



Financial & Operational Results

3Q05

October 25, 2005

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Safe harbor

In addition to historical information, this document may contain forward-looking statements regarding events and financial trends. Factors that could affect future results and could cause 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 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.

3Q05 Discussion

- Consolidated results
- Business unit results
 - Communications Group
 - Cingular
 - A&P
- Summary



3Q05 Financial results - GAAP

(continuing operations)

	Quarter			YTD	
	<u>3Q05</u>	<u>Δ vs. 3Q04</u>	<u>Δ vs. 2Q05</u>	<u>2005</u>	<u>Δ vs. 2004</u>
Revenue	\$5.1B	-0.5%	-1.4%	\$15.3B	+1.0%
Operating Margin	19.1%	-840 bps	-720 bps	24.0%	-370 bps
Income from continuing ops	\$817M	-4.1%	+2.8%	\$2.3B	-22.0%
EPS from continuing ops	\$0.44	-4.3%	+2.3%	\$1.25	-21.9%

3Q05 Financial results - Normalized

(continuing operations)

	Quarter			YTD	
	<u>3Q05</u>	<u>Δ vs. 3Q04</u>	<u>Δ vs. 2Q05</u>	<u>2005</u>	<u>Δ vs. 2004</u>
Revenue	\$8.5B	+25.7%	-0.3%	\$25.3B	+26.4%
Operating Margin	19.5%	-500 bps	+30 bps	18.7%	-630 bps
Net Income	\$845M	-5.4%	-0.5%	\$2.4B	-11.3%
EPS from continuing ops	\$0.46	-6.1%	+0.0%	\$1.31	-11.5%

Key normalizing factors 3Q05

(in millions except per share amounts)

GAAP to normalized impacts

Revenue

Proportional consolidation of Cingular

\$3,422

Income

GAAP / Reported earnings per share
from continuing operations

\$0.44

Plus: Hurricane-related expenses

\$0.11

Asset impairment

\$0.06

Uncollectibles

\$0.01

Restoration

\$0.04

Plus: Wireless merger integration costs

\$0.03

Less: Sale of Cellcom

\$0.12

Total impact of normalizing items

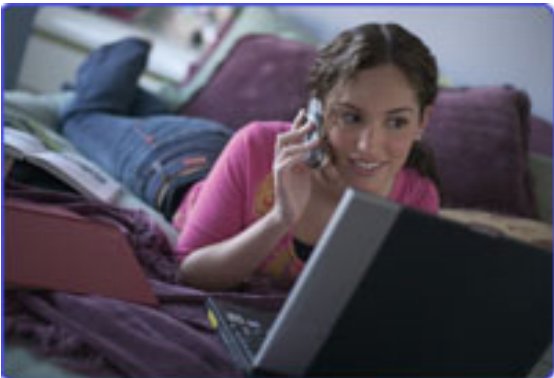
\$0.02

**Normalized earnings per share from
continuing operations**

\$0.46

3Q05 Highlights

- ✓ Strong DSL growth
- ✓ Margin improvement at Cingular
- ✓ Continued revenue growth at Advertising & Publishing
- ✓ Strong free cash flow
- ✓ Hurricane Katrina



Impact of Hurricane Katrina on 3Q05

(pre-tax millions)

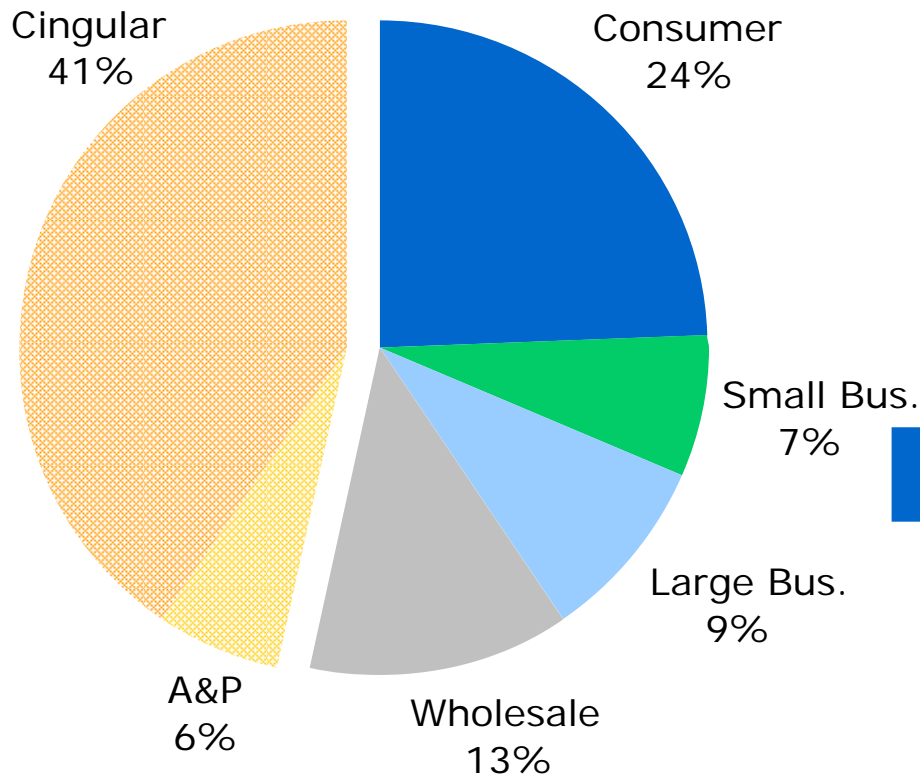
	<u>Comm Group</u>	<u>A&P</u>	<u>Cingular (40%)</u>
Revenue	\$44	\$7	\$12
Other Katrina-related 3Q05 Expense			
Asset Impairment	\$166	-	\$13
Uncollectible exp	\$23	\$8	\$4
Other	\$9	\$1	\$3

Impact of Hurricane Katrina on 3Q05

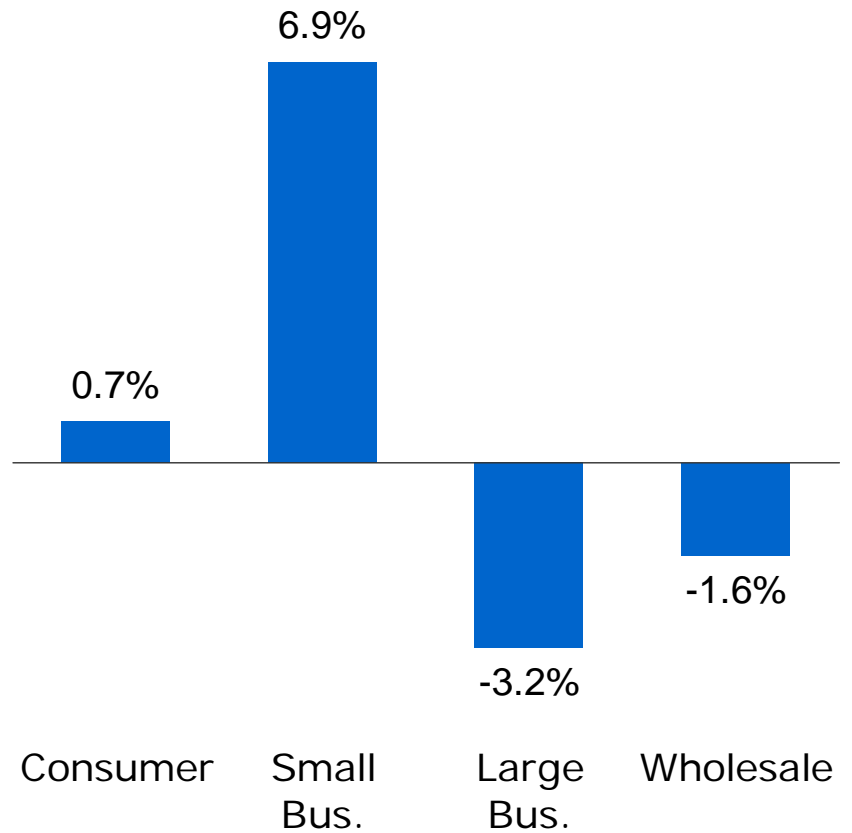
	<u>Comm Group</u>	<u>A&P</u>	<u>Cingular (40%)</u>
<i>(pre-tax millions)</i>			
Revenue	\$44	\$7	\$12
Other Katrina-related 3Q05 Expense			
Asset Impairment	\$166	-	\$13
Uncollectible exp	\$23	\$8	\$4
Other	\$9	\$1	\$3
Network Restoration:			
Expense	\$83		\$18
Capital	\$22		

Communications Group revenue

3Q05 Normalized Revenue Mix

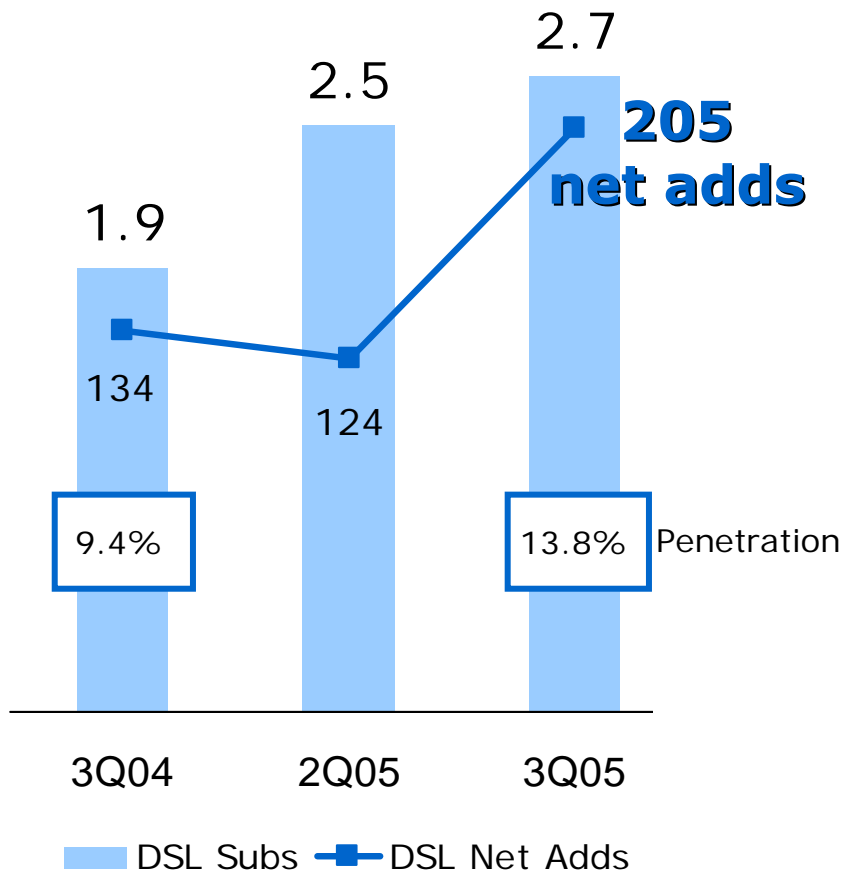


3Q05 Comm. Group
% YoY



Strong Broadband results

DSL Subscribers (M)



✓ **2.7M** DSL Customers

- 43% YoY increase
- 8% Seq increase

✓ **205K** Net Additions

- 53% YoY increase
- 65% Seq increase

✓ **Stabilizing ARPU**

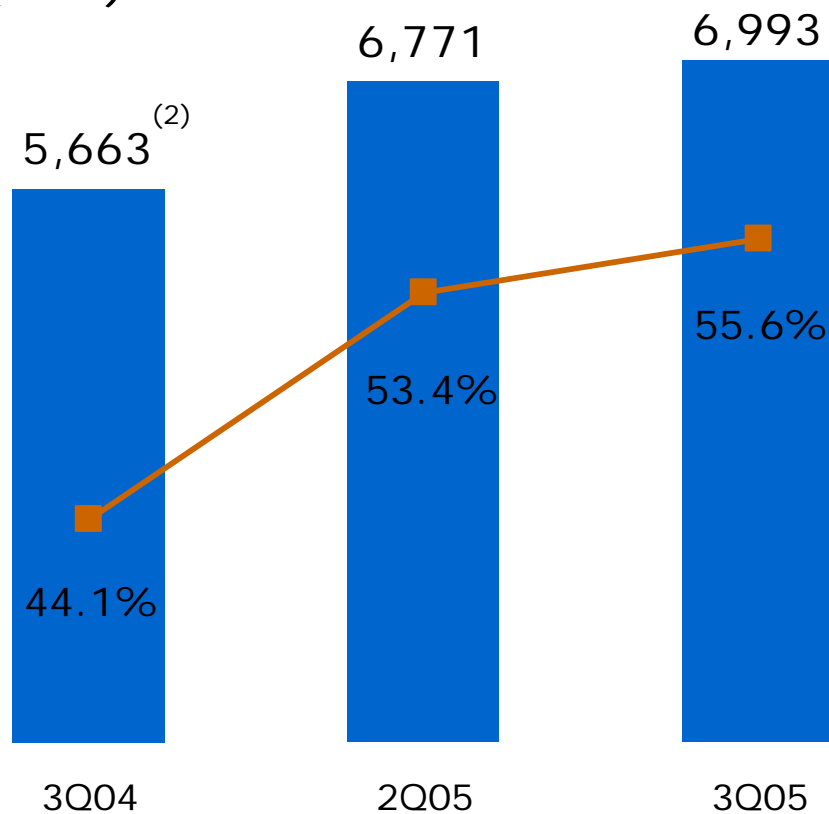
- Service ARPU = \$37

✓ **\$885M** ytd revenue

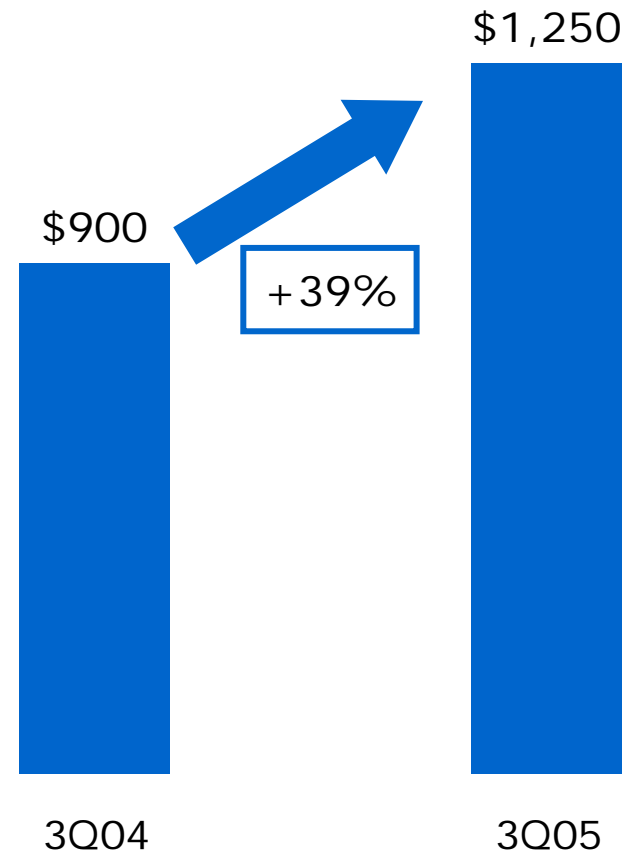
- **25%** YoY increase

Long distance growing

Mass Market Long Distance Customers and Penetration⁽¹⁾
(000)



Total Long Distance Revenue (000)



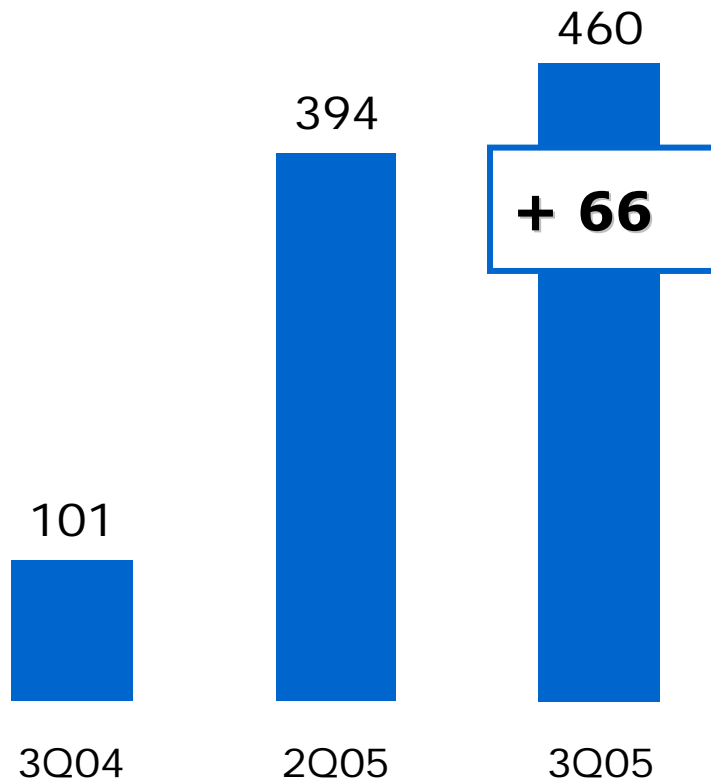
■ Subs — Penetration

⁽¹⁾Penetration of Mass Market Customer Base

⁽²⁾ Include toll block customers

Answers/DIRECTV[®]

DIRECTV[®] Subscribers
(000)



4.9 million

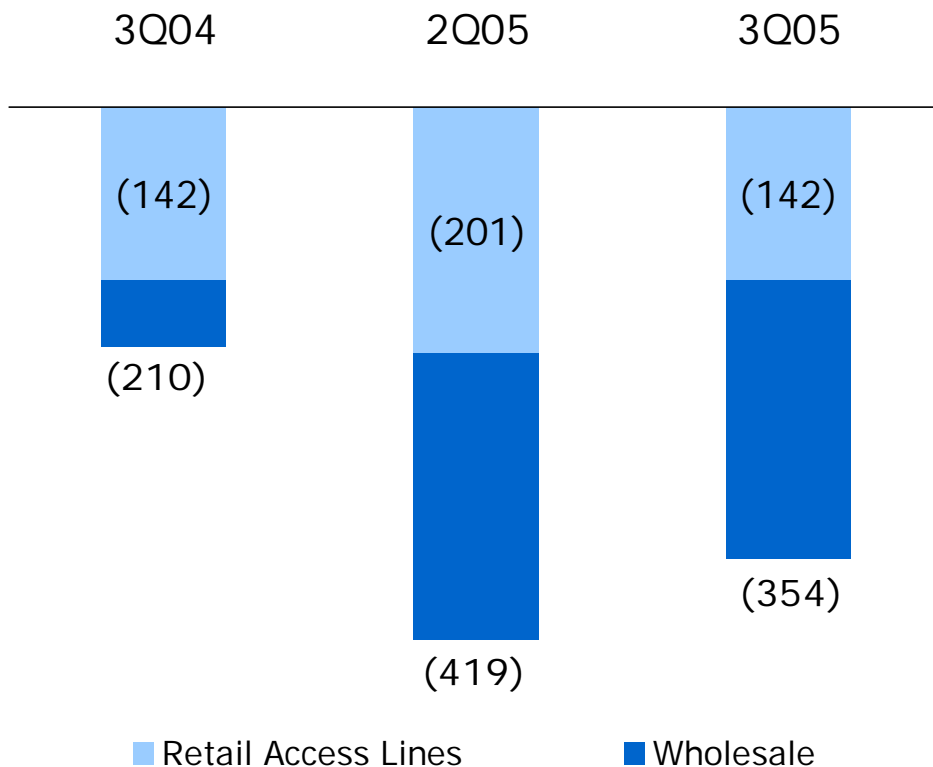
BellSouth Answers[®] Customers

42%

Penetration of Primary Access Lines

Access line trends

Total access line change (000)



3Q05 results:

Residential Net Line Change

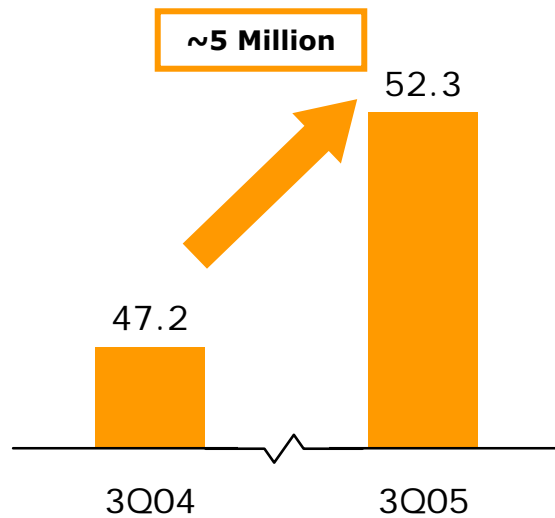
- Retail (181,000)
- UNE (182,000)
- Resale 18,000

Business Net Line Change

- Small Business 33,000
- Large Business 2,000
- UNE (46,000)

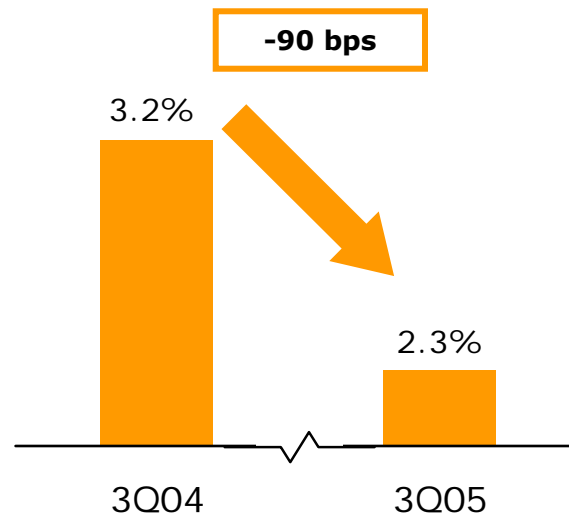
Cingular Wireless – Strong market execution during transition

Wireless Customers (M)



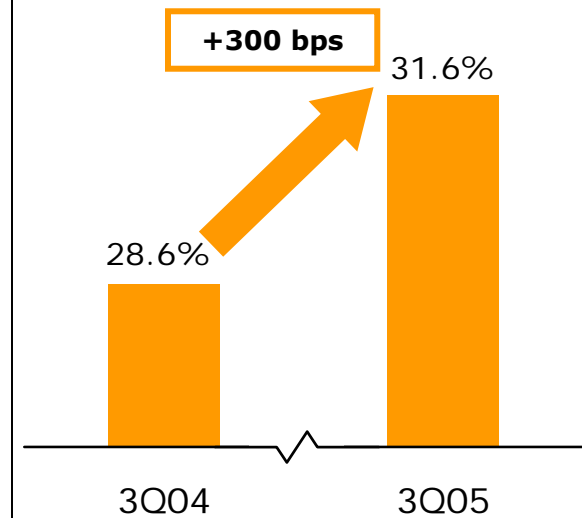
- **Customer Growth** While...
 - Rationalizing Stores
 - Maintaining Pricing discipline

Wireless Churn ⁽¹⁾



- **Churn Reduction** While...
 - Migrating former AWE Customers
 - Transitioning off TDMA

Normalized Wireless OIBDA Svc. Margin



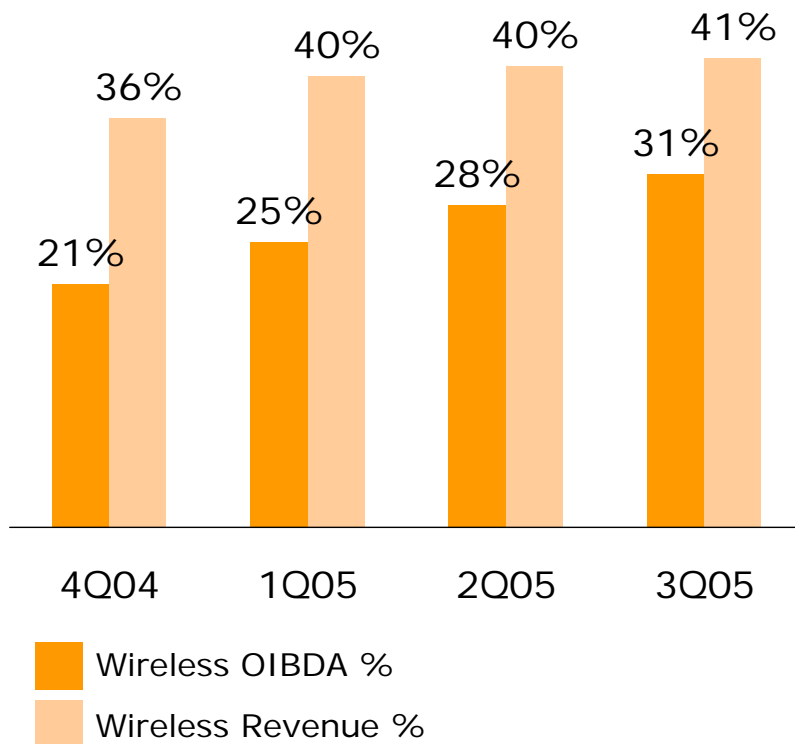
- **Expanding Margins**
 - Balanced customer and revenue growth
 - Productivity gains

Note: Change calculated vs. 3Q04 pro forma results. ⁽¹⁾ 3Q04 churn does not include a change in reseller churn methodology that was made in 1Q05 that would have reduced churn by approximately 20 bps.

Cingular Wireless – Wireless proportion of BellSouth results



Wireless proportion of BellSouth's Revenue & OIBDA

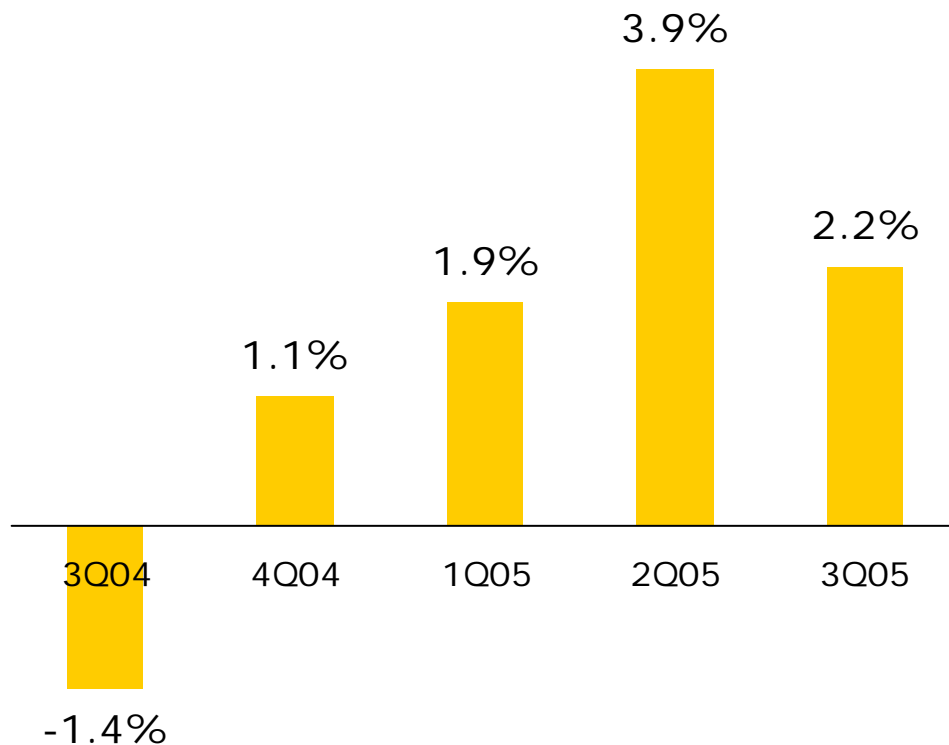


- Wireless proportion of revenue and OIBDA rising
 - **41%** of total BLS revenue
 - **31%** of total BLS OIBDA
- Hedging exposure to wireless substitution
- Cingular performing well through transition with further opportunity ahead

Advertising & Publishing revenue

Advertising & Publishing

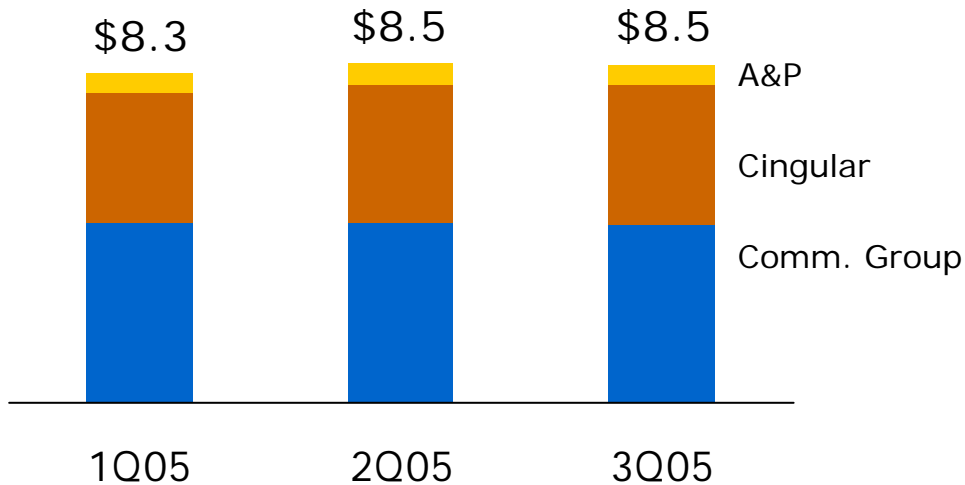
% YoY



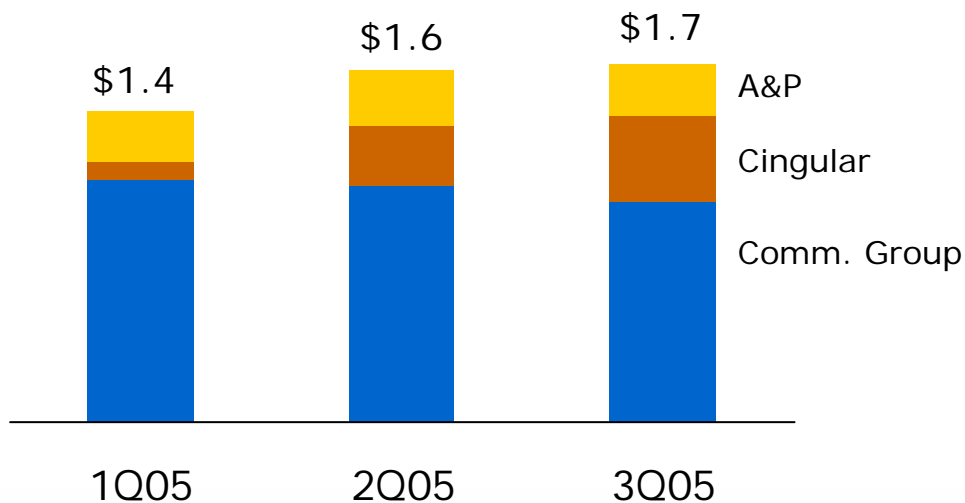
- Revenue up 2.2% YoY
- Revenue up 3.6% YoY adjusted for Katrina credits
- Growing online presence
- 45.8% operating margin
- Operating income up 1.7% YoY

BellSouth normalized operating results

Total Normalized Revenue (\$B)



Total Normalized Operating Income (\$B)



- Revenues stable
- Mix shifts evident in normalized operating income
- Normalized margin expansion from 1Q05 to 3Q05

17.3%  **19.5%**

Key financial metrics 3Q05

	3Q05
Declared Dividends per Share	29 cents
<i>Annualized Dividend</i>	<i>\$1.16</i>
Operating Free Cash Flow	\$1.2B
<i>YTD</i>	<i>\$3.5B</i>
Capital Expenditures	\$886M
<i>YTD Capital/Norm. revenue ratio (excl. Cingular)</i>	<i>16.3%</i>
Debt	\$17.0B
<i>Decrease during 2005</i>	<i>-\$3.6B</i>

Strategic focus

Broadband

- Growth opportunity across wireline segments
- Maximizing return on existing capital investments
- 2.7 million DSL subscribers
- MPLS out-of-region solution

Wireless

- Exposure to largest nationwide wireless carrier
- > 40% of BellSouth revenue from Cingular
- Margin and cash contribution improving
- Network integration will deliver greater value



Financial & Operational Results

3Q05

October 25, 2005