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				
					(Addre	ess of p	rincipa	al exec	utive o	ffices)	(Zip o	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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whe	ther the	e regist	rant is	a shell	compa	ny (as	define	d in Ru	ıle 12b	-2 of t	he Exc	hange	Act).	<u> </u>	<u>                                       </u>		X
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			Cla	ass							Oı	ıtstan	ding a	t June	30, 2	014	
					ares, \$0						32,392		S				
	Se	eries A	Comm	on Sha	ares, \$0	.01 pa	r value			7,185,	,356 SI	nares		1	1	1	1
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		Te	lephone and Data Systems, Inc.	
			1 D 1 D 10 D	
			uarterly Report on Form 10-Q Duarterly Period Ended June 30, 2014	
		ror the (	zuarterry Ferrou Ended June 30, 2014	
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Part I. Financial Information								
Item 1. Financial Statements								
	Tel	ephone and D	ata Sy	ystems, Inc.		•		•
_								
<u>C</u>	onso	olidated State	ment (	<u>of Operations</u>	<u> </u>			
		(Unau	dited`	)				
		Three Moi	nths E	Ended		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	Ф	1.072.170	<b>.</b>	1 117 661	<b>.</b>	2 152 121	<u></u>	0.014.563
Service	\$	1,072,179	\$	1,115,661	\$	2,152,421	\$	2,314,563
Equipment and product sales  Total operating revenues		164,213		112,505		279,933 2,432,354		222,176 2,536,739
Total operating revenues		1,236,392		1,228,166		2,432,334		2,330,739
Operating expenses		+ +						
Cost of services (excluding								
Depreciation,								
amortization and accretion		286,488		275,837		562,446		574,964
reported below)  Cost of equipment and products		313,011		239,894		619,658		500,659
Selling, general and		313,011		237,074		017,030		300,037
administrative		470,902		470,720		934,571		957,623
Depreciation, amortization and								
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		0.611		(202.02.4)		(4.200)		(206 102)
and other exit costs, net (Gain) loss on license sales and		2,611	+	(303,034)		(4,289)		(296,103)
exchanges				_		(91,446)		_
Total operating expenses		1,285,482		945,939		2,460,759		2,247,358
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
unconsonuated chanes	<u> </u>	J <del>+</del> ,/70		55,005		14,111		02,094

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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)		\$	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	ф	0.2600	d.	0.2550
shareholders S	<b>D</b>	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	J11t3.	

			Tel	leph	one and Dat	ta S	yste	ems, Inc.					
			Consolidate	ed S	tatement of	Cor	npr	<u>ehensive In</u>	com	<u>1e</u>			
					<u>(Unaudi</u>	<u>ited</u>	)						
					Three Mo			nded			Six Mon		ded
(Dall	lana in	thousands)			2014	ne 3	0,	2013			2014	e 30,	2013
		e (loss)		\$	(25,726)		\$	178,397		\$	(5,432)	\$	185,386
		e in accumulate	ed other	Ψ	(23,720)		Ψ	170,377		Ψ	(3,432)	Ψ	103,300
,,,,	·												
con		ensive income (											
			zed gain (loss) on										
	equity	7											
	inve	stments			341			51			341		51
			rency translation		0.11			01			0.11		
	adjust				(17)			-			(21)		15
	Chang	ge related to reti	rement plan										
			led in net periodic	;									
		benefit cost for											
		the period											
			ation of prior										
		service o	_		(911)			(902)			(1,822)		(1,804)
		Amortiz	ation of										
		unrecog	nized net loss		322			602			644		1,204
-		G1			(589)			(300)			(1,178)		(600)
		Change income t	in deferred		224			114			447		228
		Change related			224			114			447		220
		plan, net of tax	to remement		(365)			(186)			(731)		(372)
	Net cl	nange in accumi	ılated other										
	comp	rehensive											
	in	ma (less)			(41)			(125)			(411)		(206)
Com		me (loss) ensive income (l	loce)	1	(41)			(135) 178,262			(411) (5,843)		(306) 185,080
	r e	Comprehensive		1	(23,101)			170,202			(2,072)		105,000
		utable to	(1000)										
		controlling inter		Φ.	(3,688)		Φ.	22,320		Φ.	(1,648)		27,890
Com	prehe	ensive income (	loss) attributable	\$	(22,079)		\$	155,942	ŀ	\$	(4,195)	\$	157,190

ı	to												
	TDS shareholders												
		DO SHALLHOUGES											
		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	Flores			
			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
						<del>                                     </del>		
Cash fl			g activities					
			<u> </u>	plant and equipment		(339,907)		(384,281)
			isitions and licens	ses		(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 Systems	s, Inc.			
Consolidated Balance Sheet -				
(Unaudited)				
	June 30,		De	cember 31,
(Dollars in thousands)	2014			2013
Current assets	2017			2013
Cash and cash equivalents	\$ 874	,860	\$	830,014
Short-term investments	t t	0,035	4	50,104
Accounts receivable		,,,,,,,		
Due from customers and agents, less allowances of \$37,543 and \$63,690, respectively	460	0,823		551,611
Other, less allowances of \$2,276 and \$1,914, respectively	163	3,438		179,503
Inventory, net	205	5,886		244,560
Net deferred income tax asset	106	5,077		106,077
Prepaid expenses	88	3,860		87,920
Income taxes receivable	9	,197		2,397
Other current assets	32	2,274		35,151
	1,981	,450		2,087,337
Assets held for sale	5	5,980		16,027
		,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,		10,027
Investments				
Licenses	1,460	),484		1,423,779
Goodwill	i i	,352		836,843
Franchise rights	1 1	,487		123,668
Other intangible assets, net of accumulated amortization of \$122,767 and \$112,752,				,
respectively	61	,536		71,454
Investments in unconsolidated entities		3,661		301,772
Other investments		589		641
	2,790			2,758,157
Property, plant and equipment				
In service and under construction	11,220	),652		11,239,804
Less: Accumulated depreciation	7,470			7,361,660
	3,749			3,878,144
	100	102		164.402
Other assets and deferred charges	180	),183		164,482

Total asso	ets			\$	8,707,669		\$	8,904,147			
	The accompanying notes are an integral part of these consolidated financial statements.										

December 31, 2013
2013
2013
1 1 6 4 6
1,640
289,44
6,67
70,51
115,03
212,37
1,191,75
1,191,/3
<del></del>
862,973
458,709
430,70
1,720,074
1,720,074
530
330
+

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101,591 Common S	Shares), respectively			
Par Value (\$.01 per Common and \$1,25	share) (\$72 Series A 55 Common Shares)	1,327		1,327
Capital in excess of par value		2,312,515		2,308,807
Treasury shares at cost:				
24,513 and 23,954 (respectively	Common Shares,	(737,835)		(721,354)
Accumulated other comprehens	sive loss	(980)		(569)
Retained earnings		2,496,735		2,529,626
Total TDS sharehol	lders' equity	4,071,762		4,117,837
Preferred shares		824		824
Noncontrolling interests		552,594		551,436
Total equity		4,625,180		4,670,097
Total liabilities and equity	\$	8,707,669	\$	8,904,147
The accompanying notes are an i	integral part of these consolidate	d financial stater	nents.	

		T	elephone a	and Data Syste	ms. Inc.			
Consolidated Statement of Changes in Equity								
<del>                                     </del>			<u> </u>	<u>Unaudited)</u>				
<del>                                      </del>		TDS Sha	reholders	<u>                                     </u>	1 1 1			
			ccumulat	T T				
Series A	Capital in		Other		   Total TDS			
Common	Capitai iii	$\mathbf{C}$	     pmprehen	 sive			Non	
(Dollars and	Excess of	Treasury	77-7-1	Retained	Shareholders			Total
in Common		Common	Income				dcontrolling	77 4
thousan <b>sh</b> ares	Par Value	Shares	(Loss)	Earnings	Equity	Shares	Interests	Equity
December 31,								
	\$ 2,308,807	\$ (721,354)	\$ (569)	\$ 2,529,626	\$ 4,117,837	\$ 824	\$ 551,436	\$ 4,670,097
Add								
(Deduct)								
Net								
income attributable								
to								
TDS								
shareholders -				(3,784)	(3,784)			(3,784)
Net				(3,701)				(3,701)
income								
(loss)								
attributable								
to								
noncontrolling								
interests								
classified								
as								
equity -	-	-	-	-	-		(2,045)	(2,045)
Net -	-	-	341	-	341	-	-	341
unrealized gain								
1 11 1				1 1 1	1 1 1			1 1

				· ·							· ,						,
(loss)				'													
on .				'													
equity					1 '												
investments	-	Н		十'	<b>├</b>	₽'	$\longmapsto$	$\downarrow \downarrow$	<u> </u>	$\bot$		+	<del>                                     </del>	Щ	<u> </u>	#	
Change					1 1												
in					1 '												
foreign				'	1 1	'											
currency				'	1 1	'											
				'	1 1	'											
[]					1 '												
translation					1 '	'	(21)				(21)						(21)
adjustment	-	H	-	+'	<del></del>	Ľ	(21)	$\downarrow \downarrow$	-	+	(21)	+	-	$\dashv$	-	+	(21)
Change					1 1												
related				'	1 1	'											
to				'	1 1	'											
retirement				'	1 1	'											
,					1 '	'	(721)				(721)						(721)
plan	+	H	-	+'	<del></del>	₽'	(731)	#	-	+	(731)	+	-	$\dashv$	-	+	(731)
TDS					1 '												
Common					1 '												
and				'	1 1	'											
Series				'	1 1	'											
A				'	1 1	'											
				'	1 1	'											
					1 1												
Common				'	1 '	'											
Share					1 '				(20,082)		(29,082)						(20,082)
	+	H	<del></del>	十	<del>                                     </del>	۲	-	$\mathcal{H}$	(29,082)	+	(29,002)	+	-	${\mathsf H}$	-	+	(29,082)
TDS Proformed				'	1 1	'											
Preferred dividend					1 '												
dividend					1 '												
					1 '												
requirement	_		_				_		(25)		(25)		_		_		(25)
	+	H	<del></del>	十	<del>                                     </del>	十	<del>  -</del> +	$\mathcal{H}$	(23)	+	(43)	+	<del>                                     </del>	$\forall$	<del>-</del> -	+	(43)
Repurchase				'	1 '	'											
of Common					1 '												
Common Shares			_	'	(21,096)		_		_		(21,096)		_		_		(21,096)
Shares	-	H	<del></del>	十	(21,090)	۲	-	#	-	+	(21,030)	+	┼┼	${}^{\rm H}$	-	+	(21,030)
Dividend					1 '												
reinvestment			1,470	'	3,468	'					4,938						4 038
plan	+	H	1,470	十	3,400	۲	-	$\mathcal{H}$	-	+	4,930	+	-	${\it H}$	-	+	4,938
Incentive				'	1 1	'											
and				'	1 1	'											
compensation					1 '												
nlone			(314)		1,147						833						833
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