

AT&T INC.
Form 10-Q
August 04, 2006

FORM 10-Q

United States

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

(Mark One)

Quarterly Report Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

For the quarterly period ended June 30, 2006

or

Transition Report Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

For the transition period from to

Commission File Number 1-8610

AT&T INC.

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Incorporated under the laws of the State of Delaware

I.R.S. Employer Identification Number 43-1301883

175 E. Houston, San Antonio, Texas 78205

Telephone Number: (210) 821-4105

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12-b2 of the Exchange Act. Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

At July 31, 2006, common shares outstanding were 3,884,164,837.

PART I - FINANCIAL INFORMATION**Item 1. Financial Statements****AT&T INC.****CONSOLIDATED STATEMENTS OF INCOME**

Dollars in millions except per share amounts

(Unaudited)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2006	2005	2006	2005
Operating Revenues				
Voice	\$8,618	\$5,760	\$ 17,340	\$11,612
Data	4,477	2,438	8,919	4,829
Directory	909	901	1,810	1,806
Other	1,806	1,218	3,536	2,304
Total operating revenues	15,810	10,317	31,605	20,551
Operating Expenses				
Cost of sales (exclusive of depreciation and amortization shown separately below)	6,928	4,401	14,056	8,789
Selling, general and administrative	3,792	2,589	7,776	5,054
Depreciation and amortization	2,486	1,809	4,978	3,634
Total operating expenses	13,206	8,799	26,810	17,477
Operating Income	2,604	1,518	4,795	3,074
Other Income (Expense)				
Interest expense	(472)	(349)	(936)	(702)
Interest income	95	100	180	209
Equity in net income of affiliates	455	181	789	123
Other income (expense) net	15	34	26	81
Total other income (expense)	93	(34)	59	(289)
Income Before Income Taxes	2,697	1,484	4,854	2,785
Income taxes	889	484	1,601	900
Net Income	\$1,808	\$1,000	\$ 3,253	\$1,885
Earnings Per Common Share:				
Net Income	\$0.47	\$0.30	\$ 0.84	\$0.57
Earnings Per Common Share - Assuming Dilution:				
Net Income	\$0.46	\$0.30	\$ 0.83	\$0.57
Weighted Average Number of Common				
Shares Outstanding Basic (in millions)	3,886	3,302	3,884	3,303
Dividends Declared Per Common Share	\$0.3325	\$0.3225	\$ 0.6650	\$0.6450

See Notes to Consolidated Financial Statements.

AT&T INC.**CONSOLIDATED BALANCE SHEETS**

Dollars in millions except per share amounts

	June 30, 2006 (Unaudited)	December 31, 2005
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,097	\$ 1,224
Accounts receivable net of allowances for uncollectibles of \$1,039 and \$1,176	8,484	9,351
Prepaid expenses	1,144	1,029
Deferred income taxes	1,876	2,011
Other current assets	1,034	1,039
Total current assets	13,635	14,654
Property, plant and equipment	151,716	149,238
Less: accumulated depreciation and amortization	93,365	90,511
Property, Plant and Equipment Net	58,351	58,727
Goodwill	13,433	14,055
Intangible Assets Net	7,978	8,503
Investments in Equity Affiliates	2,147	2,031
Investments in and Advances to Cingular Wireless	32,656	31,404
Other Assets		