

TELEPHONE & DATA SYSTEMS INC /DE/
 Form 10-Q
 August 01, 2014

UNITED STATES															
SECURITIES AND EXCHANGE COMMISSION															
Washington, D.C. 20549															
FORM 10-Q															
(Mark One)															
<input checked="" type="checkbox"/>	QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934														
For the quarterly period ended June 30, 2014															
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 001-14157															
TELEPHONE AND DATA SYSTEMS, INC.															
(Exact name of Registrant as specified in its charter)															
Delaware								36-2669023							
(State or other jurisdiction of incorporation or organization)								(IRS Employer Identification No.)							
<u>30 North LaSalle Street, Suite 4000, Chicago, Illinois 60602</u>															
(Address of principal executive offices) (Zip code)															
Registrant's telephone number, including area code: (312) 630-1900															
Indicate by check mark														Yes	No
• 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.														x	

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	Interest and dividend income		2,751		2,600		5,237		4,178
	Gain (loss) on investments		-		14,518		-		14,518
	Interest expense		(27,898)		(23,749)		(56,605)		(48,247)
	Other, net		50		(197)		210		(351)
	Total investment and other income		9,693		28,777		20,959		32,792
	Income (loss) before income taxes		(39,397)		311,004		(7,446)		322,173
	Income tax expense (benefit)		(13,671)		132,607		(2,014)		136,787
	Net income (loss)		(25,726)		178,397		(5,432)		185,386
	Less: Net income (loss) attributable to noncontrolling interests, net of tax		(3,688)		22,320		(1,648)		27,890
	Net income (loss) attributable to TDS shareholders		(22,038)		156,077		(3,784)		157,496
	TDS Preferred dividend requirement		(12)		(12)		(25)		(25)
	Net income (loss) available to common shareholders	\$	(22,050)	\$	156,065	\$	(3,809)	\$	157,471
	Basic weighted average shares outstanding		108,719		108,385		108,853		108,320
	Basic earnings (loss) per share attributable to TDS shareholders	\$	(0.20)	\$	1.44	\$	(0.04)	\$	1.45
	Diluted weighted average shares outstanding		108,719		108,913		108,853		108,827
	Diluted earnings (loss) per share attributable to TDS shareholders	\$	(0.20)	\$	1.42	\$	(0.04)	\$	1.44
	Dividends per share to TDS shareholders	\$	0.1340	\$	0.1275	\$	0.2680	\$	0.2550
The accompanying notes are an integral part of these consolidated financial statements.									

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Telephone and Data Systems, Inc.												
<u>Consolidated Statement of Comprehensive Income</u>												
(Unaudited)												
					Three Months Ended			Six Months Ended				
					June 30,			June 30,				
(Dollars in thousands)					2014		2013		2014		2013	
Net income (loss)					\$	(25,726)	\$	178,397	\$	(5,432)	\$	185,386
Net change in accumulated other comprehensive income (loss)												
Change in net unrealized gain (loss) on equity investments					341		51		341		51	
Change in foreign currency translation adjustment					(17)		-		(21)		15	
Change related to retirement plan												
Amounts included in net periodic benefit cost for the period												
Amortization of prior service cost					(911)		(902)		(1,822)		(1,804)	
Amortization of unrecognized net loss					322		602		644		1,204	
					(589)		(300)		(1,178)		(600)	
Change in deferred income taxes					224		114		447		228	
Change related to retirement plan, net of tax					(365)		(186)		(731)		(372)	
Net change in accumulated other comprehensive income (loss)					(41)		(135)		(411)		(306)	
Comprehensive income (loss)					(25,767)		178,262		(5,843)		185,080	
Less: Comprehensive income (loss) attributable to noncontrolling interest					(3,688)		22,320		(1,648)		27,890	
Comprehensive income (loss) attributable					\$	(22,079)	\$	155,942	\$	(4,195)	\$	157,190

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<u>Telephone and Data Systems, Inc.</u>						
<u>Consolidated Statement of Cash Flows</u>						
<u>(Unaudited)</u>						
				Six Months Ended		
				June 30,		
(Dollars in thousands)				2014		2013
Cash flows from operating activities						
	Net income (loss)			\$	(5,432)	\$ 185,386
	Add (deduct) adjustments to reconcile net income to cash flows from operating activities					
			Depreciation, amortization and accretion	429,486		496,280
			Bad debts expense	52,098		35,187
			Stock-based compensation expense	15,488		12,902
			Deferred income taxes, net	(33,346)		(21,246)
			Equity in earnings of unconsolidated entities	(72,117)		(62,694)
			Distributions from unconsolidated entities	65,569		47,635
			(Gain) loss on asset disposals, net	10,333		13,935
			(Gain) loss on sale of business and other exit costs, net	(4,289)		(296,103)
			(Gain) loss on investments	-		(14,518)
			(Gain) loss on license sales and exchanges	(91,446)		-
			Noncash interest expense	1,014		997
			Other operating activities	3		505
	Changes in assets and liabilities from operations					
			Accounts receivable	40,459		(5,781)
			Inventory	38,674		(8,105)
			Accounts payable	(43,132)		58,204
			Customer deposits and deferred revenues	13,139		7,897
			Accrued taxes	1,049		150,425
			Accrued interest	22		2,172
			Other assets and liabilities	(101,930)		(81,586)
				315,642		521,492
Cash flows from investing activities						
	Cash used for additions to property, plant and equipment			(339,907)		(384,281)
	Cash paid for acquisitions and licenses			(18,681)		(14,150)
	Cash received from divestitures			125,905		480,000
	Cash received for investments			10,000		15,000
	Other investing activities			3,720		14,127

					(218,963)			110,696
Cash flows from financing activities								
	Repayment of long-term debt				(589)			(605)
	TDS Common Shares reissued for benefit plans, net of tax payments				401			776
	U.S. Cellular Common Shares reissued for benefit plans, net of tax payments				830			(2,206)
	Repurchase of TDS Common Shares				(20,090)			-
	Repurchase of U.S. Cellular Common Shares				(8,298)			(18,425)
	Dividends paid to TDS shareholders				(29,107)			(27,598)
	U.S. Cellular dividends paid to noncontrolling public shareholders				-			(75,235)
	Distributions to noncontrolling interests				(482)			(3,292)
	Other financing activities				5,502			331
					(51,833)			(126,254)
Net increase in cash and cash equivalents					44,846			505,934
Cash and cash equivalents								
	Beginning of period				830,014			740,481
	End of period				\$ 874,860		\$	1,246,415
The accompanying notes are an integral part of these consolidated financial statements.								

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Telephone and Data Systems, Inc.				
<u>Consolidated Balance Sheet — Assets</u>				
<u>(Unaudited)</u>				
(Dollars in thousands)		June 30,		December 31,
		2014		2013
Current assets				
	Cash and cash equivalents	\$	874,860	\$ 830,014
	Short-term investments		40,035	50,104
	Accounts receivable			
	Due from customers and agents, less allowances of \$37,543 and \$63,690, respectively		460,823	551,611
	Other, less allowances of \$2,276 and \$1,914, respectively		163,438	179,503
	Inventory, net		205,886	244,560
	Net deferred income tax asset		106,077	106,077
	Prepaid expenses		88,860	87,920
	Income taxes receivable		9,197	2,397
	Other current assets		32,274	