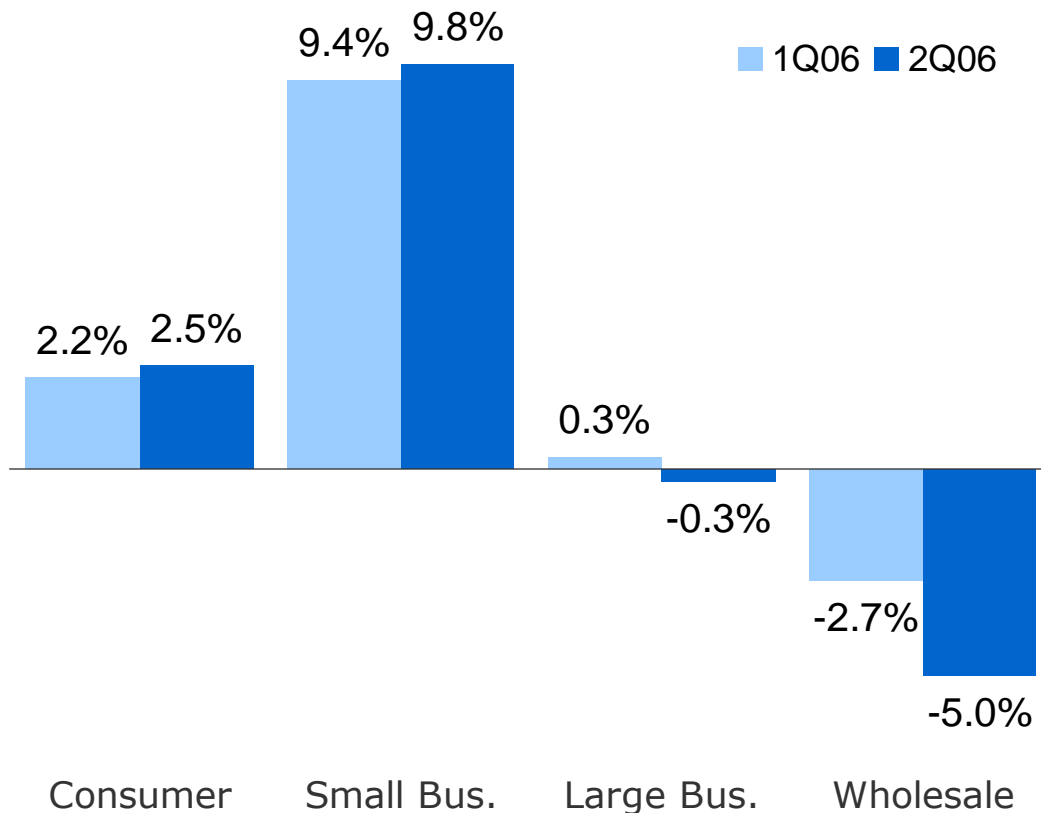


- Top line and margin improvements across all segments drive eps growth
- 2Q06 normalized OIBDA exceeds \$3.4 billion

Communications Group Segment Revenue Growth



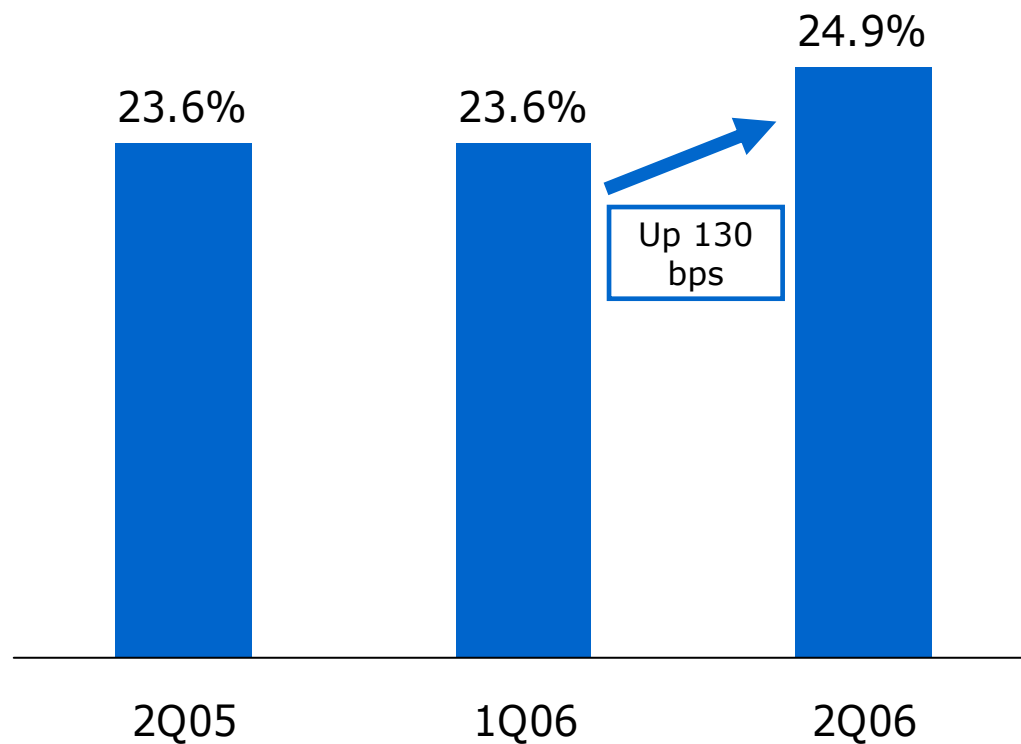
Comm. Group Revenues
(% YoY)



- Comm. Group revenue up 1% in 2Q
- Consumer and small business revenues accelerate
- Large Business stable
- Wholesale declines driven by ~20% local services decrease

Communications Group Margin Improves

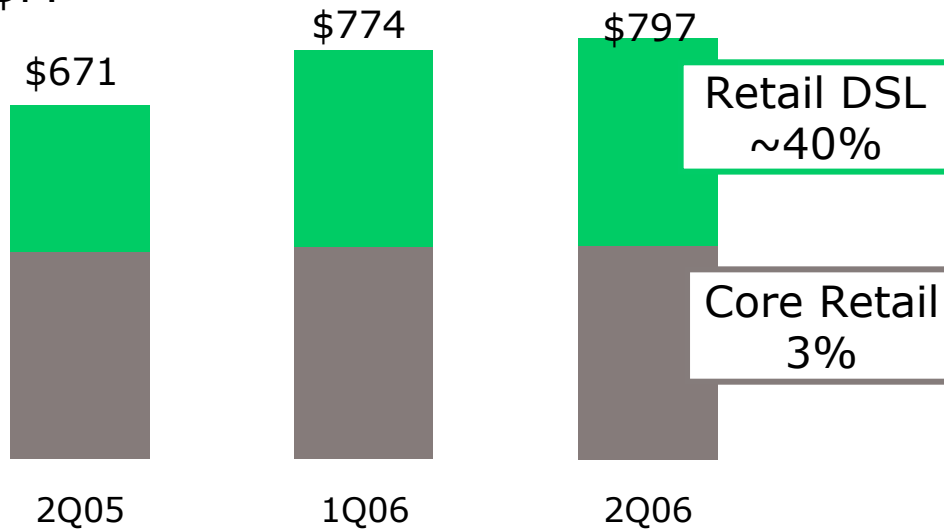
Operating Margin
%



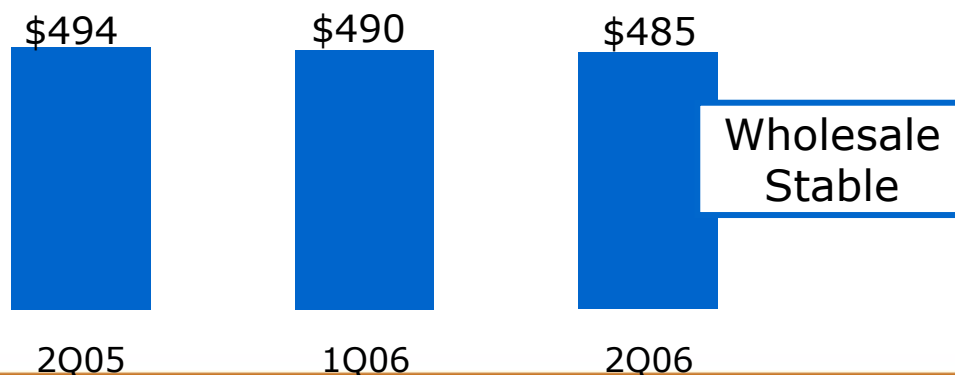
- Revenue and margin improvements in DSL and Long Distance
- Management headcount reductions
 - YoY down ~ 1250
 - Seq down ~ 1700
- Wilma restoration costs subside in 2q

Network Data Revenue Growth

Retail data revenue
\$M



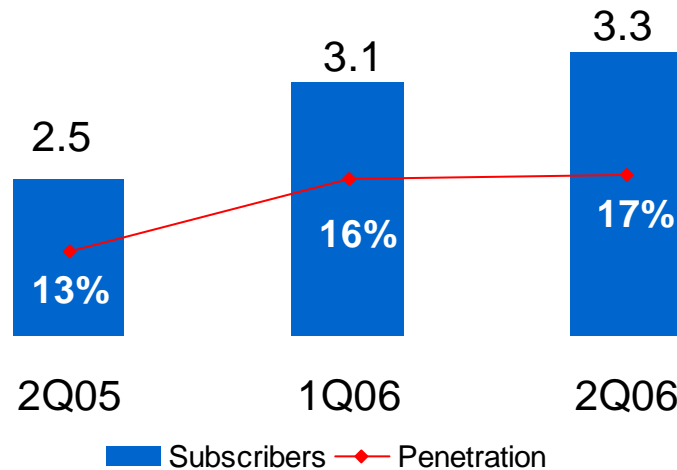
Wholesale data revenue
\$M



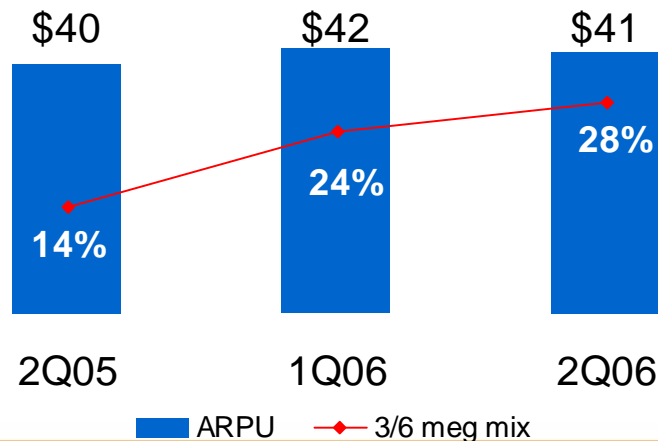
- Total Network data revenue growth **10%**
- Retail data up 18.7% YoY driven by DSL
 - Core retail data up 3% YoY driven by emerging services
- Wholesale data down 1.9% YoY
 - Flat excl. \$10M impact of dial up contracts

Broadband Penetration Continues

DSL Subscribers (M)



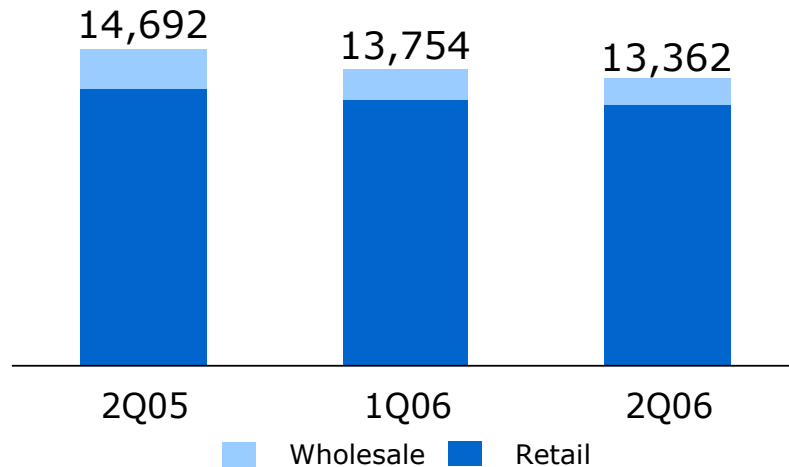
DSL Total ARPU and 3/6meg Penetration



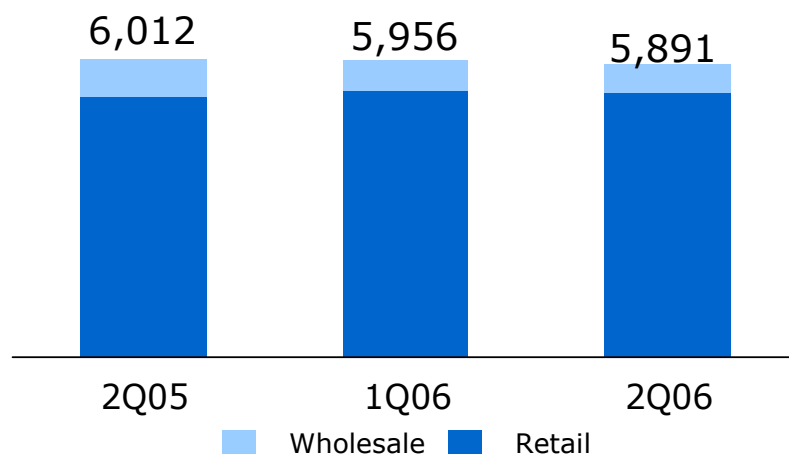
- Subscribers up 32% YoY
- Product mix improving
 - Net adds up 128,000
 - 256K down 42,000
 - 1.5 Mbps up 11,000
 - 3/6 Mbps up 159,000
- DSL revenue of \$400M, up 39% YoY
 - Total ARPU up 4.4% YoY
 - Recurring ARPU stable at \$40, up 8% YoY

Access Line Trends

Residential Access Lines (000s)



Business Access Lines (000s)

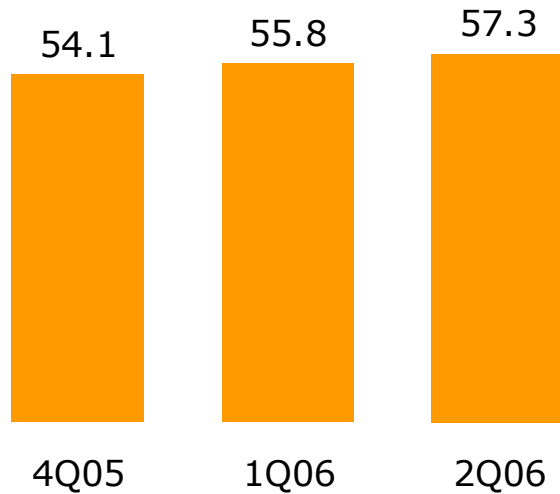


- Residential access lines
 - Seasonal household moves
 - Wireless substitution, VoIP and cable losses in line
 - Retail Residence down 252,000

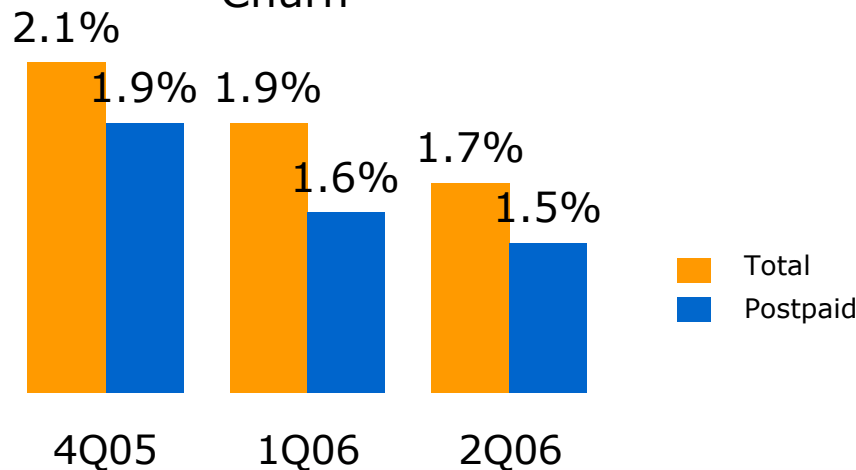
- Business access lines
 - Retail Small Business gained 25,000 lines
 - Retail Large Business down 48,000 & includes 20,000 single customer loss

Cingular Growing Customers

Total Customers



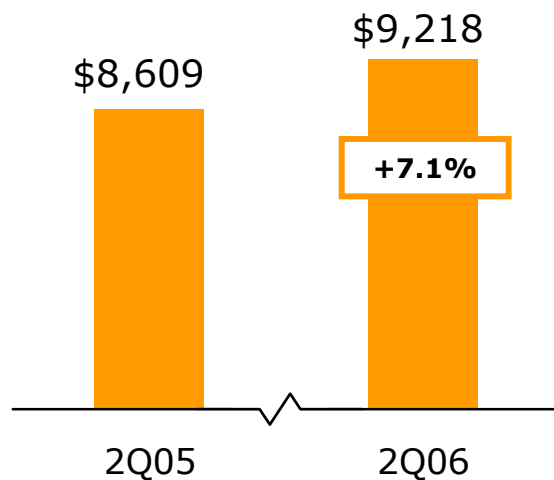
Total Churn & Postpaid Churn



- Largest U.S. carrier with **57.3M** customers
- **1.5M** net additions
 - >1M postpaid
- Record low churn levels
- Improving service quality
 - Improvement as network & system integration is completed

Cingular Contribution

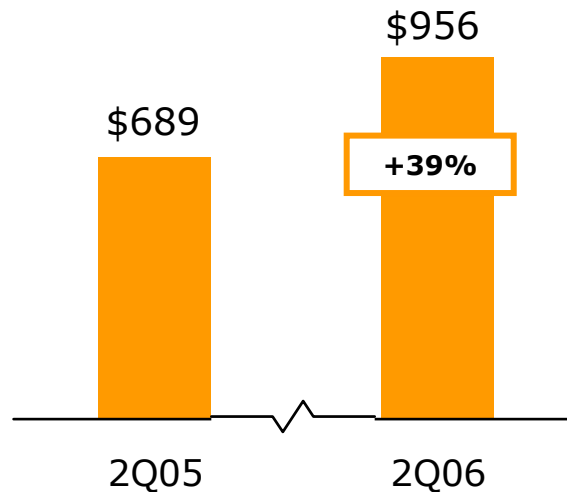
Wireless
Revenue (\$M)



• **Revenue Growth**

- Subscriber growth
- Pricing discipline
- Data penetration

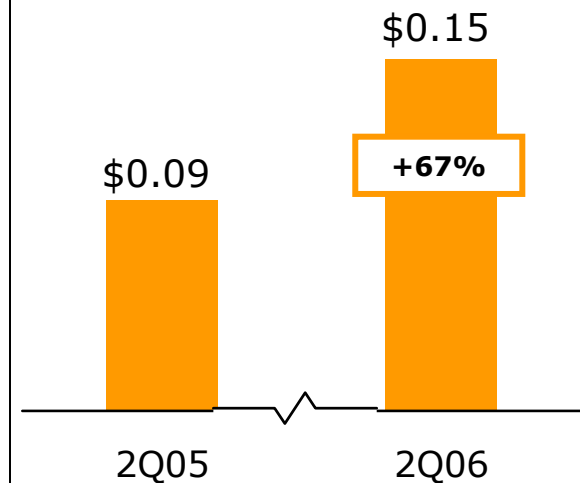
Normalized Net
Income (\$M)



• **Net Income Growth**

- Margin expansion
- Synergy progress

EPS Contribution
to BellSouth

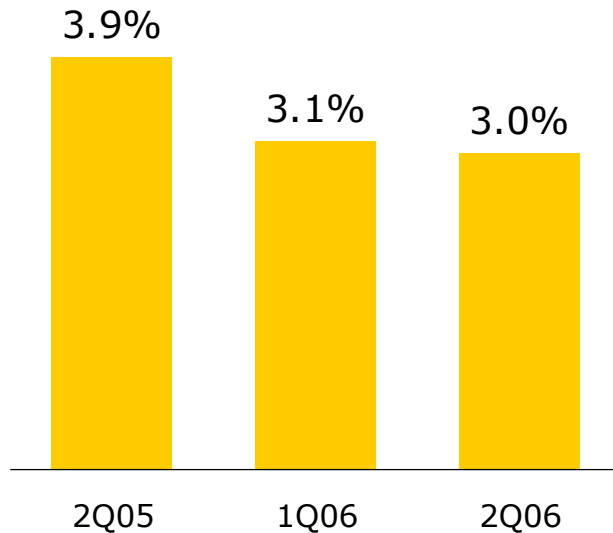


• **Contribution to Bellsouth**

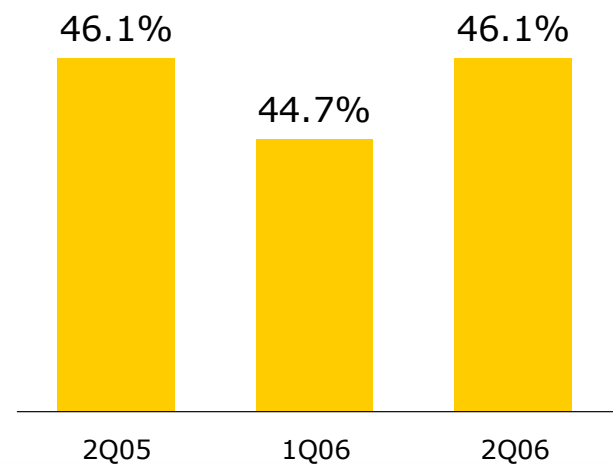
- Shareholder benefit

Advertising & Publishing

YoY % Revenue Growth



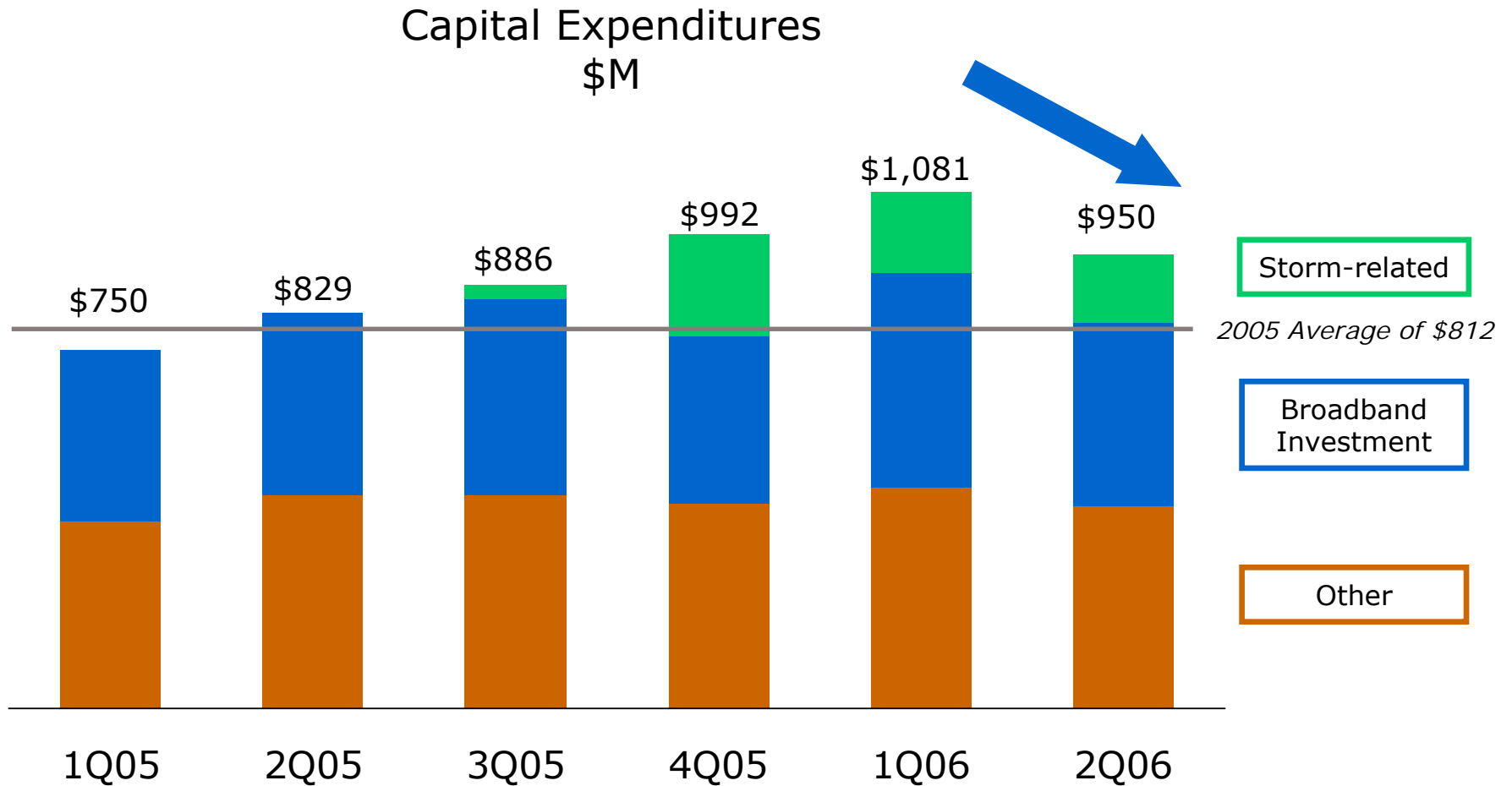
Operating Margin



- Seven consecutive qtrs. of YoY rev growth
 - Electronic media growth
 - Steady print advertising sales growth

- Strong operating margin ytd at 45.4%

Capital Expenditures declined in 2Q06



Merger Update



at&t



- Merger with AT&T announced March 5, 2006
- Shareholder approvals obtained on July 21
- Significant progress toward gaining approvals from DoJ, FCC and various state commissions
- On track to close this fall

Summary

- ✔ Double-digit earnings growth
- ✔ Improving profitability in wireline business
- ✔ Strong Cingular Performance
- ✔ On track for merger to close in the fall





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