



Financial & Operational Results

1Q06

April 20, 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 failure of AT&T shareholders to approve the issuance of AT&T common shares in the merger or the failure of our shareholders to approve the merger; (iii) the risk that the businesses of AT&T and BellSouth will not be integrated successfully or as quickly as expected; (iv) 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; (v) disruption from the merger making it more difficult to maintain relationships with customers, employees or suppliers; and (vi) 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.

NOTE: In connection with the proposed merger, AT&T Inc. (“AT&T”) filed a registration statement on Form S-4 (Registration No. 333-132904), containing a joint proxy statement/prospectus of AT&T and BellSouth Corporation (“BellSouth”), with the Securities and Exchange Commission (the “SEC”) on March 31, 2006. Investors are urged to read the registration statement and the joint proxy statement/prospectus contained therein (including all amendments and supplements to it) because it contains important information. Investors may obtain free copies of the registration statement and joint proxy statement/prospectus, 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 is included in the registration statement and joint proxy statement/prospectus contained therein, and other relevant documents filed with the SEC.

1Q06 Discussion

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



1Q06 Financial Results - GAAP

(continuing operations)

	<u>1Q06</u>	Δ vs. <u>1Q05</u>	Δ vs. <u>4Q05</u>
Revenues	\$5.2B	+1.6%	-1.4%
Operating Margin	24.1%	-250 bps	+510 bps
Income from continuing ops	\$784M	+14.8%	+26.9%
EPS from continuing ops	\$0.43	+16.2%	+26.5%

1Q06 Financial Results - Normalized

(continuing operations)

	<u>1Q06</u>	<u>Δ vs.</u> <u>1Q05</u>	<u>Δ vs.</u> <u>4Q05</u>
Revenues	\$8.7B	+4.5%	+0.3%
Operating Margin	21.9%	+220 bps	+120 bps
Net Income	\$983M	+20.2%	+1.9%
EPS	\$0.54	+20.0%	+1.9%

Key Normalizing Items 1Q06

(in millions except per share amounts)

Revenue	Proportional consolidation of Cingular	\$3,513
Income	GAAP / Reported earnings per share from continuing operations	\$0.43
	Plus: Hurricane Katrina-related expenses	\$0.03
	Plus: Wireless merger integration costs	\$0.03
	Plus: Wireless merger intangible amortization	\$0.05
	Total impact of normalizing items	\$0.11
	Normalized earnings per share from continuing operations	\$0.54

1Q06 Highlights

- **Merger** with AT&T announced March 5, 2006
- Normalized revenue up **4.5%**
- Normalized margin up **220 bps** and EPS up **20%**
- **Record** DSL adds
- Long distance and package penetration
- **9%** data revenue growth



- **Strong** Cingular net adds, revenue, and margin results



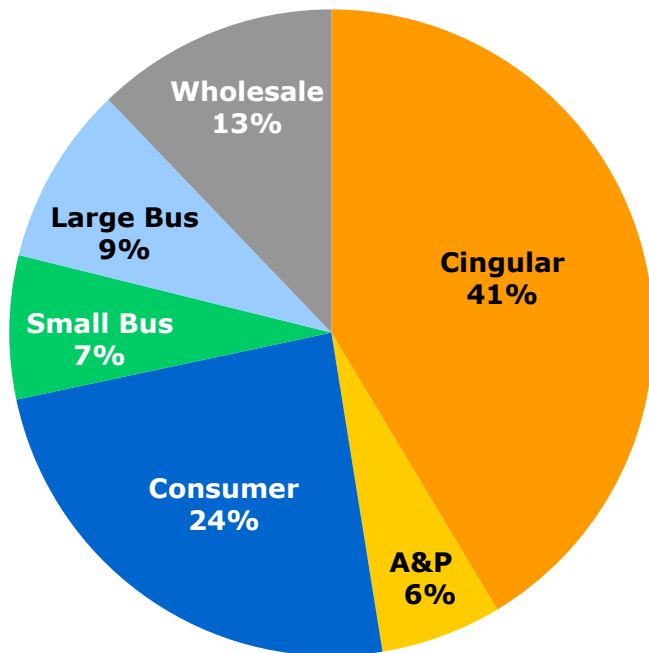
- Advertising & Publishing revenue up **3.1%**



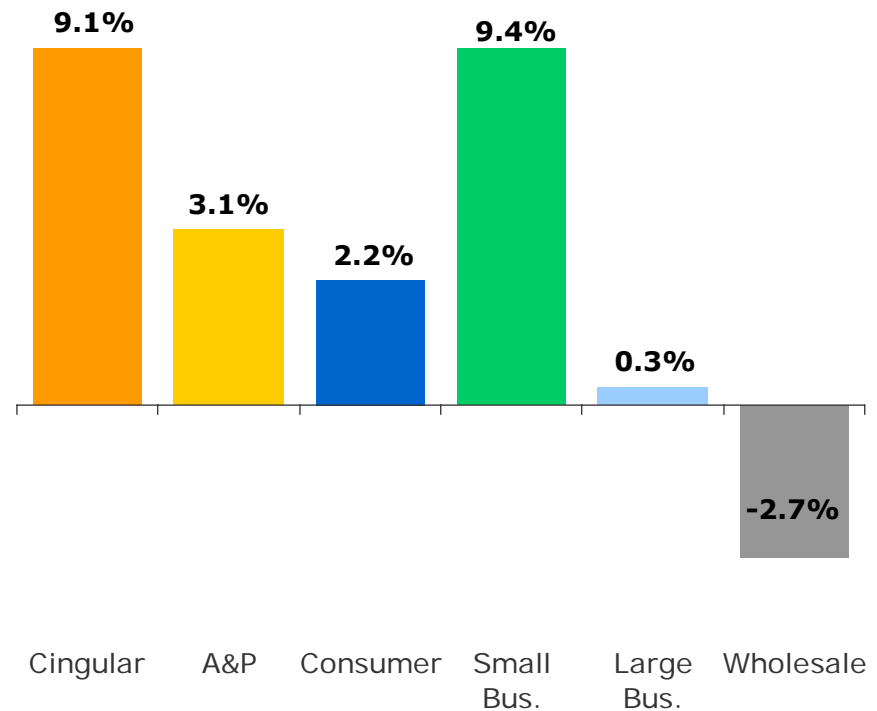
1Q06 Revenue Growth

1Q06 Normalized Revenues

Revenue Mix

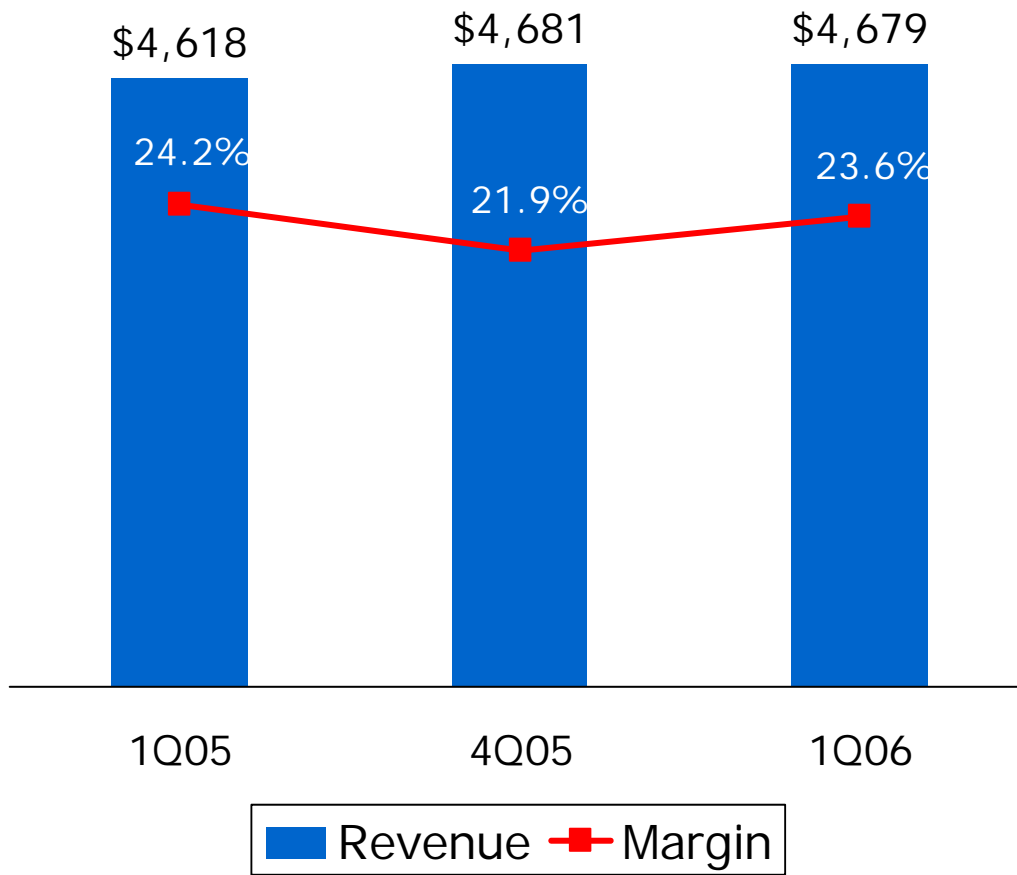


1Q06 Revenues
(% YoY)



Communications Group Results

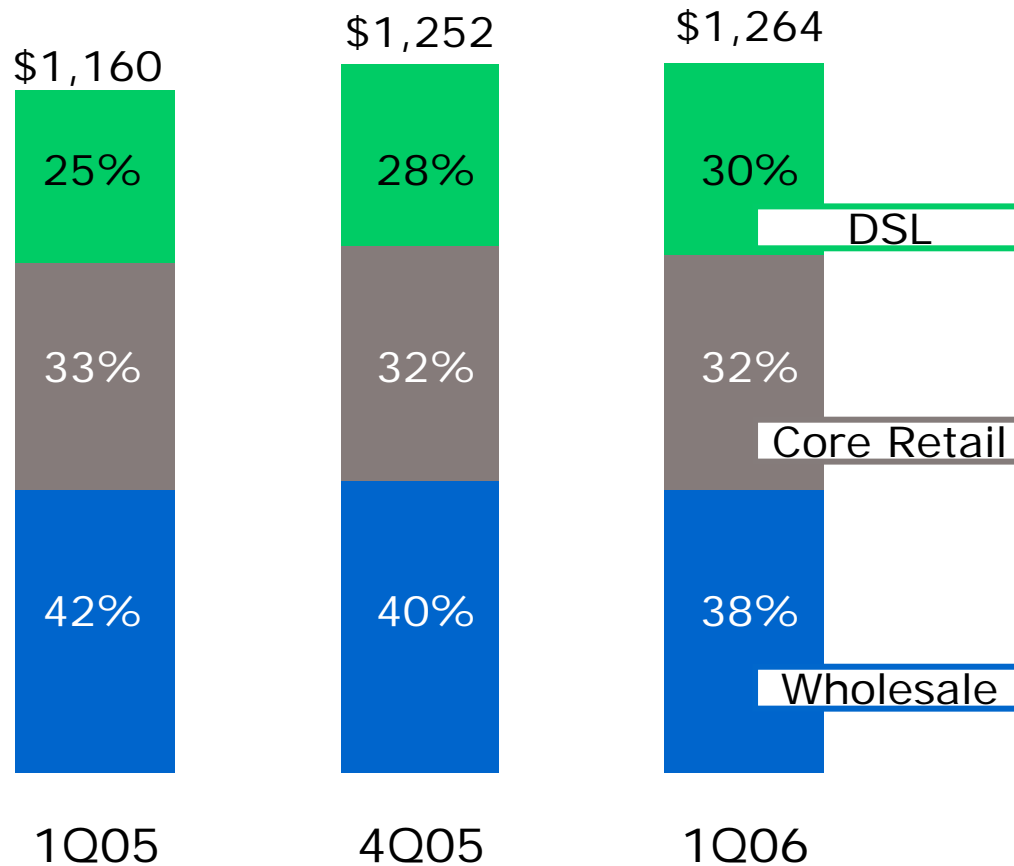
Revenue & Operating Margin \$M



- Revenue growth
 - Total CG 1.3% YoY
 - Retail revenue growth YoY and sequentially
- 1Q06 Operating margin 23.6%
 - 180 bps to complete repairs for Wilma

Network Data Revenue Growth

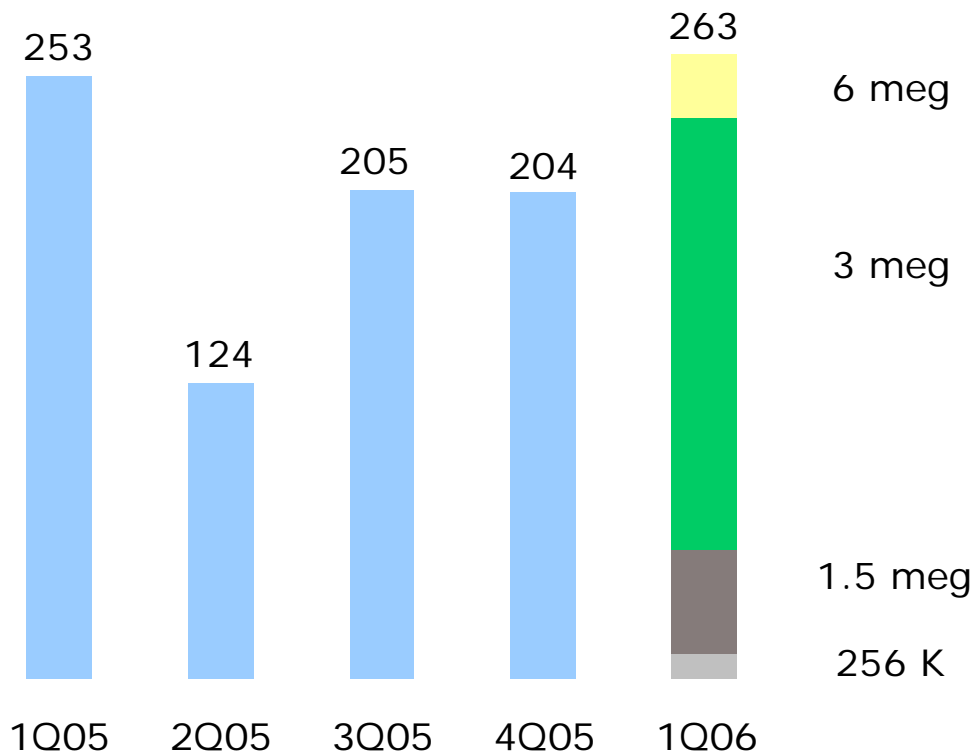
Comm Group data revenue
\$M



- Data revenue growth of **9.0%** yoy
- Retail data up 15.8% driven by DSL and LD
- Retail data w/o DSL up 4% driven by emerging services
- Wholesale data stable

Record DSL Net Adds

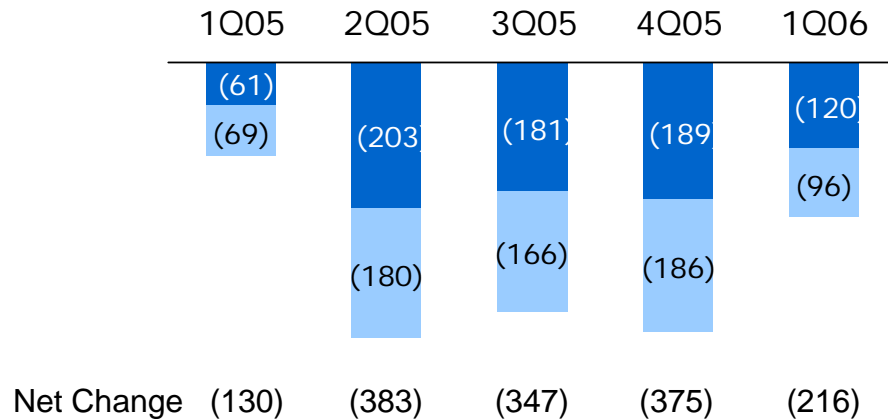
DSL Net adds
(000)



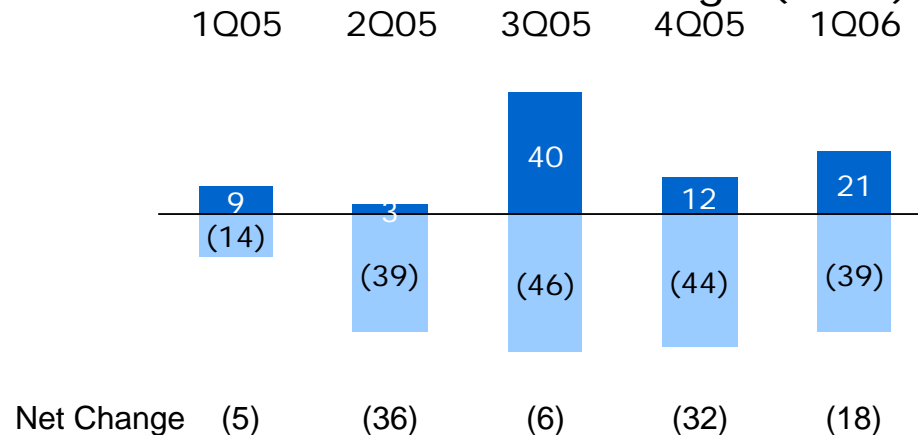
- DSL revenue up **30%** yoy
- **3,145K** total DSL subscribers, up 34% yoy
- Strong migration to higher speed products
- DSL ARPU stable at \$42

Access Line Trends – 1Q06

Residential Net Line Change (000s)



Business Net Line Change (000s)



■ Retail Access Lines
 ■ Wholesale Access Lines

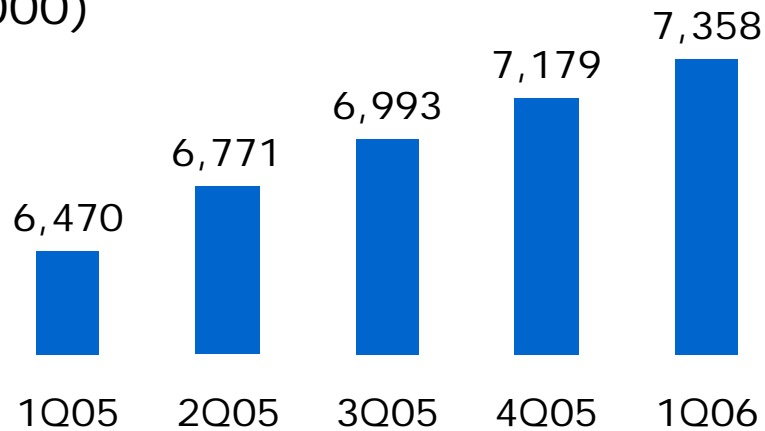
- Residential access lines
 - Main driver continues to be wireless substitution
 - VoIP and cable losses continue in 50-75K range

- Business access lines
 - Small business gaining lines
 - Large business lines decline

* Line counts exclude Other Lines

BellSouth Increasing Customer Value

Long distance customers
(000)

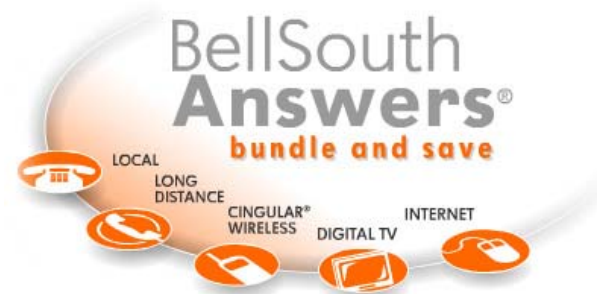
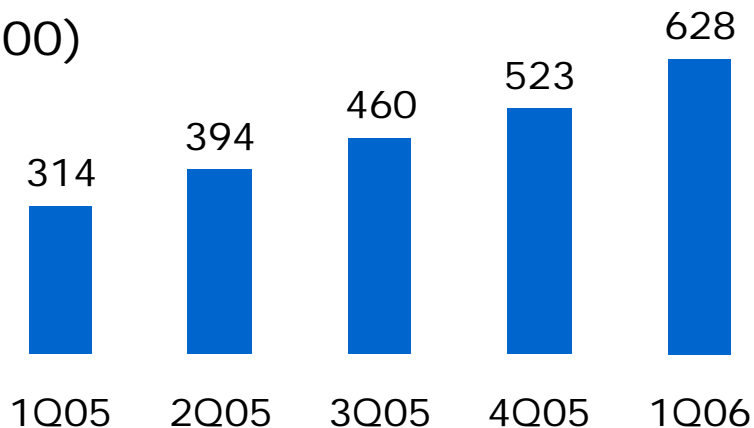


BellSouth Answers® residential customers **5 million**

Consumer ARPU **\$62, up 6%**

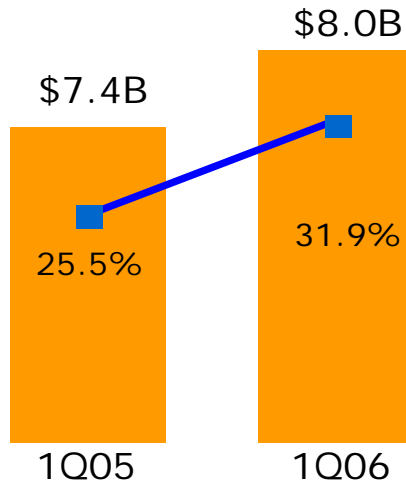
Small Business ARPU **\$80, up 4%**

DIRECTV® customers
(000)

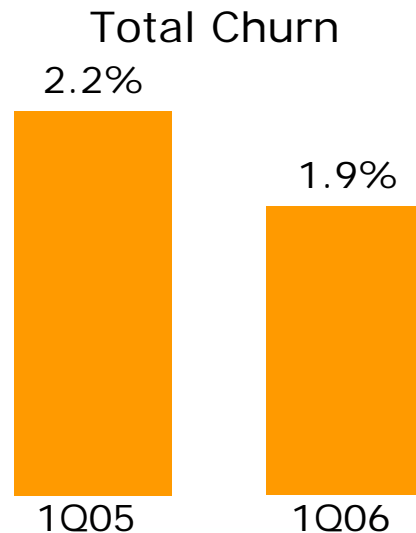


Cingular Wireless – Improvements Across All Metrics

Service Revenue and OIBDA Margin



- 1.7 million net adds
- 7.9% YoY Increase in Service Revenue
- OIBDA Svc. margins up 640 Basis Points vs. 1Q05

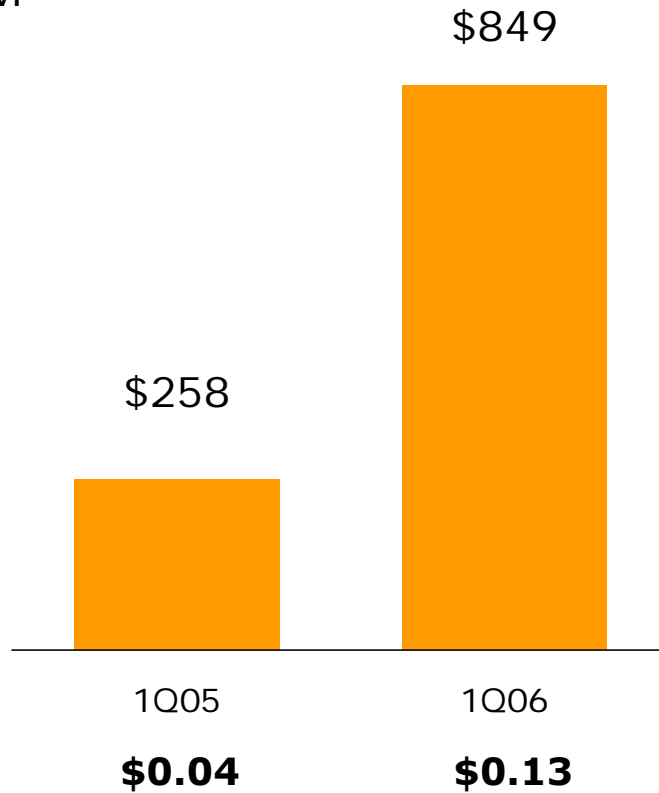


- Best ever churn levels:
 - Total Churn = 1.9%
 - Postpaid Churn = 1.6%
- Continued improvement as network & system integration is completed

Cingular Wireless – YoY Significant Earnings Growth



Cingular Normalized Net Income
\$M



- Synergy opportunities for earnings growth
 - Network integration
 - Billing & IT
 - Customer service integration
 - Full year benefit distribution rationalization
- 1Q06 – 9 cent EPS improvement to BellSouth

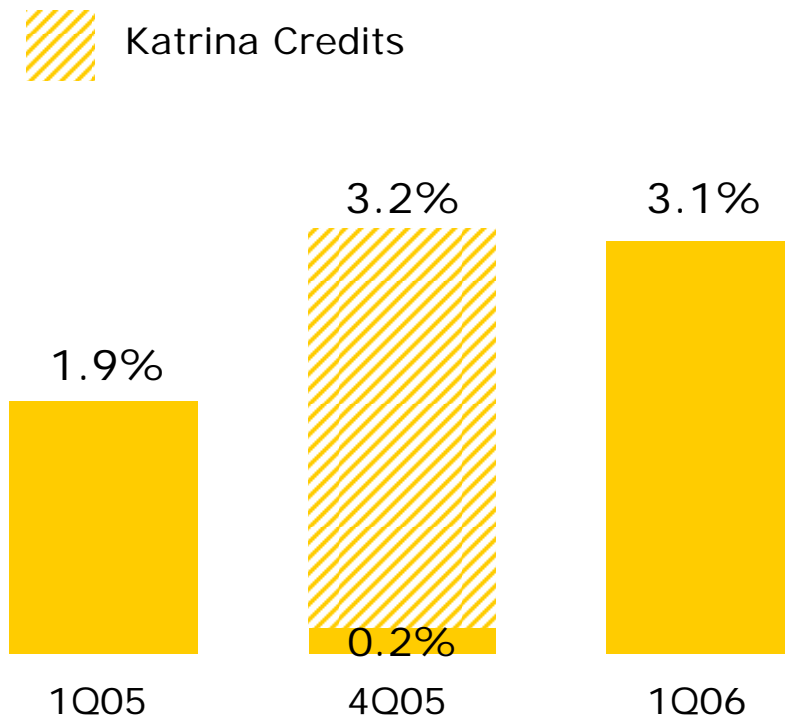


**Contribution
to BellSouth
EPS**



Advertising & Publishing Revenue

Advertising & Publishing % YoY Revenue Growth

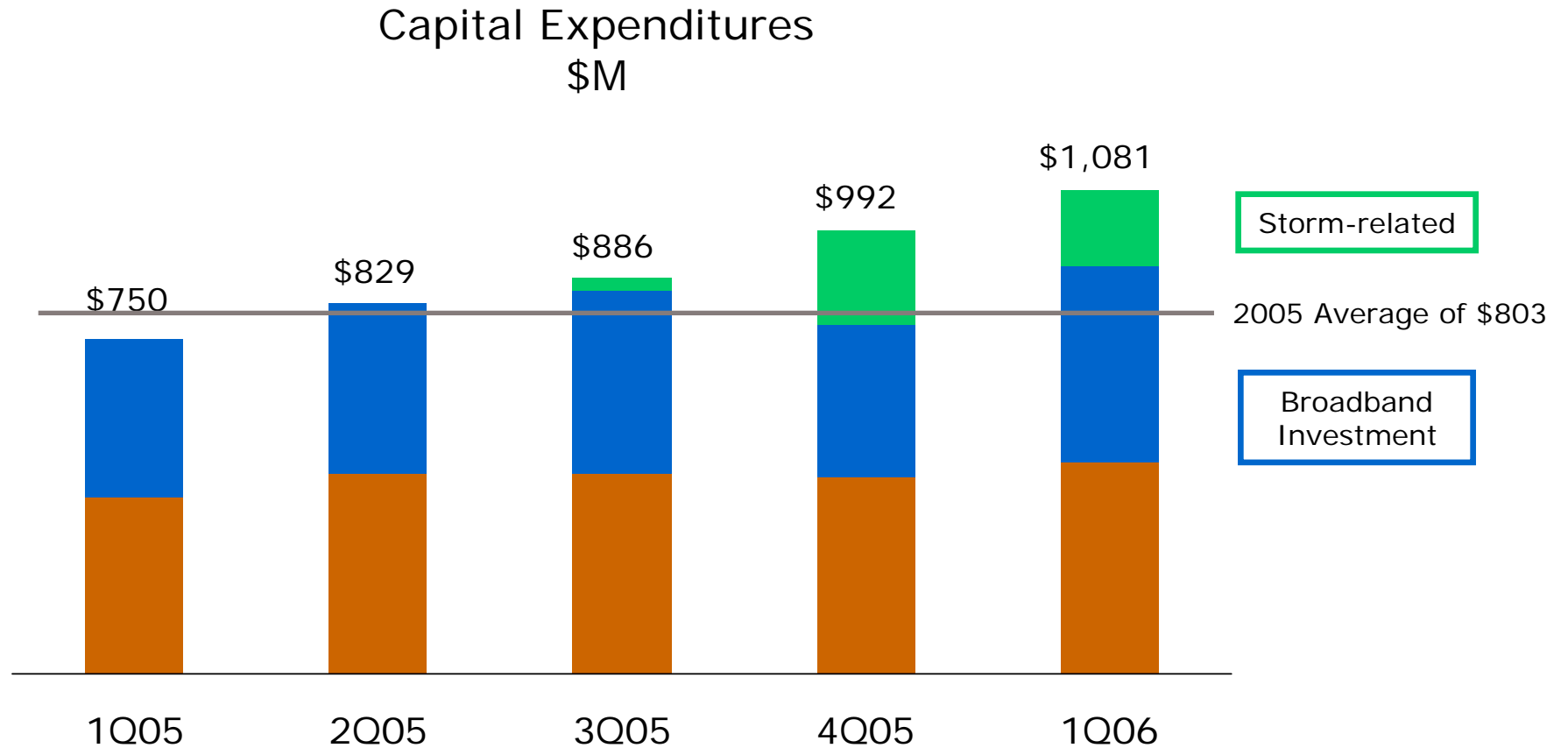


- 1Q06 revenue up 3.1%
- Six consecutive quarters with year-over-year revenue growth
- 44.7% operating margin
YoY Change:
 - ~60 bps lower Katrina revenue
 - ~60 bps IYP platform
 - ~40 bps advertising

Key Financial Metrics 1Q06

	1Q06
Declared Dividends per Share	\$0.29
<i>Annualized Dividend</i>	\$1.16
Operating Free Cash Flow	\$551M
Capital Expenditures	\$1,081M
<i>Katrina Restoration</i>	~\$135M

Quarterly Capital Expenditures



Moving our Vision Forward

- Strong markets and customer relationships
- Advanced communications network



- ✓ Strong Cingular performance



- ✓ Merger will benefit shareholders, customers and employees





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