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

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	•			30 No	rth La	Salle S	Street.	Suite	4000, (Chicas	go, Illi	nois 6	0602				
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					(Addre	ess of p	rincipa	al exec	utive o	ffices)	(Zip c	code)					
			R	egistra	nt's te	lephone	e numb	er, inc	luding	area c	ode: (3	312) 63	30-190	0			
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					ares, \$0						32,392		S				
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Telephone and Data Systems, Inc.										
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		For the (duarterry 1 eriod Ended June 30, 2014							
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Part I. Financial Information								
Item 1. Financial Statements								
	Tel	ephone and D	ata S	ystems, Inc.		•		
<u>C</u>	onse	olidated State	ment	of Operations	<u>S</u>			
		(Unau	dited))				
		\(\frac{\tangenta}{\tangenta}\)						
		Three Moi	nths E	Inded		Six Mont	ths En	ded
		Jun	e 30,			Jun	e 30,	
(Dollars and shares in thousands,								
except per share amounts)		2014		2013		2014		2013
Operating revenues								
Service	\$	1,072,179	\$	1,115,661	\$	2,152,421	\$	2,314,563
Equipment and product sales		164,213		112,505		279,933		222,176
Total operating revenues		1,236,392		1,228,166		2,432,354		2,536,739
Operating expenses								
Cost of services (excluding								
Depreciation,								
amortization and accretion								
reported below)		286,488		275,837		562,446		574,964
Cost of equipment and products		313,011		239,894		619,658		500,659
Selling, general and administrative		470,902		470,720		934,571		957,623
Depreciation, amortization and		470,902		470,720		934,371		931,023
accretion		204,567		254,203		429,486		496,280
(Gain) loss on asset disposals, net		7,903		8,319		10,333		13,935
(Gain) loss on sale of business								
and other exit costs, net		2,611		(303,034)		(4,289)		(296,103)
(Gain) loss on license sales and								
exchanges		-	\perp	-		(91,446)		-
Total operating expenses		1,285,482	_	945,939		2,460,759		2,247,358
		(40,000)		292 227		(20.405)		200 201
Operating income (loss)		(49,090)		282,227		(28,405)		289,381
Investment and other income			+					
(expense)								
Equity in earnings of								
unconsolidated entities		34,790		35,605		72,117		62,694

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Interest and dividend in some		2.751	I		2.600		5 227		4 170
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)	Š	\$	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	ታ	0.1240		φ	0.1075	φ	0.2600	d.	0.2550
shareholders S	D	0.1340		\$	0.1275	\$	0.2680	\$	0.2550
The accompanying notes a	are c	an integral no	rt o	f the	ese consolida	nted fina	ncial statem	ents	
The accompanying notes a	1100	an mugiai pa	uı U	1 111	se consonua	ucu IIIId	nciai statelli	٠11٤٥.	

				Tel	leph	one and Da	ta S	yste	ems, Inc.					
				Consolidate	ed S	tatement of	Col	<u>mpr</u>	ehensive In	con	<u>1e</u>			
						(Unaud	<u>ited</u>	<u>D</u>						
						Three Mo			nded			Six Mon		ded
(D-1	<u> </u> •	41	1-)				ne 3	50, 	2012				<u>ie 30,</u>	2012
		thous e (loss)			Φ	2014 (25,726)		\$	2013 178,397		\$	2014 (5,432)	\$	2013 185,386
		_ ` _ ′	<u>.</u> cumulate	d other	Ф	(23,720)		Φ	170,397		Φ	(3,432)	φ	165,560
1 100	ciiuiig	e iii ac	cumulate	u other										
cor	npreh	ensive	income (l	oss)										
		-	et unrealiz	ed gain (loss) on										
	equity	y												
	inve	stments	2			341			51			341		51
				ency translation		341			31			341		31
	adjus	_	8			(17)			-			(21)		15
	Chan	ge relat	ed to retir	ement plan										
				ed in net periodic	;									
		benefit	cost for											
		the pe	eriod											
		the pe		tion of prior										
			service co	_		(911)			(902)			(1,822)		(1,804)
			Amortiza	tion of					Ì					
			unrecogn	ized net loss		322			602			644		1,204
						(589)			(300)			(1,178)		(600)
			_	n deferred		22.4			114			4.47		220
-		C1	income ta			224			114			447		228
			e related t et of tax	o retirement		(365)			(186)			(731)		(372)
	Net c			lated other		(303)			(100)			(731)		(312)
		rehensi												
		me (los				(41)			(135)			(411)		(306)
Con	^		ncome (le			(25,767)			178,262			(5,843)		185,080
		Comprutable t		income (loss)										
	au10	utavie l	U											
	none	controll	ing intere	st		(3,688)			22,320			(1,648)		27,890
Con				oss) attributable	\$	(22,079)		\$	155,942		\$	(4,195)	\$	157,190

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to																		
	TDS shareholders																	
]
	The accompanying notes are an integral part of these consolidated financial statements.																	

			<u>Tel</u>	lephone and Data Systems, I	Inc.			
			Coma	alidated Statement of Cook	Elevya			
			Cons	olidated Statement of Cash	<u> F10WS</u>			
	<u> </u>		T	(Unaudited)		Gt 15		
						Six Mon		ed
(D. II	• 41	1)					e 30,	2012
`	s in thous		a activities			2014		2013
Cash II	Net incon		g activities		¢	(5.422)	\$	105 206
			stmants to mason of	ila nat income to each flavor	Ф	(5,432)	Φ	185,386
	Add (ded	uct) adjus	siments to reconci	ile net income to cash flows				
	from ope	erating ac	etivities					
		٢		ortization and accretion		429,486		496,280
			Bad debts expens			52,098		35,187
				pensation expense		15,488	ĺ	12,902
			Deferred income	•		(33,346)		(21,246)
			Equity in earning	s of unconsolidated entities		(72,117)		(62,694)
				m unconsolidated entities		65,569		47,635
			(Gain) loss on ass	set disposals, net		10,333		13,935
			(Gain) loss on sal	le of business and other exit				
			costs, net			(4,289)		(296,103)
			(Gain) loss on in	vestments		-		(14,518)
			(Gain) loss on lic	ense sales and exchanges		(91,446)		-
			Noncash interest	expense		1,014		997
			Other operating a	activities		3		505
	Changes i	in assets a	and liabilities fror	n operations				
			Accounts receiva	ble		40,459		(5,781)
			Inventory			38,674		(8,105)
			Accounts payable			(43,132)		58,204
				ts 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 fl			g activities					
			<u> </u>	plant and equipment		(339,907)		(384,281)
			isitions and licens		(18,681)		(14,150)	
			n divestitures		125,905		480,000	
	1		nvestments			10,000		15,000
	Other inv	esting act	tivities			3,720		14,127

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		(218,963)	110,696
Cash flows from financing activities			+
Repayment of long-term debt		(589)	(605)
		(389)	(003)
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		020.014	740 401
Beginning of period	1.	830,014	 740,481
End of period	\$	874,860	\$ 1,246,415
The accompanying notes are an integral part of these conso			

Telephone and Data Sys	tems, Inc	2.											
Consolidated Balance Sheet — Assets													
(Unaudited)													
		June 30,	Dec	cember 31,									
(Dollars in thousands)		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											