

AT&T INC.
Form 10-Q
May 06, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2010

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.

Incorporated under the laws of the State of Delaware
I.R.S. Employer Identification Number 43-1301883

208 S. Akard St., Dallas, Texas 75202
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 [X] No []

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [X] No []

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "accelerated filer," "large accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

[X] Accelerated filer []

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Large accelerated
filer

Non-accelerated [] (Do not check if a smaller reporting Smaller reporting []
filer company) company

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

At April 30, 2010, there were 5,909 million common shares outstanding.

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 | |
|---|--------------------|-------------------|
| | 2010 | March 31, 2009 |
| Operating Revenues | | |
| Wireless service | \$12,850 | \$11,646 |
| Voice | 7,479 | 8,503 |
| Data | 6,631 | 6,281 |
| Directory | 1,041 | 1,249 |
| Other | 2,648 | 2,892 |
| Total operating revenues | 30,649 | 30,571 |
| Operating Expenses | | |
| Cost of sales (exclusive of depreciation and amortization shown separately below) | 12,329 | 12,195 |
| Selling, general and administrative | 7,484 | 7,753 |
| Depreciation and amortization | 4,826 | 4,886 |
| Total operating expenses | 24,639 | 24,834 |
| Operating Income | 6,010 | 5,737 |
| Other Income (Expense) | | |
| Interest expense | (767) | (849) |
| Equity in net income of affiliates | 217 | 137 |
| Other income (expense) – net | (22) | (15) |
| Total other income (expense) | (572) | (727) |
| Income Before Income Taxes | 5,438 | 5,010 |
| Income taxes | 2,876 | 1,809 |
| Net Income | 2,562 | 3,201 |
| Less: Net Income Attributable to Noncontrolling Interest | (87) | (75) |
| Net Income Attributable to AT&T | \$2,475 | \$3,126 |
| Basic Earnings Per Share Attributable to AT&T | \$0.42 | \$0.53 |
| Diluted Earnings Per Share Attributable to AT&T | \$0.42 | \$0.53 |
| Weighted Average Number of Common | | |
| Shares Outstanding – Basic (in millions) | 5,905 | 5,896 |
| Dividends Declared Per Common Share | \$0.42 | \$0.41 |

See Notes to Consolidated Financial Statements.

AT&T INC.

CONSOLIDATED BALANCE SHEETS

Dollars in millions except per share amounts

| | March 31, 2010 (Unaudited) | December 31, 2009 |
|--|----------------------------------|-------------------------|
| Assets | | |
| Current Assets | | |
| Cash and cash equivalents | \$2,617 | \$3,802 |
| Accounts receivable – net of allowances for doubtful accounts of \$1,125 and \$1,205 | 14,167 | 14,978 |
| Prepaid expenses | 1,820 | 1,572 |
| Deferred income taxes | 1,293 | 1,274 |
| Other current assets | 2,465 | 2,708 |
| Total current assets | 22,362 | 24,334 |
| Property, plant and equipment | 232,466 | 230,552 |
| Less: accumulated depreciation and amortization | (133,106) | (130,459) |
| Property, Plant and Equipment – Net | 99,360 | 100,093 |
| Goodwill | 73,052 | 73,259 |
| Licenses | 49,028 | 48,759 |
| Customer Lists and Relationships – Net | 6,624 | 7,420 |
| Other Intangible Assets – Net | 5,680 | 5,644 |
| Investments in Equity Affiliates | 3,278 | 2,921 |
| Other Assets | 6,317 | 6,322 |
| Total Assets | \$265,701 | \$268,752 |
| Liabilities and Stockholders' Equity | | |
| Current Liabilities | | |
| Debt maturing within one year | \$9,437 | \$7,361 |
| Accounts payable and accrued liabilities | 18,087 | 20,999 |
| Advanced billing and customer deposits | 4,061 | 4,170 |
| Accrued taxes | 2,639 | 1,696 |
| Dividends payable | 2,482 | 2,479 |
| Total current liabilities | 36,706 | 36,705 |
| Long-Term Debt | 60,024 | 64,720 |
| Deferred Credits and Other Noncurrent Liabilities | | |
| Deferred income taxes | 25,520 | 23,803 |
| Postemployment benefit obligation | 27,709 | 27,849 |
| Other noncurrent liabilities | 13,276 | 13,350 |
| Total deferred credits and other noncurrent liabilities | 66,505 | 65,002 |
| Stockholders' Equity | | |
| Common stock (\$1 par value) | 6,495 | 6,495 |
| Additional paid-in capital | 91,557 | 91,707 |
| Retained earnings | 39,373 | 39,366 |
| Treasury stock (at cost) | (21,137) | (21,260) |
| Accumulated other comprehensive loss | (14,265) | (14,408) |
| Noncontrolling interest | 443 | 425 |
| Total stockholders' equity | 102,466 | 102,325 |

| | | |
|---|-----------|-----------|
| Total Liabilities and Stockholders' Equity | \$265,701 | \$268,752 |
| See Notes to Consolidated Financial Statements. | | |

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AT&T INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Dollars in millions, increase (decrease) in cash and cash equivalents

(Unaudited)

| | Three months ended March 31, | |
|---|---------------------------------|----------|
| | 2010 | 2009 |
| Operating Activities | | |
| Net income | \$2,562 | \$3,201 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 4,826 | 4,886 |
| Undistributed earnings from investments in equity affiliates | (201) | (124) |
| Bad debt expense | 350 | 509 |
| Deferred income tax expense | 1,612 | 126 |
| Net loss from impairment and sale of investments | 50 | 82 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 461 | 573 |
| Other current assets | 88 | (51) |
| Accounts payable and accrued liabilities | (2,084) | (1,931) |
| Net income attributable to noncontrolling interest | (87) | (75) |
| Other - net | (324) | 719 |
| Total adjustments | 4,691 | 4,714 |
| Net Cash Provided by Operating Activities | 7,253 | 7,915 |
| Investing Activities | | |
| Construction and capital expenditures | | |
| Capital expenditures | (3,156) | (3,173) |
| Interest during construction | (184) | (185) |
| Acquisitions, net of cash acquired | (178) | - |
| Dispositions | 1 | 181 |
| Sales of securities, net of investments | (20) | 15 |
| Other | 8 | 5 |
| Net Cash Used in Investing Activities | (3,529) | (3,157) |
| Financing Activities | | |
| Net change in short-term borrowings with original maturities of three months or less | 323 | (3,909) |
| Issuance of long-term debt | - | 5,450 |
| Repayment of long-term debt | (2,512) | (1,261) |
| Issuance of treasury stock | 3 | 1 |
| Dividends paid | (2,479) | (2,416) |
| Other | (244) | (603) |
| Net Cash Used in Financing Activities | (4,909) | (2,738) |
| Net increase (decrease) in cash and cash equivalents | (1,185) | 2,020 |
| Cash and cash equivalents beginning of year | 3,802 | 1,792 |
| Cash and Cash Equivalents End of Period | \$2,617 | \$3,812 |

Cash paid during the three months ended March 31 for:

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| | | |
|------------------------------|---------|---------|
| Interest | \$1,072 | \$1,276 |
| Income taxes, net of refunds | \$41 | \$(30) |

See Notes to Consolidated Financial Statements.

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AT&T Inc.

Consolidated Statements of Changes in Stockholders' Equity (Unaudited)

Dollars and shares in millions except per share amounts

| | | March 31, 2010 | |
|--|--------|----------------|----------|
| | Shares | | Amount |
| Common Stock | | | |
| Balance at beginning of year | 6,495 | \$ | 6,495 |
| Balance at end of period | 6,495 | \$ | 6,495 |
| Additional Paid-In Capital | | | |
| Balance at beginning of year | | \$ | 91,707 |
| Issuance of treasury shares | | | 73 |
| Share-based payments | | | (223) |
| Balance at end of period | | \$ | 91,557 |
| Retained Earnings | | | |
| Balance at beginning of year | | \$ | 39,366 |
| Net income attributable to AT&T (\$0.42 per share) | | | 2,475 |
| Dividends to stockholders (\$0.42 per share) | | | (2,482) |
| Other | | | 14 |
| Balance at end of period | | | |