

TELEPHONE & DATA SYSTEMS INC /DE/
Form 10-Q
June 19, 2007

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2007

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
(State or other jurisdiction of incorporation or organization)

36-2669023
(I.R.S. Employer Identification No.)

30 North LaSalle Street, Chicago, Illinois 60602

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(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: **(312) 630-1900**

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 12b-2 of the Exchange Act. (Check one):

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at April 30, 2007
Common Shares, \$.01 par value	51,937,620 Shares
Special Common Shares, \$.01 par value	58,402,073 Shares
Series A Common Shares, \$.01 par value	6,444,364 Shares

Telephone and Data Systems, Inc. and Subsidiaries

**Quarterly Report on Form 10-Q
For the Period Ended March 31, 2007**

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Signatures

Part I. Financial Information

Item 1. Financial Statements

Telephone and Data Systems, Inc. and Subsidiaries

Consolidated Statements of Operations

Unaudited

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	Three Months Ended March 31, 2007		2006
	(Dollars in thousands, except per share amounts)		
Operating Revenues	\$	1,156,557	\$ 1,059,077
Operating Expenses			
Cost of services and products (exclusive of depreciation, amortization and accretion expense shown below)		405,968	376,306
Selling, general and administrative expense		416,482	392,621
Depreciation, amortization and accretion expense		191,310	182,966
Total Operating Expenses		1,013,760	951,893
Operating Income		142,797	107,184
Investment and Other Income (Expense)			
Equity in earnings of unconsolidated entities		23,696	19,805
Interest and dividend income		16,196	11,483
Interest expense		(57,801)	(58,532)
Fair value adjustment of derivative instruments		255,870	30
Other expense		(2,224)	(927)
Total Investment and Other Income (Expense)		235,737	(28,141)
Income Before Income Taxes and Minority Interest		378,534	79,043
Income tax expense		141,238	32,342
Income Before Minority Interest		237,296	46,701
Minority share of income		(17,971)	(10,704)
Net Income		219,325	35,997
Preferred dividend requirement		(13)	(51)
Net Income Available To Common	\$	219,312	\$ 35,946
Basic Weighted Average Shares Outstanding (000s)		116,837	115,741
Basic Earnings Per Share (Note 6)	\$	1.88	\$ 0.31
Diluted Weighted Average Shares Outstanding (000s)		118,383	116,327
Diluted Earnings Per Share (Note 6)	\$	1.85	\$ 0.31
Dividends Per Share	\$	0.0975	\$ 0.0925

The accompanying notes are an integral part of these consolidated financial statements.

Telephone and Data Systems, Inc. and Subsidiaries

Consolidated Statements of Cash FlowsUnaudited

	Three Months Ended March 31,	
	2007	2006
	(Dollars in thousands)	
Cash Flows from Operating Activities		
Net income	\$ 219,325	\$ 35,997
Add (Deduct) adjustments to reconcile net income to net cash provided by operating activities		
Depreciation, amortization and accretion	191,310	182,966
Bad debts expense	12,255	9,075
Stock-based compensation expense	4,651	8,638
Fair value adjustment of derivative instruments	(255,870)	(30)
Deferred income taxes	81,841	(15,228)
Equity earnings of unconsolidated entities	(23,696)	(19,805)
Distributions from unconsolidated entities	2,321	5,676
Minority share of income	17,971	10,704
Noncash interest expense	5,378	5,480
Other noncash expense	336	1,504
Changes in assets and liabilities		
Change in accounts receivable		