SPRINT CORP
Form 10-Q
November 12, 2003

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

FORM 10-Q

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

For the quarterly period ended September 30, 2003

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 1-04721

SPRINT CORPORATION

(Exact name of registrant as specified in its charter)

KANSAS	48-0457967
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

P.O. Box 7997, Shawnee Mission, Kansas 66207-0997

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (913) 624-3000

(Former name, former address and former fiscal year, if changed since last report)

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 these reports), and (2) has been subject to these filing requirements for the past 90 days.

Yes X No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes X No

COMMON SHARES OUTSTANDING AT October 31, 2003:

FON COMMON STOCK	903,949,604
PCS COMMON STOCK:	
Series 1	847,630,317
Series 2	187,445,330
CLASS A COMMON STOCK	43,118,018

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	(b)	Certification of Chief Financial Officer Pursuant to Securities Exchange Act of 1934 Rule 13a-14(a)
(32)	(a)	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
	(b)	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

(millions, except per share data)		Sprint Con
Quarters Ended September 30,		2003
Net Operating Revenues	$	6,714
Operating Expenses		
Costs of services and products		3,034
Selling, general and administrative		1,644
Depreciation and amortization		1,251
Restructuring and asset impairments		1,223
Total operating expenses		7,152
Operating Income (Loss)		(438)
Interest expense		(335)
Intergroup interest charge		-

Premium on early retirement of debt	(2)
Other income (expense), net	4
Income (loss) from continuing operations before income taxes	(771)
Income tax benefit	274
Income (Loss) from Continuing Operations	(497)
Discontinued operation, net	(1)
Net Income (Loss)	(498)
Preferred stock dividends (paid) received	(2)
Earnings (Loss) Applicable to Common Stock	$ (500)
Diluted Earnings (Loss) per Common Share	
Continuing operations	
Discontinued operation	
Total	
Diluted weighted average common shares	
Basic Earnings (Loss) per Common Share	
Continuing operations	
Discontinued operation	
Total	
Basic weighted average common shares	
DIVIDENDS PER COMMON SHARE	

See accompanying Condensed Notes to Consolidated Financial Statements (

Eliminations/Reclassifications	Sprint FON Group	Sprint PC

2003	2002	2003	2002	2003
$ (164)	$ (175)	$ 3,538	$ 3,816	$ 3,340
(164)	(175)	1,570	1,692	1,628
(11)	(8)	855	953	800
-	-	623	670	628
-	-	1,223	126	-
(175)	(183)	4,271	3,441	3,056
11	8	(733)	375	284
-	-	(55)	(75)	(280)
-	-	98	82	(98)
-	-	(2)	-	-
(11)	(8)	25	17	(10)
-	-	(667)	399	(104)
-	-	235	85	39
-	-	(432)	484	(65)
-	-	(1)	42	-
-	-	(433)	526	(65)
-	-	2	2	(4)
$ -	$ -	$ (431)	$ 528	$ (69)
		$ (0.48)	$ 0.54	$ (0.07)
		-	0.05	-
		$ (0.48)	$ 0.59	$ (0.07)
		903.0	894.6	1,033.1
		$ (0.48)	$ 0.54	$ (0.07)
		-	0.05	-
		$ (0.48)	$ 0.59	$ (0.07)
		903.0	892.9	1,033.1

	$ 0.125	$ 0.125	$ -

CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

(millions, except per share data)	Sprint Con
Year-to-Date September 30,	2003
Net Operating Revenues	$ 19,516
Operating Expenses	
Costs of services and products	8,766
Selling, general and administrative	4,894
Depreciation and amortization	3,739
Restructuring and asset impairments	1,581
Total operating expenses	18,980
Operating Income (Loss)	536
Interest expense	(1,052)
Intergroup interest charge	-
Premium on early retirement of debt	(21)
Other income (expense), net	(78)
Income (loss) from continuing operations before income taxes	(615)
Income tax benefit (expense)	213
Income (Loss) from Continuing Operations	(402)
Discontinued operation, net	1,321
Cumulative effect of change in accounting principles, net	258
Net Income (Loss)	1,177
Preferred stock dividends (paid) received	(5)
Earnings (Loss) Applicable to Common Stock	$ 1,172

Diluted Earnings (Loss) per Common Share

Continuing operations
Discontinued operation
Cumulative effect of change in accounting principle, net

Total
Diluted weighted average common shares

Basic Earnings (Loss) per Common Share
Continuing operations
Discontinued operation
Cumulative effect of change in accounting principle, net

Total
Basic weighted average common shares

DIVIDENDS PER COMMON SHARE

See accompanying Condensed Notes to Consolidated Financial Statements (

Eliminations/Reclassifications		Sprint FON Group		Sprint PC
2003	2002	2003	2002	2003
$ (516)	$ (444)	$ 10,649	$ 11,559	$ 9,383
(516)	(444)	4,685	5,374	4,597
(31)	(24)	2,677	2,875	2,248
-	-	1,886	1,971	1,853
-	-	1,571	126	10
(547)	(468)	10,819	10,346	8,708
31	24	(170)	1,213	675
-	-	(185)	(232)	(867)
-	-	278	255	(278)
-	-	(21)	-	-
(31)	(24)	25	(181)	(72)
-	-	(73)	1,055	(542)

-	-	10	(261)	203
-	-	(63)	794	(339)
-	-	1,321	120	-
-	-	258	-	-
-	-	1,516	914	(339)
-	-	6	5	(11)
$ -	$ -	$ 1,522	$ 919	$ (350)
		$ (0.07)	$ 0.89	$ (0.34)
		1.47	0.14	-
		0.29	-	-
		$ 1.69	$ 1.03	$ (0.34)
		899.9	893.2	1,026.6
		$ (0.07)	$ 0.90	$ (0.34)
		1.47	0.13	-
		0.29	-	-
		$ 1.69	$ 1.03	$ (0.34)
		899.9	891.2	1,026.6
		$ 0.375	$ 0.375	$ -

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited)

(millions)	Sprint Cons
Quarters Ended September 30,	2003
Net Income (Loss)	$ (498)

Other Comprehensive Income (Loss)	
Unrealized holding gains (losses) on securities	4
Income tax benefit (expense)	(2)
Net unrealized holding gains (losses) on securities during the period	2
Reclassification adjustment for gains on securities included in net income (loss)	(3)
Income tax expense	1
Net reclassification adjustment for gains included in net income (loss)	(2)
Reclassifications adjustment for foreign currency translation losses included in net income (loss), net	-
Unrealized gains (losses) on qualifying cash flow hedges	(4)
Income tax benefit (expense)	1
Net unrealized holding gains (losses) on qualifying cash flow hedges during the period	(3)
Total other comprehensive loss	(3)
Comprehensive Income (Loss)	$ (501)

See accompanying Condensed Notes to Consolidated Financial Statements (

Eliminations/Reclassifications		Sprint FON Group		Sprint PC
2003	2002	2003	2002	2003
$ -	$ -	$ (433)	$ 526	$ (65)
-	-	4	(18)	-
-	-	(2)	7	-
-	-	2	(11)	-
-	-	(3)	(1)	-
-	-	1	-	-
-	-	(2)	(1)	-
-	-	-	-	-
-	-	(4)	6	-
-	-	1	(2)	-
-	-	(3)	4	-
-	-	(3)	(8)	-
$ -	$ -	$ (436)	$ 518	$ (65)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited)

(millions)	Sprint Cons
Year-to-Date September 30,	2003
Net Income (Loss)	$ 1,177
Other Comprehensive Income (Loss)	
Unrealized holding gains (losses) on securities	44
Income tax benefit (expense)	(17)
Net unrealized holding gains (losses) on securities during the period	27
Reclassification adjustment for gains on securities included in net income (loss)	(6)
Income tax expense	3
Reclassifications adjustment for gains included in net income (loss)	(3)
Foreign currency translation adjustments	(1)
Reclassifications adjustment for foreign currency translation losses included in net income (loss), net	-
Unrealized gains (losses) on qualifying cash flow hedges	(34)
Income tax benefit (expense)	13
Net unrealized gains (losses) on qualifying cash flow hedges	(21)
Total other comprehensive income (loss)	2
Comprehensive Income (Loss)	$ 1,179

See accompanying Condensed Notes to Consolidated Financial Statements (

Eliminations/Reclassifications				Sprint FON Group				Sprint PC
2003		2002		2003		2002		2003
$	-	$	-	$	1,516	$	914	$ (339)
	-		-		44		(48)	-
	-		-		(17)		19	-
	-		-		27		(29)	-
	-		-		(6)		(2)	-
	-		-		3		-	-
	-		-		(3)		(2)	-
	-		-		(1)		(2)	-

-	-	-	-	-
-	-	(34)	34	-
-	-	13	(8)	-
-	-	(21)	26	-
-	-	2	(7)	-
$ -	$ -	$ 1,518	$ 907	$ (339)

CONSOLIDATED BALANCE SHEETS

(millions)	Spr
	September 2003
	(Unaudite
Assets	
Current assets	

Cash and equivalents	$	2
Accounts receivable, net of consolidated allowance for doubtful accounts of $284 and $414		2
Inventories		
Deferred tax asset		
Current tax benefit receivable from the FON Group		
Prepaid expenses		
Intergroup receivable		
Other		
Total current assets		6
Assets of discontinued operation		
Property, plant and equipment		
FON Group		35
PCS Group		18
Total property, plant and equipment		53
Accumulated depreciation		(26
Net property, plant and equipment		27
Investments in and advances to affiliates		
Intangibles		
Goodwill		4
Spectrum licenses		3
Other intangibles		
Total intangibles		7
Accumulated amortization		
Net intangibles		7
Other assets		1
Total	$	42

See accompanying Condensed Notes to Consolidated Financial Statements (

Eliminations/Reclassifications		Sprint FON Group		Sprint PC
September 30, 2003	December 31, 2002	September 30, 2003	December 31, 2002	September 30, 2003
(Unaudited)		(Unaudited)		(Unaudited)
$ -	$ -	$ 1,145	$ 641	$ 1,456
-	-	1,525	1,650	1,382
-	-	215	219	367
-	-	16	42	-
(186)	-	-	-	186
-	-	166	215	161
(561)	(536)	561	536	-
-	-	130	114	80
(747)	(536)	3,758	3,417	3,632
-	-	-	391	-
-	-	35,220	35,055	-
-	-	-	-	18,306
-	-	35,220	35,055	18,306
(48)	(46)	(19,061)	(18,161)	(7,030)
(48)	(46)	16,159	16,894	11,276
(279)	(280)	252	252	57
-	-	27	27	4,374
-	-	300	1,520	3,093
-	-	26	24	3
-	-	353	1,571	7,470
-	-	(3)	(2)	-
-	-	350	1,569	7,470
-	-	682	610	334
$ (1,074)	$ (862)	$ 21,201	$ 23,133	$ 22,769

CONSOLIDATED BALANCE SHEETS (continued)

(millions, except per share data)	Spr
	September 2003
	(Unaudit
Liabilities and Shareholders' Equity	
Current liabilities	
Short-term borrowings and current maturities of long-term debt	$
Current maturities of intergroup debt	
Accounts payable	1
Accrued interconnection costs	
Accrued taxes	
Advance billings	
Accrued restructuring costs	
Payroll and employee benefits	
Accrued interest	
Intergroup payable	
Other	
Total current liabilities	6
Liabilities of discontinued operation	
Current tax benefit payable to the PCS Group	
Other	
Noncurrent liabilities	
Long-term debt and capital lease obligations	17

Intergroup debt	
Equity unit notes	1
Deferred income taxes	1
Postretirement and other benefit obligations	1
Other	
Total noncurrent liabilities	22
Redeemable preferred stock	
Shareholders' equity	
Common stock	
Class A FT, par value $0.00 per share and $0.50 per share, 100.0 shares authorized, 43.1 shares issued and outstanding	
FON, par value $2.00 per share, 4,200.0 shares authorized, 903.6 and 895.1 shares issued and outstanding	1
PCS, par value $1.00 per share, 4,600.0 shares authorized, 1,034.9 and 999.8 shares issued and outstanding	1
Capital in excess of par or stated value	10
Retained earnings	1
Accumulated other comprehensive loss	
Combined attributed net assets	
Total shareholders' equity	13
Total	$ 42

See accompanying Condensed Notes to Consolidated Financial Statements (

Eliminations/Reclassifications		Sprint FON Group		Sprint PCS
September 30, 2003	December 31, 2002	September 30, 2003	December 31, 2002	September 30, 2003
(Unaudited)		(Unaudited)		(Unaudited)
$ -	$ -	$ 42	$ 1,234	$ 937
-	-	(1,110)	-	1,110
-	-	734	808	1,262
-	-	575	614	10
(11)	-	222	122	153

-	-	225	232	330
-	-	152	251	3
-	-	471	488	-
-	-	68	116	269
(561)	(536)	-	-	561
(48)	(46)	530	545	512
(620)	(582)	1,909	4,410	5,147
(175)	-	175	-	-
-	-	-	299	-
-	-	2,789	3,142	14,236
-	-	-	(406)	-
-	-	-	-	1,725
-	-	1,535	1,825	304
-	-	1,298	1,677	87
-	-	392	362	553
-	-	6,014	6,600	16,905
(279)	(280)	-	10	526
-	22	-	-	-
1,807	1,790	-	-	-
1,035	1,000	-	-	-
10,060	9,931	-	-	-
1,091	252	-	-	-
(699)	(701)	-	-	-
(13,294)	(12,294)	13,103	11,814	191
-	-	-	-	-
$ (1,074)	$ (862)	$ 21,201	$ 23,133	$ 22,769

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
(millions)

	Spri Co
Year-to-Date September 30,	2003
Operating Activities	
Net income (loss)	$ 1,17
Adjustments to reconcile net income (loss) to net cash provided by operating activities:	
Discontinued operation, net	(1,32
Cumulative effect of change in accounting principle, net	(25
Equity in net (gains) losses of affiliates	4
Depreciation and amortization	3,73
Deferred income taxes	44
Net losses on write-down of assets	1,56
Changes in assets and liabilities:	
Accounts receivable, net	4
Inventories and other current assets	17
Accounts payable and other current liabilities	(1,22
Affiliate receivables and payables, net	
Noncurrent assets and liabilities, net	(14
Other, net	14
Net cash provided by operating activities	4,37
Investing Activities	
Capital expenditures	(2,35
Investments in and loans to other affiliates, net	(1
Investments in debt securities	(9
Net proceeds from sales of assets	8
Net cash used by investing activities	(2,37
Financing Activities	
Proceeds from debt	4
Payments on debt	(2,38
Dividends paid	(34
Other, net	2
Net cash provided (used) by financing activities of continuing operations	(2,66
Cash from discontinued operations	2,23
Increase (Decrease) in Cash and Equivalents	1,56
Cash and Equivalents at Beginning of Period	1,03
Cash and Equivalents at End of Period	$ 2,60

See accompanying Condensed Notes to Consolidated Financial Statements (

Eliminations/Reclassifications		Sprint FON Group		Sprint PC
2003	2002	2003	2002	2003
$ -	$ -	$ 1,516	$ 914	$ (339)
-	-	(1,321)	(120)	-
	-	(258)	-	-
-	-	(2)	12	47
-	-	1,886	1,971	1,853
-	-	(428)	376	868
-	-	1,558	395	10
-	-	125	335	(81)
711	16	44	(66)	(581)
(711)	(16)	(286)	(891)	(229)
-	-	14	(28)	(14)
-	-	(351)	(37)	203
-	-	97	(122)	48
-	-	2,594	2,739	1,785
-	-	(1,141)	(1,550)	(1,211)
-	-	-	(26)	(16)
		(91)	-	-
-	-	80	66	1
-	-	(1,152)	(1,510)	(1,226)

	-		-		44		1,287		-
	-		-		(2,335)		(2,270)		(51)
	-		-		(332)		(330)		(11)
	-		-		(20)		(53)		40
	-		-		(2,643)		(1,366)		(22)
	-		-		1,705		104		525
	-		-		504		(33)		1,062
	-		-		641		134		394
$	-	$	-	$	1,145	$	101	$	1,456

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY (Unaudited) Sprint
(millions)
Year-to-date September 30, 2003

	Class A FT Common Stock	FON Common Stock	PCS Common Stock	
Beginning 2003 balance	$ 22	$ 1,790	$ 1,000	$
Net income (loss)	-	-	-	
FON common stock dividends	-	-	-	
PCS preferred stock dividends	-	-	-	
Conversion of PCS common stock underlying Class A common stock	(22)	-	22	
FON Series 1 common stock issued	-	17	-	
PCS Series 1 common stock issued	-	-	13	
Other, net	-	-	-	
September 2003 balance	$ -	$ 1,807	$ 1,035	$

Shares Outstanding			
Beginning 2003 balance	43.1	895.1	999.8
FON Series 1 common stock issued	-	8.5	-
PCS Series 1 common stock issued	-	-	13.5

Conversion of Class A FT	-	-	21.6
September 2003 balance	43.1	903.6	1,034.9

See accompanying Condensed Notes to Consolidated Financial Statements (

Retained Earnings	Accumulated Other Comprehensive Loss	Consolidated Total	Combined Attributed Net Assets Sprint FON Group	Sprint PCS Group
$ 252	$ (701)	$ 12,294	$ 11,814	$ 480
1,177	-	1,177	1,516	(339)
(338)	-	(338)	(338)	-
-	-	(5)	6	(11)

-	-	-	-	-
-	-	114	114	-
-	-	50	-	50
-	2	2	(9)	11
$ 1,091	$ (699)	$ 13,294	$ 13,103	$ 191

CONDENSED NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS (Unaudited) Sprint Corporation

The information in this Form 10-Q has been prepared according to Securities and Exchange Commission (SEC) rules and regulations. In our opinion, the consolidated interim financial statements reflect all adjustments, consisting only of normal recurring accruals, needed to fairly present Sprint Corporation's consolidated financial position, results of operations, cash flows and comprehensive income (loss).

Certain information and footnote disclosures normally included in consolidated financial statements prepared according to accounting principles generally accepted in the United States have been condensed or omitted. As a result, you should read these financial statements along with Sprint Corporation's 2002 Form 10-K. Operating results for the 2003 year-to-date period do not necessarily represent the results that may be expected for the year ending December 31, 2003.

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1. Basis of Consolidation and Presentation

Tracking Stock

FON common stock and PCS common stock are intended to reflect the financial results and economic value of the FON and PCS Groups. However, they are classes of common stock of Sprint, not of the group they are intended to track. Accordingly, FON and PCS shareholders are subject to the risks related to an equity investment in Sprint and all of Sprint's businesses, assets and liabilities. Shares of FON common stock and PCS common stock do not represent a direct legal interest in the assets and liabilities allocated to either group, but rather represent a direct equity interest in our assets and liabilities as a whole.

Board Discretion Regarding Tracking Stocks

Sprint's Board has the discretion to, among other things, make operating and financial decisions that could favor one group over the other and, subject to the restrictions in Sprint's articles of incorporation, to change the allocation of the assets and liabilities that comprise each of the FON Group and the PCS Group without shareholder approval. Under the applicable corporate law, Sprint's Board owes its fiduciary duties to all of Sprint's shareholders and there is no Board of Directors that owes separate duties to the holders of either the FON common stock or the PCS common stock. The Tracking Stock Policies provide that the Board, in resolving material matters in which the holders of FON common stock and PCS common stock have potentially divergent interests, will act in the best interests of Sprint and all of its common shareholders after giving fair consideration to the potentially divergent interests of the holders of the separate classes of Sprint common stock. These policies may be changed by the Board without shareholder approval. Given the Board's discretion in these matters, it may be difficult to assess the future prospects of each group based on past performance.

Consolidation and Comparative Presentation

The consolidated financial statements include the accounts of Sprint, its wholly owned subsidiaries and subsidiaries it controls. Investments in entities in which Sprint exercises significant influence, but does not control, are accounted for using the equity method (see Note 2).

The consolidated financial statements are prepared using accounting principles generally accepted in the United States. These principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

Certain prior-year amounts have been reclassified to conform to the current-year presentation. These reclassifications had no effect on the results of operations or shareholders' equity as previously reported.

Intergroup Transactions

The PCS Group uses the long distance operation of the FON Group as its interexchange carrier and purchases wholesale long distance for resale to its customers. Additionally, the FON Group provides the PCS Group with Caller ID services and various other goods and services. Also included in these amounts are goods capitalized by the PCS Group. Charges to the PCS Group for these items totaled $163 million and $175 million in the 2003 and 2002 third quarters and $513 million and $500 million in the 2003 and 2002 year-to-date periods, respectively. The intercompany profit on capitalized charges totaled $1 million and $4 million in the 2003 and 2002 third quarters and $4 million and $8 million in the 2003 and 2002 year-to-date periods, respectively. The service charges less capitalized charges are included in the FON Group's net operating revenues and in the PCS Group's costs of services and products.

The PCS Group provides the FON Group with access to its network and telemarketing and various other services. Charges to the FON Group for these items totaled $2 million in the 2003 third quarter, $7 million in the 2003 year-to-date period and $4 million in the 2002 third quarter. In the 2002 year-to-date period, the PCS Group credited the FON Group for $48 million. This credit was primarily related to proceedings initiated by the Federal Communications Commission (FCC) in 2001 to consider a number of issues regarding compensation arrangements between carriers that exchange local and long distance traffic, including the issue of whether wireless carriers should be allowed to charge long distance carriers for terminating long distance calls to their wireless customers.

The FON Group charges the PCS Group a return on investment or capital carrying charge for the use of FON Group owned capital assets. Charges to the PCS Group for this item totaled $11 million and $8 million in the 2003 and 2002 third quarters and $31 million and $24 million in the 2003 and 2002 year-to-date periods, respectively. These amounts are included in the FON Group's other income and the PCS Group's operating expenses.

Allocation of Shared Services

Sprint directly assigns, where possible and practical, certain general and administrative costs to the FON Group and the PCS Group based on their actual use of those services. Where direct assignment of costs is not possible, or practical, Sprint uses other indirect methods, including time studies, to estimate the allocation of costs to each group. Cost allocation methods other than time studies include factors (general, marketing or headcount) derived from the operating unit's relative share of the predefined category referenced (e.g. headcount). Sprint believes that the costs allocated are comparable to the costs that would be incurred if the groups had been operating on a stand-alone basis.

The FON Group provides facilities, information services and certain other services to the PCS Group. Charges to the PCS Group for these services totaled

$140 million and $100 million in the 2003 and 2002 third quarters and $399 million and $235 million in the 2003 and 2002 year-to-date periods, respectively. This increase primarily reflects the transition of the PCS Group to shared facilities managed by the FON Group. Previously the PCS Group had separate facilities, and thus a direct cost. Group direct costs for these facilities have dropped proportionately for these allocated shared services. Also included in these amounts are charges that were capitalized by the PCS Group. These capitalized charges totaled $8 million and $6 million in the 2003 and 2002 third quarters and $17 million and $11 million in the 2003 and 2002 year-to-date periods, respectively. The service charges less capitalized charges are included in the PCS Group's operating expenses.

Costs for shared services totaled approximately $348 million and $131 million in the 2003 and 2002 third quarters and $890 million and $383 million in the 2003 and 2002 year-to-date periods, respectively. The percentage of these costs allocated to the PCS Group were approximately 47% and 31% in the 2003 and 2002 third quarters and 47% and 29% in the 2003 and 2002 year-to-date periods, respectively, with the balance allocated to the FON Group. The increase in total costs for shared services is driven by the consolidation of Sprint's Network, Information Technology, and Billing and Accounts Receivable organizations announced in the 2002 fourth quarter. As a result of synergies from these consolidations, group direct costs for these services have dropped more than proportionately for these allocated shared services. The allocation of shared services may change at the discretion of Sprint's Board and does not require shareholder approval.

Allocation of Group Financing

Financing activities for the groups are managed by Sprint on a centralized basis. Debt incurred by Sprint on behalf of the groups is specifically allocated to and reflected in the financial statements of the applicable group. If the group to which the debt has been allocated does not provide the funds when Sprint subsequently repays all or a part of the

debt, the allocated debt is reported as intergroup debt. With certain external borrowings in 1998, the FON Group extended the PCS Group longer repayment terms than the external borrowings.

Interest expense is allocated to the PCS Group based on an interest rate that is substantially equal to the rate it would be able to obtain from third parties as a wholly owned Sprint subsidiary, but without the benefit of any guarantee by Sprint or any member of the FON Group. That interest rate is higher than the rate Sprint obtains on borrowings. The difference between Sprint's actual interest rate and the rate charged to the PCS Group is reflected as a reduction in the FON Group's interest expense and totaled $98 million and $82 million in the 2003 and 2002 third quarters and $278 million and $255 million in the 2003 and 2002 year-to-date periods, respectively. These amounts are reflected in the "Intergroup interest charge" on the Consolidated Statements of Operations.

Under Sprint's centralized cash management program, one group may advance funds to the other group. These advances are accounted for as short-term borrowings between the groups and bear interest at a market rate that is substantially equal to the rate that group would be able to obtain from third parties on a short-term basis.

The allocation of group financing activities may change at the discretion of Sprint's Board and does not require shareholder approval.

Allocation of Federal and State Income Taxes

Sprint files a consolidated federal income tax return and certain state income tax returns which include FON Group and PCS Group results. Sprint adopted a tax sharing agreement which provides for the allocation of income taxes between the two groups. The FON Group's income taxes are calculated as if it files returns which exclude the PCS Group. The PCS Group's income taxes reflect the PCS Group's incremental cumulative impact on Sprint's consolidated income taxes. Intergroup tax payments are satisfied on the date Sprint's related tax payment is due to or the refund is received from the applicable tax authority.

The allocation of federal and state income taxes between the groups may change at the discretion of Sprint's Board and does not require shareholder approval.

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2. Investments

Investments in Securities

The cost of investments in marketable equity securities, which is included in "Other assets" in the Consolidated Balance Sheets, was $136 million at the end of September 2003 and $95 million at December 31, 2002. Accumulated unrealized holding gains were $27 million, gross and $17 million, net of income taxes, at the end of September 2003. Comparatively, as of December 31, 2002, the accumulated unrealized holding losses were $20 million, gross and $12 million, net of income taxes, and accumulated unrealized holding gains were $10 million, gross and $6 million, net of income taxes. Both gains and losses are included in "Accumulated other comprehensive loss" in the Consolidated Balance Sheets.

During the 2003 third quarter, Sprint invested in marketable debt securities in the amount of $250 million. At September 30, 2003, $91 million of this amount was included in "Current assets--Other" and "Other assets" in the Consolidated Balance Sheet. The remaining $159 million have maturities of less than 90 days and was included in "Cash and equivalents." Accumulated unrealized holding gains were immaterial as of September 30, 2003.

During the 2003 second quarter, Sprint converted its remaining EarthLink preferred shares into 18 million common shares and sold 10.8 million shares to EarthLink, Inc. and in the open market for $66 million. Sprint recognized a $3 million loss on the sales. At the end of September 2003, Sprint held 18.9 million EarthLink common shares. These shares are hedged with variable prepaid forward contracts, maturing from November 2004 to November 2005.

Sprint's cost method investment in EarthLink preferred shares, which is also included in "Other assets" on the Consolidated Balance Sheet, was $116 million at the end of December 2002.

Investments in and Advances to Affiliates

At the end of September 2003, investments accounted for using the equity method consisted primarily of the PCS Group's $57 million investment in Virgin Mobile, U.S.A. (Virgin). At the end of September 2002, investments accounted for using the equity method consisted primarily of the PCS Group's investment in SVC BidCo L.P. (BidCo), and Virgin. During the 2002 fourth quarter, the PCS Group's investment in BidCo was dissolved.

In the 2003 third quarter, a Sprint subsidiary agreed to guarantee a $20 million term-loan facility entered into by Virgin to fund working capital needs. The facility expires on December 31, 2004. If required to perform, Sprint would acquire Virgin's subscriber base. The fair value of this liability is recorded in `Noncurrent liabilities - Other' in the Consolidated Balance Sheet in the amount of $5 million. Additionally, in the 2003 third quarter, Sprint's board authorized additional cash funding for the joint venture in the amount of $30 million.

In the 2003 third quarter, Sprint evaluated its investment in Virgin and determined this interest does not meet the qualifications of a variable interest entity.

Combined, unaudited, summarized financial information (100% basis) of entities accounted for using the equity method was as follows:

	Quarters Ended September 30,		Yea Sept
	2003	2002	2003
		(millions)	
Results of operations			
Net operating revenues	$ 221	$ 145	$ 568
Operating loss	$ (34)	$ (21)	$ (88)
Net loss	$ (77)	$ (15)	$ (162)
Equity in net losses of affiliates	$ (17)	$ (3)	$ (45)

3. Asset Retirement Obligations

Sprint adopted Statement of Financial Accounting Standard (SFAS) No. 143, Accounting for Asset Retirement Obligations, on January 1, 2003. This standard provides accounting guidance for legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction or development and (or) normal operation of that asset. According to the standard, the fair value of an asset retirement obligation (ARO liability) should be recognized in the period in which (1) a legal obligation to retire a long-lived asset exists and (2) the fair value of the obligation based on retirement cost and settlement date is reasonably estimable. Upon initial recognition of the ARO liability, the related asset retirement cost should be capitalized by increasing the carrying amount of the related long-lived asset.

Sprint's network is primarily located on leased property. In the FON Group, a majority of the leased property has no requirement for remediation at retirement. The remainder of the FON Group's leased property and predominately all of the PCS Group's leased property do have remediation requirements. Sprint expects to maintain the property as a necessary component of infrastructure required to maintain FCC licensing. The history and patterns of Sprint's use, as well as that of our industry, support a low probability associated with lessor enforcement of their remediation rights. Based on these trends and our limited experience in performing remediation of sites, Sprint estimates the liability associated with the ultimate disposition of those requirements to be immaterial.

Adoption of SFAS No. 143 affected the cost of removal historically recorded by the FON Group's local division. Consistent with regulatory requirements and industry practice, the local division historically accrued costs of removal in its depreciation reserves. These costs of removal do not meet the SFAS No. 143 definition of an ARO liability. Upon adoption of SFAS No. 143, the FON Group recorded a reduction in its historical depreciation reserves of approximately $420 million to remove the accumulated excess cost of removal, resulting in a cumulative effect of change in accounting principle credit, net of tax, in the Consolidated Statements of Operations of $258 million. The annual impact of this accounting change on income from continuing operations is an expected decrease to the FON Group's 2003 depreciation expense of approximately $40 million and an increase to 2003 expenses incurred for removal costs of approximately $20 million recognized ratably over the year.

The following table illustrates the effect on net income (loss) had Sprint applied SFAS No. 143 in the 2002 comparative periods:

	Sprint FON Group		
	Quarters Ended September 30,		Year-to-Date S
	2003	2002	2003
	(millions)		
Net income (loss), as reported	$ (433)	$ 526	$ 1,516
Deduct: Cumulative effect of change in accounting principle, net of related tax effects	-	-	(258)
Add: Historically accrued cost of removal included in depreciation reserves, less cash removal expenses, net of related tax effects	-	1	-
Pro forma net income (loss)	$ (433)	$ 527	$ 1,258

4. Income Taxes

The differences that caused Sprint's effective income tax rates to vary from the 35% federal statutory rate for income taxes related to continuing operations were as follows:

Year-to-date September 30, 2003	Sprint Corporation Consolidated	Sprint FON Group
		(millions)
Income tax expense (benefit) at the federal statutory rate	$ (216)	$ (26)
Effect of:		
State income taxes, net of federal income tax effect	2	14
Other, net	1	2
Income tax expense (benefit)	$ (213)	$ (10)
Effective income tax rate	34.6%	13.7%

Year-to-date September 30, 2002	Sprint Corporation Consolidated	Sprint FON Group
		(millions)
Income tax expense (benefit) at the federal statutory rate	$ 152	$ 369
Effect of:		
State income taxes, net of federal income tax effect	5	25
Equity in losses of foreign joint ventures	(56)	1
Decrease in valuation allowance for previous investment write-downs	(130)	(130)
Other, net	(8)	(4)
Income tax expense (benefit)	$ (37)	$ 261
Effective income tax rate	NM	24.7%

NM=Not meaningful

In the 2002 third quarter, Sprint reached a definitive agreement to sell its directory publishing business to R.H. Donnelley. Due to the anticipated gain on this sale, Sprint recognized $292 million of tax benefits in the 2002 third quarter on previously recorded investment losses. The difference between the benefit recognized in the 2002 third quarter and the 2002 year-to-date impact reflected in the above reconciliation consists primarily of the tax benefits on equity losses and the write down of EarthLink, Inc. stock that occurred in the 2002 first and second quarters.

5. Accounting for Derivative Instruments

Risk Management Policies

Sprint's derivative instruments include interest rate swaps, stock warrants, variable prepaid forward contracts, credit forward contracts, and foreign currency forward contracts. Sprint's derivative transactions are used principally for hedging purposes and comply with Board-approved policies. Senior finance management receives frequent status updates of all outstanding derivative positions.

Sprint enters into interest rate swap agreements to manage exposure to interest rate movements and achieve an optimal mixture of floating and fixed-rate debt while minimizing liquidity risk. The interest rate swap agreements designated as fair value hedges effectively convert Sprint's fixed-rate debt to a floating rate through the receipt of fixed-rate amounts in exchange for floating-rate interest payments over the life of the agreement without an exchange of the underlying principal amount.

Sprint enters into interest rate swap agreements designated as cash flow hedges to reduce the impact of interest rate movements on future interest expense by effectively converting a portion of its floating-rate debt to a fixed rate.

In certain business transactions, Sprint is granted warrants to purchase the securities of other companies at fixed rates. These warrants are supplemental to the terms of the business transactions and are not designated as hedging instruments.

Sprint enters into variable prepaid forward contracts which reduce the variability in expected cash flows related to a forecasted sale of the underlying equity securities held as available for sale.

Sprint enters into fair value hedges through credit forward contracts which hedge changes in fair value of certain debt issues.

Sprint's foreign exchange risk management program focuses on reducing transaction exposure to optimize consolidated cash flow. Sprint enters into forward contracts and options in foreign currencies to reduce the impact of changes in foreign exchange rates. Sprint's primary transaction exposure results from net payments made to overseas telecommunications companies for completing international calls made by Sprint's domestic customers. Forward contracts are used to offset the impact of foreign currency fluctuations of these payments.

Interest Rate Swaps

The interest rate swaps met all the required criteria under derivative accounting rules for the assumption of perfect effectiveness resulting in no recognition of changes in their fair value in earnings during the life of the swap. During the period ending September 30, 2003, Sprint held fair-value interest rate swaps. The cash flow hedges held by Sprint matured in the 2002 second quarter.

Sprint recorded a $39 million increase in the 2003 third quarter and year-to-date periods resulting from changes in the fair value of the interest rate swaps. The increase in value for these swaps has been recorded in "Other non-current assets" in the Consolidated Balance Sheet. As the swaps have been deemed perfectly effective, an offset was recorded to the underlying "Long-term debt."

Sprint recorded a $12 million pre-tax increase in the 2002 year-to-date period resulting from gains on cash flow hedges. The changes in other comprehensive income are included in "Net unrealized gains (losses) on qualifying cash flow hedges" in the Consolidated Statements of Comprehensive Income (Loss).

Stock Warrants

The stock warrants are not designated as hedging instruments and changes in the fair value of these derivative instruments are recognized in earnings during the period of change.

Sprint's net derivative losses on stock warrants were immaterial in the 2003 third quarter and 2003 year-to-date period.

Sprint's net derivative losses on stock warrants were immaterial in the 2002 third quarter. Sprint recorded net derivative losses in earnings of $3 million after tax for the 2002 year-to-date period due to changes in the fair value of the stock warrants.

Net Purchased Equity Options

The net purchased equity options embedded in variable prepaid forward contracts are designated as cash flow hedges.

Sprint recorded a $3 million after-tax decrease to other comprehensive income in the 2003 third quarter and a $21 million after tax decrease for the 2003 year-to-date period resulting from losses on these cash flow hedges. Sprint recorded a $4 million after-tax increase to other comprehensive income in the 2002 third quarter and a $14 million after tax increase for the 2002 year-to-date period. The changes in other comprehensive income are included in "Net unrealized gains (losses) on qualifying cash flow hedges" in the Consolidated Statements of Comprehensive Income (Loss).

Credit Forward Contracts

As there is high correlation between the credit forward contracts and the debt issues being hedged, fluctuations in the value of the credit forward contracts are generally offset by changes in the fair value of the debt issues. A nominal amount was recorded in Sprint's Consolidated Statements of Operations in the 2003 third quarter and year-to-date periods on this investment. The contracts matured in the 2003 third quarter.

Foreign Currency Forward Contracts

Foreign currency forward contracts held during the period were not designated as hedges as defined in SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, and changes in the fair value of these derivative instruments are recognized in earnings during the period of change. The activity associated with these contracts was immaterial in all periods presented.

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6. Restructuring and Asset Impairment

Restructuring Activity

In the 2003 second quarter, Sprint announced the wind-down of its web hosting business. Restructurings of other global markets division operations also occurred in the continuing effort to create a more efficient cost structure (Global Markets Web Hosting Wind-down). These decisions resulted in pre-tax charges of $348 million in the 2003 second quarter and $2 million in the 2003 third quarter consisting of asset write-offs and severance costs associated with work force reductions. The charge for asset impairments was $337 million and the remaining $13 million was accrued for employee terminations. The severance charges are associated with the involuntary employee separation of approximately

750 employees. In connection with the wind-down of the web hosting business, Sprint will record additional charges for facility lease terminations, customer migration, employee termination, and other wind-down costs in subsequent periods. As of September 30, 2003, approximately 350 of the employee separations had been completed. Sprint expects the aggregate pre-tax charge to be approximately $400 million to $475 million. Sprint expects to pay the majority of severance and other exit costs in the next nine months.

In the 2002 fourth quarter, Sprint announced a consolidation in its Network, Information Technology, and Billing and Accounts Receivable organizations, as well as in other areas of the Company, in the ongoing effort to streamline operations and maintain a competitive cost structure (One Sprint Consolidation). These decisions resulted in a $146 million pre-tax charge consisting of severance costs associated with work force reductions totaling $58 million, and the remaining $88 million accrued for other exit costs primarily associated with the termination of real estate leases. The severance charge is associated with the involuntary employee separation of approximately 2,100 employees. As of September 30, 2003, substantially all of the employee separations had been completed. Sprint expects to pay the majority of severance and other exit costs by March 31, 2004.

In the 2002 fourth quarter, the PCS group announced it would reduce operating expenses through a work force reduction (PCS Consolidation). This action, which was undertaken to create a more competitive cost structure for the business, resulted in a $43 million pre-tax charge. The charge for severance costs totaled $25 million, and the remaining $18 million was accrued for other exit costs primarily associated with the termination of real estate leases. The severance charge was associated with the involuntary employee separation of approximately 1,600 employees. As of December 31, 2002, substantially all of the employee separations had been completed. Sprint expects to pay the majority of the remaining severance and other exit costs by March 31, 2004.

In the 2002 third quarter, Sprint announced a restructuring integrating its E|Solutions' web hosting sales, mobile computing consulting, marketing, and product sales support capabilities into Sprint Business while integrating E/solutions' customer service operations into Network Services. Additionally, Sprint announced that its global markets division would discontinue offering and internally supporting facilities-based Digital Subscriber Line (DSL) services to customers (collectively, the Global Markets Consolidation). These decisions resulted in a $202 million pre-tax charge. The charge for asset impairments was $142 million, severance costs totaled $22 million, and the remaining $38 million was accrued for other exit costs associated with the termination of real estate leases and other contractual obligations. The severance charge was associated with the involuntary employee separation of approximately 1,100 employees. As of September 30, 2002, substantially all of the employee separations had been completed. As of September 30, 2003, the remaining liability primarily represents lease termination costs.

In the 2002 first quarter, the PCS Group announced plans to close five PCS customer solution centers, as well as additional steps to reduce operating costs in its network, sales and distribution, and customer solutions business

units (PCS Customer Service Center Closures). These decisions resulted in a $23 million pre-tax charge. The charge for severance costs was $13 million with the remaining $10 million being for other exit costs, primarily for the termination of real estate leases. The severance charge was associated with the involuntary employee separation of approximately 2,600 employees. As of September 30, 2002, substantially all of the employee separations had been completed. In the 2002 third quarter, Sprint performed an analysis to finalize the restructuring estimates recorded in the 2002 first quarter. This analysis resulted in a reserve reduction of $6 million primarily associated with real estate lease terminations.

In the 2001 fourth quarter, Sprint terminated its efforts to provide its Sprint ION consumer and business offerings and announced plans to reduce operating costs in the business units that comprise its FON Group. These efforts included consolidation and streamlining of marketing and network operations, as well as streamlining corporate support functions (Sprint ION Termination). These decisions resulted in a $1,813 million pre-tax charge. The charge for asset impairments was $1,327 million, severance costs totaled $231 million, and the remaining $256 million was accrued for other exit costs including termination of supplier agreements, real estate leases, and other contractual obligations. The severance charge was associated with the involuntary employee separation of approximately 6,000 employees. As of September 30, 2002, substantially all of the employee separations had been completed. In the 2002 third quarter, Sprint performed an analysis to finalize the restructuring estimates recorded in the 2001 fourth quarter. This analysis resulted in a reserve reduction in the third quarter of 2002 of $42 million primarily associated with exit costs and a $34 million reduction associated with the asset impairment charge. Sprint expects to pay the majority of the remaining severance costs by December 31, 2003.

In several of these restructuring events, the remaining other exit costs are primarily lease commitments which will be paid according to their terms.

This activity is summarized as follows:

		2003 Activity		
	December 31, 2002 Liability Balance	Total Restructuring Charge	Cash Payments	Non-cash/ Adjustments
		(millions)		
Restructuring Events - 2003				
Global Markets Web Hosting Wind-down				
Severance	$ -	$ 13	$ 7	$ -
Restructuring Events - 2002				
One Sprint Consolidation				
Severance	58	-	40	-
Other exit costs	51	-	4	-
PCS Consolidation				
Severance	22	-	17	-
Other exit costs	16	-	3	(3)
Global Markets Consolidation				
Severance	8	-	8	-
Other exit costs	30	-	9	-
PCS Customer Service Center Closures				
Other exit costs	2	-	1	-
Restructuring Events - 2001				
Sprint ION Termination				
Severance	43	-	19	-
Other exit costs	47	-	15	(9)

Total	$ 277	$ 13	$ 123	$ (12)

Other Asset Impairments

In the 2003 third quarter, the FON Group's global markets division recorded a pre-tax, non-cash charge of $1.2 billion related to the write-down in the fair value of its MMDS spectrum. Sprint's ongoing evaluation of business use for this asset resulted in a decision to end pursuit of a residential fixed wireless strategy. This decision required a revaluation of the fair value of the asset. Sprint is now focusing its efforts on a broad range of alternative strategies. Sprint is continuing to invest in the spectrum, is monitoring technology and industry developments, and is involved in efforts to achieve favorable regulatory rulings with respect to this spectrum.

In the 2003 first quarter, the PCS Group recorded a charge for asset impairment of $10 million. This charge was associated with the termination of a software development project.

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7. Discontinued Operation

In the 2002 third quarter, Sprint reached a definitive agreement to sell its directory publishing business to R.H. Donnelley for $2.23 billion in cash. The sale closed on January 3, 2003. In the 2003 third quarter, Sprint recognized a loss of $1 million primarily related to a state tax rate true-up. The pretax gain recognized in the year-to-date period was $2.14 billion, $1.32 billion after-tax. In accordance with SFAS No. 144, Accounting for the Impairment or Disposal of Long-lived Assets, Sprint has presented the directory publishing business as a discontinued operation in the consolidated financial statements. Summary financial information is as follows:

	September 30, 2003	Decembe 200
	(millions)	
Assets of discontinued operation		
Accounts receivable, net	$ -	$ 277
Prepaids	-	99
Other assets	-	15
Total assets of discontinued operation	$ -	$ 391
Liabilities of discontinued operation		
Advance billings and other	$ -	$ 299

Quarters Ended
September 30,

	2003	20
	(millions)	
Net operating revenues	$ -	$ 1
Income before income taxes	$ -	$

	Year-to-Date September 30,	
	2003	20
	(millions)	
Net operating revenues	$ 5	$ 4
Income before income taxes	$ 5	$ 1

At September 30, 2003, the FON Group had a current tax payable to the PCS Group related to the gain on the sale of the directory publishing business in the amount of $175 million for the tax allocation between the PCS Group and the FON Group under the tax sharing agreement.

8. Short-term Borrowings and Current Maturities of Long-term Debt

In the 2003 third quarter, Sprint repaid, before scheduled maturities, $334 million of its current maturities of long-term debt. The debt consisted of $34 million of senior notes with interest rates ranging from 5.7% to 5.9% and the $300 million Export Development Canada loan with an interest rate of 2.8%. Sprint recorded a discount of $3 million associated with the repayment of the senior notes.

In March 2003, Sprint completed a tender offer to purchase $442 million principal amount of current senior notes before their scheduled maturity. The notes had an interest rate of 5.7% and a maturity date of November 15, 2003. A premium of $6 million was paid as part of the tender offer. The notes were allocated to the PCS Group and reflected as long-term debt. The PCS Group is scheduled to pay $36 million of the total to the FON Group in the 2003 fourth quarter and the remaining $406 million in the 2004 second quarter.

In March 2003, Sprint completed a tender offer to purchase $635 million principal amount of its long-term senior notes before their scheduled maturity. See further discussion in Note 9.

At the end of the 2003 third quarter, there was $1.1 billion of current maturities of intergroup debt on the PCS Group balance sheet. This is comprised of the senior notes purchased in the first and third quarters of 2003. As a result of the FON Group's prepayment of the notes the allocated debt is reflected as intergroup debt in the PCS Group balance sheet. The intergroup debt is eliminated in the Consolidated Balance Sheet.

In February 2003, Sprint prepaid the $455 million balance outstanding relating to the global markets division accounts receivable asset securitization facility.

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9. Long-term Debt and Capital Lease Obligations

In the 2003 third quarter, Sprint repaid, before scheduled maturities, $84 million of its local division's first mortgage bonds. These bonds had interest rates ranging from 9.1% to 9.3% and maturity dates ranging from 2019 to 2021. Sprint recorded a premium of $5 million associated with this repayment.

In March 2003, Sprint completed a tender offer to purchase $635 million principal amount of its long-term senior notes before their scheduled maturity. The notes had an interest rate of 5.9% and a maturity date of May 1, 2004. A premium of $13 million was paid as part of the tender offer. The notes were allocated to the PCS Group and reflected as long-term debt at the time of the tender offer. As a result of the FON Group's repayment of the notes, the allocated debt was reflected as intergroup debt on the PCS Group balance sheet. The notes are scheduled to be paid to the FON Group in the 2004 second quarter. At the end of the 2003 third quarter, the allocated debt is reflected as current maturities of intergroup debt on the PCS balance sheet. The intergroup debt is eliminated in the Consolidated Balance Sheet.

In March 2002, Sprint issued $5 billion of debt securities which replaced its commercial paper program.

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10. Common Stock Issuances

In March 2003, France Telecom (FT) converted 34.4 million shares of Series 3 PCS common stock into shares of Series 1 PCS common stock. At the same time, FT converted 21.6 million shares of PCS common stock underlying Class A common stock into Series 1 PCS common stock.

Upon the issuance of the PCS shares underlying the Class A common stock, there were no more underlying shares of PCS or FON stock. The par value of the Class A common stock was automatically reduced to $0.00 per share from $0.50 per share.

According to an amended Schedule 13D filed by FT with the SEC, it sold its shares of Series 1 PCS common stock in June 2003. As a result, neither France Telecom nor Deutsche Telekom own any shares of PCS common stock or FON common stock or any shares convertible into PCS common stock or FON common stock.

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11. Stock-based Compensation

Effective January 1, 2003, Sprint adopted SFAS No. 123, Accounting for Stock-Based Compensation, as amended by SFAS No. 148, Accounting for Stock-Based Compensation - Transition and Disclosure, using the prospective method. Upon adoption Sprint began expensing the fair value of stock-based compensation for all grants, modifications or settlements made on or after January 1, 2003. The following table illustrates the effect on net income and earnings per share of stock-based compensation included in net income and the effect on net income and earnings per share for grants issued on or before December 31, 2002, had Sprint applied the fair value recognition provisions of SFAS 123.

	Sprint FON Group		
	Quarters Ended September 30,		Yea Sept
	2003	2002	2003
	(millions, except per share data)		
Net income (loss), as reported	$ (433)	$ 526	$ 1,516
Add: Stock-based employee compensation expense included in reported net income (loss), net of related tax effects	6	1	14
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(14)	(23)	(53)
Pro forma net income (loss)	$ (441)	$ 504	$ 1,477
Earnings (loss) per common share:			
Basic - as reported	$ (0.48)	$ 0.59	$ 1.69
Basic - pro forma	$ (0.49)	$ 0.57	$ 1.65
Diluted - as reported	$ (0.48)	$ 0.59	$ 1.69
Diluted - pro forma	$ (0.49)	$ 0.57	$ 1.65

	Sprint PCS Group		
	Quarters Ended September 30,		Yea Sept
	2003	2002	2003
	(millions, except per share data)		
Net loss, as reported	$ (65)	$ (7)	$ (339)
Add: Stock-based employee compensation expense included in reported net loss, net of related tax effects	4	1	11
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(19)	(34)	(73)
Pro forma net loss	$ (80)	$ (40)	$ (401)

Loss per common share:						
Basic - as reported	$	(0.07)	$	(0.01)	$	(0.34)
Basic - pro forma	$	(0.08)	$	(0.04)	$	(0.40)
Diluted - as reported	$	(0.07)	$	(0.01)	$	(0.34)
Diluted - pro forma	$	(0.08)	$	(0.04)	$	(0.40)

Sprint recognized pre-tax charges of $14 million in the 2003 third quarter and $23 million in the year-to-date period related to stock-based grants issued in 2003. In 2002, pre-tax charges of $2 million in the third quarter and $5 million in the year-to-date period were recognized for grants of restricted stock made in 2002 and previous years.

In the 2003 second quarter, Sprint recognized pre-tax charges of $15 million of non-cash expense in connection with separation agreements agreed to by Sprint and William T. Esrey, former chairman and chief executive officer; Ronald T. LeMay, former president and chief operating officer; and J. Richard Devlin, former executive vice president - general counsel, external affairs and corporate secretary. The charges were associated with accounting for modifications which accelerated vesting and extended exercise periods of stock options granted in prior periods, as required by SFAS No. 123 "Accounting for Stock-Based Compensation." Most of the FON options had exercise prices that were approximately two times the market price at the modification date, while most of the PCS options had exercise prices that were approximately five times the market price at the modification date. The charge to earnings in the second quarter was approximately one cent per share each for the FON Group and the PCS Group.

12. Litigation, Claims and Assessments

In March 2003, settlements subject to court approval were announced in both a derivative action and a securities class action filed by institutional stockholders. The derivative settlement includes the adoption of certain corporate governance enhancements, certain restrictions on stock and options by individual defendants, and the payment of plaintiff's attorneys' fees in Sprint stock, for which Sprint reserved $5 million in the 2003 first quarter in other income (expense), net. The securities class action settlement provides for the payment of a total of $50 million to the plaintiff class. Sprint reserved $45 million, representing the settlement amount net of undisputed insurance coverage, in the 2003 first quarter in other income (expense), net. In the 2003 third quarter, Sprint recorded $17 million in an additional insurance recovery related to this action. Sprint remains in negotiations with its insurance carriers regarding remaining coverage.

A number of putative class action cases that allege Sprint failed to obtain easements from property owners during the installation of its fiber optic network have been filed in various courts. Several of these cases sought certification of nationwide classes, and in one case, a nationwide class was certified. However, a nationwide settlement of these claims was recently approved by the U.S. District Court for the Northern District of Illinois, which has enjoined all other similar cases. Objectors have appealed the preliminary approval order and injunction to the Seventh Circuit Court of Appeals. Sprint has previously accrued for the estimated settlement costs of these suits.

In July 2002, the Federal Communications Commission released a declaratory ruling in a matter referred to it by the federal district court for the Western District of Missouri in Sprint's suit against AT&T Corp for the collection of terminating access charges. The FCC ruled that although nothing prohibited wireless carriers from charging for access to their networks, interexchange carriers were not required to pay such charges absent a contractual obligation to do so. This decision has been appealed to the D.C. Circuit Court of Appeals. Management believes adequate provisions have been recorded in the PCS Group's results of operations.

In July 2003, the Inspector General of the General Services Administration (GSA) recommended that the GSA Debarment Official consider whether to initiate debarment proceedings against Sprint. The recommendation was based on a billing error related to Sprint's FTS2001 contract with the GSA. In June 2003, Sprint reached agreement with the Justice Department to pay the government $5.2 million, an amount twice the estimate of the amount over billed and an amount that both agreed compensated the government. In October 2003, the GSA's Debarment Official decided, based on a review of the record, not to initiate debarment proceedings against Sprint.

In April and May 2003, three putative class action lawsuits were filed in the U.S. District Court for the District of Kansas by individual participants in the Sprint Retirement Savings Plan and the Centel Retirement Savings Plan for Bargaining Unit Employees against Sprint Corporation, the committees that administer the two plans, and various current and former officers of Sprint. The lawsuits allege that defendants breached their fiduciary duties to the plans and violated the ERISA statutes by including FON and PCS stock among the thirty investment options offered to plan participants. The lawsuits seek to recover any decline in the value of FON and PCS stock during the class period. These lawsuits have been consolidated before a single judge.

Various other suits, proceedings and claims, including purported class actions, typical for a business enterprise, are pending against Sprint.

While it is not possible to determine the ultimate disposition of each of these proceedings and whether they will be resolved consistent with Sprint's beliefs, Sprint expects that the outcome of such proceedings, individually or in the aggregate, will not have a material adverse effect on the financial condition or results of operations of Sprint, the FON Group or the PCS Group.

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13. Other Financial Information

Allowance for Doubtful Accounts

Sprint's allowance for doubtful accounts was as follows:

	September 30, 2003	Decemb 20
	(millions)	

FON Group	$ 189	$ 2
PCS Group	95	1
Consolidated	$ 284	$ 4

Supplemental Cash Flows Information

Sprint's net cash paid (received) for interest and income taxes was as follows:

	Year-to-Date September 30,	
	2003	20
	(millions)	
Interest (net of capitalized interest)	$ 1,118	$ 9
Income taxes	$ 70	$ (4

Sprint's non-cash activities included the following:

	Year-to-Date September 30,	
	2003	20
	(millions)	
Common stock issued under Sprint's employee benefit stock plans	$ 152	$
Tax benefit from stock options exercised	$ 3	$
Contribution to equity investment	$ 4	$

14. Segment Information

Sprint is divided into three main lines of business: the global markets division, the local division, and the PCS wireless telephony products and services business, also known as the PCS Group. Other consists primarily of wholesale distribution of telecommunications products.

Sprint manages its segments to the operating income (loss) level of reporting. Items below operating income (loss) are held at a corporate level and only attributed to the group level. The reconciliation from operating income to net income is shown on the face of the Consolidated Statements of Operations in the consolidating information.

Segment financial information was as follows:

Quarters Ended September 30,	Global Markets Division	Local Division	Other(1)	PCS Group(2)	Corporate and Eliminations(
			(millions)		
2003					
Net operating revenues	$ 1,974	$ 1,530	$ 220	$ 3,340	$ (350)
Affiliated revenues	167	40	141	2	(350)
Operating income (loss)	(1,181)	459	(7)	284	7
2002					
Net operating revenues	$ 2,231	$ 1,580	$ 229	$ 3,157	$ (399)
Affiliated revenues	171	68	155	5	(399)
Operating income (loss)	(63)	450	(6)	141	2

Year-to-Date September 30,	Global Markets Division	Local Division	Other(1)	PCS Group(2)	Corporate and Eliminations(
			(millions)		
2003					
Net operating revenues	$ 6,018	$ 4,595	$ 617	$ 9,383	$ (1,097)
Affiliated revenues	530	158	402	7	(1,097)
Operating income (loss)	(1,504)	1,368	(23)	675	20
2002					
Net operating revenues	$ 6,848	$ 4,693	$ 649	$ 9,023	$ (1,075)
Affiliated revenues	495	218	409	(47)	(1,075)
Operating income (loss)	(168)	1,412	(16)	475	9

Net operating revenues by product and services were as follows:

Quarters Ended September 30,	Global Markets Division	Local Division	Other(1)	PCS Group	Eliminat
				(millions)	
2003					

Voice	$ 1,240	$ –	$ –	$ –	$ (149)
Data	462	–	–	–	(16)
Internet	233	–	–	–	(2)
Local service	–	757	–	–	(1)
Network access	–	525	–	–	(32)
Long distance	–	135	–	–	–
Wireless services	–	–	–	3,340	(2)
Other	39	113	220	–	(148)
Total net operating revenues	$ 1,974	$ 1,530	$ 220	$ 3,340	$ (350)
2002					
Voice	$ 1,433	$ –	$ –	$ –	$ (171)
Data	445	–	–	–	–
Internet	258	–	–	–	–
Local service	–	765	–	–	–
Network access	–	526	–	–	(52)
Long distance	–	155	–	–	–
Wireless services	–	–	–	3,157	(5)
Other	95	134	229	–	(171)
Total net operating revenues	$ 2,231	$ 1,580	$ 229	$ 3,157	$ (399)

Year-to-Date September 30,	Global Markets Division(1)	Local Division	Other(1)	PCS Group	Eliminat
			(millions)		
2003					
Voice	$ 3,775	$ –	$ –	$ –	$ (445)
Data	1,386	–	–	–	(58)
Internet	721	–	–	–	(25)
Local service	–	2,284	–	–	(2)
Network access	–	1,567	–	–	(132)
Long distance	–	412	–	–	–
Wireless services	–	–	–	9,383	(7)
Other	136	332	617	–	(428)
Total net operating revenues	$ 6,018	$ 4,595	$ 617	$ 9,383	$ (1,097)
2002					
Voice	$ 4,437	$ –	$ –	$ –	$ (495)
Data	1,396	–	–	–	–
Internet	750	–	–	–	–
Local service	–	2,289	–	–	–

Network access	-	1,562	-	-	(164)
Long distance	-	479	-	-	-
Wireless services	-	-	-	9,023	47
Other	265	363	649	-	(463)
Total net operating revenues	$ 6,848	$ 4,693	$ 649	$ 9,023	$ (1,075)

15. Recently Issued Accounting Pronouncements

In November 2002, the Emerging Issues Task Force (EITF) of the Financial Accounting Standards Board (FASB) reached a consensus on EITF No. 00-21, Accounting for Revenue Arrangements with Multiple Deliverables (EITF 00-21). The issue addresses how to account for arrangements that may involve multiple revenue-generating activities, i.e., the delivery or performance of multiple products, services, and/or rights to use assets. In applying this guidance, separate contracts with the same party, entered into at or near the same time, will be presumed to be a bundled transaction, and the consideration will be measured and allocated to the separate units based on their relative fair values. This consensus guidance applies to agreements entered into in quarters beginning after June 15, 2003. Sprint adopted this new accounting effective July 1, 2003.

The PCS Group currently sells wireless phones and service contracts simultaneously in its company-owned stores. Under previous accounting guidance in Staff Accounting Bulletin 101, these direct sales channel activation fees and associated costs were deferred and recognized over the average life of service. These were considered to be service revenues and expenses. EITF 00-21 results in this activation fee revenue being recognized at the time the related wireless phone is sold, and classifies it as equipment sales. The associated costs are no longer deferred.

While this change accelerates the recognition of revenue and associated expense over the next twenty-four months, which is the previous deferral period, the impact to results of operations and cash flows is not material.

In May 2003, the FASB issued SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity. This standard requires the classification of certain freestanding financial instruments as liabilities measured at their fair value. Financial instruments within the scope of this standard include mandatorily redeemable shares, instruments that constitute an obligation to repurchase equity shares, or certain instruments that constitute an obligation that may be settled by issuing a variable number of equity shares. SFAS 150 is effective for financial instruments entered into or modified after May 31, 2003, or otherwise at the beginning of the first interim period beginning after June 15, 2003. Sprint adopted this standard effective July 1, 2003. There was no financial statement impact to Sprint in applying this standard.

In January 2003, the FASB issued Financial Interpretation (FIN) No. 46, Consolidation of Variable Interest Entities. This interpretation addresses the consolidation of certain business entities to which the usual condition of consolidation does not apply. The interpretation focuses on financial interests that indicate control and concludes that in the absence of control through voting interests, a company's exposure to the economic risk and potential rewards from an entity's assets and activities are the best evidence of control. Variable interests are the rights and obligations that convey economic gains or losses from changes in the value of the entity's assets and liabilities. If an enterprise holds a majority of the variable interests of an entity, it is considered the primary beneficiary and as such would be required to include the assets, liabilities and the results of operations of the variable interest entity in its financial statements.

The provisions of this interpretation were applied by Sprint beginning in the 2003 third quarter. There was no financial statement impact to Sprint in applying this interpretation.

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16. Subsequent Events

Dividend Declaration

On October 14, 2003, Sprint's Board of Directors declared a dividend of 12.5 cents per share on the FON common stock. The dividend will be paid December 30, 2003.

Change in Independent Auditor

On October 14, 2003, the audit committee of the board of directors selected KPMG LLP as Sprint's independent auditor for the fiscal year 2004. Ernst & Young LLP will continue as Sprint's independent auditor for the fiscal year 2003 audit.

Part I.
Item 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Sprint Corporation

Forward-looking Information

Sprint includes certain estimates, projections and other forward-looking statements in its reports and in other publicly available material. Statements regarding expectations, including performance assumptions and estimates relating to capital requirements, as well as other statements that are not historical facts, are forward-looking statements.

These statements reflect management's judgments based on currently available information and involve a number of risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. With respect to these forward-looking statements, management has made assumptions regarding, among other things, customer and network usage, customer growth, pricing, costs to acquire customers and provide service, the timing of various events and the economic environment.

Future performance cannot be ensured. Actual results may differ materially from those in the forward-looking statements. Some factors that could cause actual results to differ include:

- extent and duration of the current economic downturn;
- the effects of vigorous competition in the markets in which Sprint operates;
- the costs and business risks associated with providing new services and entering new markets necessary to provide nationwide or global services;
- adverse change in the ratings afforded our debt securities by ratings agencies;
- the ability of the PCS Group and the global markets division to continue to grow a significant market presence;
- the ability of the PCS Group and the global markets division to improve profitability and reduce cash requirements;
- the effects of mergers and consolidations within the telecommunications industry and unexpected announcements or developments from others in the telecommunications industry;
- the uncertainties related to the outcome of bankruptcies affecting the telecommunications industry;
- the impact to the PCS Group's network coverage due to financial difficulties of third-party affiliates;
- the uncertainties related to Sprint's investments in networks, systems, and other businesses;
- the impact of any unusual items resulting from ongoing evaluations of Sprint's business strategies;
- the impact of new, emerging and competing technologies on Sprint's business;
- unexpected results of litigation filed against Sprint;
- the impact of wireless local number portability on the PCS Group's growth and churn rates, revenues, and expenses;
- the possibility of one or more of the markets in which Sprint competes being impacted by changes in political or other factors such as monetary policy, legal and regulatory changes, including the impact of the Telecommunications Act of 1996 (Telecom Act), or other external factors over which Sprint has no control; and
- other risks referenced from time to time in Sprint's filings with the Securities and Exchange Commission (SEC).

The words "estimate," "project," "intend," "expect," "believe," "target" and similar expressions are intended to identify forward-looking statements. Forward-looking statements are found throughout Management's Discussion and Analysis. The reader should not place undue reliance on forward-looking statements, which speak only as of the date of this report. Sprint is not obligated to publicly release any revisions to forward-looking statements to reflect events after the date of this report or unforeseen events. Sprint provides a detailed discussion of risk factors in various SEC filings, including its 2002 Form 10-K, and you are encouraged to review these filings.

Definitions of Financial Measures

Sprint provides readers financial measures generated using generally accepted accounting principles (GAAP).

ARPU (Average monthly service revenue per user) is calculated by dividing wireless service revenues by weighted average monthly wireless subscribers. ARPU is used to measure revenue on a per user basis. This is a measure which uses

GAAP as the basis for the calculation.

CCPU (Cash cost per user) is calculated by dividing the costs of wireless service revenues, service delivery and other general and administrative costs by weighted average monthly wireless subscribers. CCPU is a measure analysts use to evaluate the cash costs to operate the business on a per user basis. This is a measure which uses GAAP as the basis for the calculation.

CPGA (Cost per gross addition) is calculated by dividing the costs of acquiring a new wireless subscriber, including equipment subsidies, marketing costs and selling expenses, by gross additional subscribers. Analysts use this measure in conjunction with the other measures to evaluate the profitability of the operation. This is a measure which uses GAAP as the basis for the calculation.

General

Sprint is a global communications company and a leader in integrating long-distance, local service, and wireless communications. Sprint is also one of the largest carriers of Internet traffic using its tier one Internet protocol network, which provides connectivity to any point on the Internet either through its own network or via direct connections with other backbone providers. Sprint is the nation's third-largest provider of long distance services, based on revenues, and operates nationwide, all-digital long distance and tier one Internet protocol networks. In addition, the local division currently serves approximately 7.9 million access lines in 18 states. Sprint also operates a 100% digital PCS wireless network with licenses to provide service to the entire United States population using a single frequency band and a single technology.

Sprint operates in industries that have been and continue to be subject to consolidation and dynamic change. Therefore, Sprint routinely reassesses its business strategies. Due to changes in the telecommunications industry, including bankruptcies, over-capacity and the economic downturn, Sprint continues to assess the implications on its operations. Any such assessment may impact the valuation of its long-lived assets.

As part of its overall business strategy, Sprint regularly evaluates opportunities to expand and complement its business and may at any time be discussing or negotiating a transaction that, if consummated, could have a material effect on its business, financial condition, liquidity or results of operations.

In the 2003 first quarter, Sprint sold its directory publishing business to R.H. Donnelley for $2.23 billion in cash.

Business Transformation

Currently, Sprint's operations are divided into three lines of business: the global markets division, the local division and the PCS wireless telephony products and services business.

Sprint has commenced an initiative to realign internal resources. This effort is being implemented to enhance the customer-facing focus on the needs and preferences of two distinct consumer types - businesses and individuals. This effort is expected to enable Sprint to more effectively and efficiently use its portfolio of assets to create customer-focused communications solutions. During 2004, Sprint intends to continue to measure its activities using its current business segments, and begin to measure certain activities under this customer-focused approach.

Throughout 2004, management anticipates continuing to make decisions using the current segmentation.

In conjunction with the realignment initiative, Sprint commenced efforts to improve Sprint's productivity through:

- Consolidating systems and eliminating redundancies
- Automation
- Process re-engineering
- E-enablement
- Organizational redesign and streamlining

These efforts could result in restructuring charges and asset impairments in subsequent quarters.

Board Discretion Regarding Tracking Stocks

FON common stock and PCS common stock are intended to reflect the financial results and economic value of the FON and PCS Groups. However, they are classes of common stock of Sprint, not of the group they are intended to track. Accordingly, FON and PCS shareholders are subject to the risks related to an equity investment in Sprint and all of Sprint's businesses, assets and liabilities. Shares of FON common stock and PCS common stock do not represent a direct legal interest in the assets and liabilities allocated to either group, but rather represent a direct equity interest in our assets and liabilities as a whole.

Sprint's board of directors has the discretion to, among other things, make operating and financial decisions that could favor one group over the other and, subject to the restrictions in Sprint's articles of incorporation, to change the allocation of the assets and liabilities that comprise each of the FON Group and the PCS Group without shareholder approval. Under the applicable corporate law, Sprint's Board owes its fiduciary duties to all of Sprint's shareholders and there is no board of directors that owes separate duties to the holders of either the FON common stock or the PCS common stock. The Tracking Stock Policies provide that the Board, in resolving material matters in which the holders of FON common stock and PCS common stock have potentially divergent interests, will act in the best interests of Sprint and all of its common shareholders after giving fair consideration to the potentially divergent interests of the holders of the separate classes of Sprint common stock. These policies may be changed by the Board without shareholder approval. Given the Board's discretion in these matters, it may be difficult to assess the future prospects of each group based on past performance.

Sprint's board of directors may convert the PCS common stock into FON common stock at any time. The conversion ratio would be at the discretion of the board of directors, subject to the requirement that it must make independent determinations as to the fairness of the conversion ratio to the holders of the PCS common stock, taken as a separate class, and to the holders of the FON common stock, taken as a separate class. The board of directors continues to evaluate the advisability of converting the PCS common stock into FON common stock.

General Overview of the Sprint FON Group

The FON Group is comprised of the global markets division, the local division and other businesses consisting primarily of wholesale distribution of telecommunications products. The global markets division is the nation's third-largest provider of long distance services based on revenues. The activities of the local division include local exchange communications and consumer long distance services used by customers within Sprint's local franchise territories. The FON Group also includes its investments in EarthLink, Inc., an Internet service provider, and Call-Net, a long distance provider in Canada.

Global Markets Division

The global markets division provides a broad suite of communications services targeted to domestic business and residential customers, multinational corporations and other communications companies. These services include domestic and international voice; data communications using various protocols such as Internet protocol (IP) and frame relay (a data service that transfers packets of data over Sprint's network); and managed network services. In addition, the global markets division provides consulting services and international data communications.

The global markets division also includes the operating results of the wireless high speed data and cable TV service operations of the broadband fixed wireless companies. In 2001, Sprint announced it would halt further deployment of Multichannel Multipoint Distribution Services (MMDS) using current line of sight technology. In the third quarter of 2003, Sprint's ongoing evaluation of business use for the MMDS spectrum resulted in a decision to end pursuit of a residential fixed wireless strategy. This decision required a revaluation of the fair value of this asset, resulting in a pre-tax, non-cash charge of $1.2 billion. Sprint is now focusing its efforts on a broad range of alternative strategies.

Sprint is continuing to invest in the spectrum, is monitoring technology and industry developments, and is involved in efforts to achieve favorable regulatory rulings with respect to this spectrum.

In July 2003, the Inspector General of the General Services Administration (GSA) recommended that the GSA Debarment Official consider whether to initiate debarment proceedings against Sprint. The recommendation was based on a billing error related to Sprint's FTS2001 contract with the GSA. In June 2003, Sprint reached agreement with the Justice Department to pay the government $5.2 million, an amount twice the estimate of the amount over billed and an amount that both agreed compensated the government. In October 2003, the GSA's Debarment Official decided, based on a review of the record, not to initiate debarment proceedings against Sprint.

In the 2003 second quarter, Sprint announced the wind-down of its web hosting business.

Local Division

The local division consists mainly of regulated local phone companies serving approximately 7.9 million access lines in 18 states. The local division provides local voice and data services, including digital subscriber line (DSL), for customers within its franchise territories, access by phone customers and other carriers to the local division's local network, nationwide long distance services to residential customers within its franchise territories, sales of telecommunications equipment, and other services within specified calling areas to residential and business customers. DSL enables high speed transmission of data over existing copper telephone lines.

General Overview of the Sprint PCS Group

The PCS Group includes Sprint's wireless PCS operations. It operates a 100% digital PCS wireless network with licenses to provide service to the entire United States population using a single frequency band and a single technology. The PCS Group, together with third party affiliates, operates PCS systems in over 300 metropolitan markets, including the 100 largest U.S. metropolitan areas. The PCS Group's service, including third party affiliates, reaches a quarter billion people. The PCS Group provides nationwide service through a combination of:

- operating its own digital network in major U.S. metropolitan areas using code division multiple access (CDMA), which is a digital spread-spectrum wireless technology that allows a large number of users to access a single frequency band by assigning a code to all speech bits, sending a scrambled transmission of the encoded speech over the air and reassembling the speech into its original format,
- affiliating with other companies that use CDMA, mainly in and around smaller U.S. metropolitan areas,
- roaming on other providers' analog cellular networks using multi-mode and multi-band handsets, and
- roaming on other providers' digital networks that use CDMA.

Sprint PCS customers can use their phones through roaming agreements in countries other than the United States, including areas of:

- Asia Pacific, including China, Guam, Hong Kong and New Zealand,
- Canada and Mexico,
- Central and South America, including Argentina, Bolivia, Chile, Colombia, Ecuador, Guatemala, Paraguay and Uruguay, and
- Most major Caribbean Islands.

Sprint launched nationwide third generation (3G) capability in the 2002 third quarter. This capability allows more efficient utilization of the network when voice calls are made using 3G-enabled handsets. It also provides enhanced data services. The service, marketed as "PCS Vision," allows consumer and business customers to use their Vision-enabled PCS devices to exchange personal and corporate e-mail, take, send and receive pictures, play games with full-color graphics and polyphonic sounds and browse the Internet wirelessly with speeds up to 144 kbps (with average speeds of 50 to 70 kbps).

The PCS Group supplements its own network through affiliation arrangements with other companies that use CDMA. Under these arrangements, these companies offer PCS services under the Sprint brand name on CDMA networks built and operated at their own expense.

Several of these affiliates are experiencing financial difficulties and are evaluating restructuring activities. Two affiliates have filed for bankruptcy protection and made claims against Sprint in the bankruptcy courts. One other affiliate has filed suit against Sprint. Several of the affiliates are disputing and refusing to pay amounts owed to the PCS Group. Reserves have been established that are expected to provide for the ultimate resolution of these

disputes, and Sprint is in negotiations with some of the affiliates regarding restructuring its relationship with them. The PCS Group may incur additional expenses to ensure that service is available to its customers in the areas served by its affiliates. If any of the PCS Group affiliates cease operations, the PCS Group may incur roaming charges in areas where service was previously provided by the affiliates and costs to meet FCC buildout requirements, as well as experience lower revenues.

Sprint has reached agreements with two of its largest affiliates, Alamosa Holdings, Inc. (Alamosa), and UbiquiTel Operating Company. The agreements provide simplified and predictable long-term pricing for service bureau fees and stability to the rates charged for inter-area service fees. In addition, Sprint and the companies settled all outstanding disputes. The agreement with Alamosa is conditioned upon Alamosa's successful completion of an exchange offer to restructure its capital structure. The revised terms under the agreements are expected to have an immaterial impact on future PCS Group results.

The PCS Group also includes its investment in Virgin Mobile, USA (Virgin Mobile), a joint venture to market wireless services. This investment is accounted for using the equity method.

The PCS Group also provides PCS services to companies that resell PCS services to their customers on a retail basis under their own brand. These companies bear the costs of acquisition, billing and customer service. In the 2003 third quarter, Sprint executed a five year wholesale agreement with Qwest Communications whereby Qwest wireless subscribers will use Sprint's national PCS network and have access to Sprint branded Vision data services. Qwest will continue to provide sales and service support to its wireless customers, including the promotion and sale of handsets, price plans and customer service, including billing and account information. Sprint will serve as the exclusive provider to Qwest of wireless services for resale in the markets served by the PCS Group. The transition of customers to the PCS network will begin in early 2004.

By November 24, 2003, all covered commercial mobile radio service (CMRS) providers, including the PCS Group, must offer a database solution for local number portability (LNP) that must be able to support roaming. LNP allows customers to retain, subject to certain geographical limitations, existing telephone numbers when switching from one telecommunications carrier to another. The LNP requirement will impose increased operating costs on all CMRS carriers and may result in higher subscriber churn rates.

The wireless industry, including the PCS Group, typically generates a higher number of subscriber additions and handset sales in the fourth quarter of each year compared to the other quarters. This is due to the use of retail distribution, which is dependent on the holiday shopping season; the timing of new products and service introductions; and aggressive marketing and sales promotions.

Results of Operations

Consolidated

Total net operating revenues were as follows:

	Quarters Ended September 30,		Year-Septe
	2003	2002	2003

		(millions)	
FON Group	$ 3,538	$ 3,816	$ 10,649
PCS Group	3,340	3,157	9,383
Intergroup eliminations	(164)	(175)	(516)
Net operating revenues	$ 6,714	$ 6,798	$ 19,516

Net operating revenues decreased 1% in the 2003 third quarter and decreased 3% in the 2003 year-to-date period compared to the same 2002 periods reflecting declining FON Group long distance voice revenues substantially offset by growth in the PCS Group revenues.

Income (loss) from continuing operations was as follows:

	Quarters Ended September 30,		Year- Septe
	2003	2002	2003
		(millions)	
FON Group	$ (432)	$ 484	$ (63)
PCS Group	(65)	(7)	(339)
Income (loss) from continuing operations	$ (497)	$ 477	$ (402)

In the 2003 third quarter, loss from continuing operations includes a $777 million charge related to the impairment of the FON Group's MMDS spectrum licenses resulting from a decision to no longer pursue a residential fixed wireless strategy. Additionally, Sprint recorded an $11 million insurance recovery, a $1 million charge related to web hosting wind-down activities, and a $1 million net premium primarily related to the early retirement of local division debt.

The 2003 year-to-date loss from continuing operations also includes a $22 million charge in connection with the separation agreements agreed to by Sprint and three former executive officers and a $218 million charge related to winding down the global markets division's web hosting business. Additionally, the year-to-date period includes a $32 million charge to settle derivative action and securities class action litigation, a $12 million charge reflecting the premiums paid on debt tender offers, and a $6 million charge associated with the termination of a software development project.

In the 2002 third quarter, income from continuing operations includes a charge of $23 million to reflect loss on receivables due to the WorldCom bankruptcy, a $76 million net charge for restructuring and asset impairments, and a gain on the sale of an equity method investment of $67 million. Income from continuing operations also includes a previously unrecognizable tax benefit of $292 million related to previously recorded investment losses.

The 2002 year-to-date income from continuing operations also includes a gain of $25 million related to the sale of customer contracts and a $241 million charge related to a write-down of an investment due to declining market value. In addition, the 2002 year-to-date period includes a $15 million restructuring charge representing the closing of five PCS customer solution centers, as well as additional steps to reduce operating costs in the PCS business units. This charge was offset by favorable true-ups of unrelated items. In total, the PCS Group charge and true-ups had no effect on income from continuing operations.

Segmental Results of Operations

Global Markets Division

	Selected Operating Results		
	Quarters Ended September 30,		V
	2003	2002	$
		(millions)	
Net operating revenues			
Voice	$ 1,240	$ 1,433	$ (193)
Data	462	445	17
Internet	233	258	(25)
Other	39	95	(56)
Total net operating revenues	1,974	2,231	(257)
Operating expenses			
Costs of services and products	1,059	1,189	130
Selling, general and administrative	522	604	82
Depreciation and amortization	351	378	27
Restructuring and asset impairments	1,223	123	(1,100)
Total operating expenses	3,155	2,294	(861)
Operating loss	$ (1,181)	$ (63)	$ (1,118)
Operating margin	NM	NM	

Selected Operating Results

Year-to-Date

	September 30,		V
	2003	2002	$
		(millions)	
Net operating revenues			
Voice	$ 3,775	$ 4,437	$ (662)
Data	1,386	1,396	(10)
Internet	721	750	(29)
Other	136	265	(129)
Total net operating revenues	6,018	6,848	(830)
Operating expenses			
Costs of services and products	3,225	3,939	714
Selling, general and administrative	1,653	1,855	202
Depreciation and amortization	1,073	1,099	26
Restructuring and asset impairments	1,571	123	(1,448)
Total operating expenses	7,522	7,016	(506)
Operating loss	$ (1,504)	$ (168)	$ (1,336)
Operating margin	NM	NM	

NM = Not meaningful

Net Operating Revenues

Net operating revenues decreased 12% in the 2003 third quarter and in the 2003 year-to-date period from the same 2002 periods. The overall revenue decrease is in large part due to the decline in voice revenues including the loss of revenues from a major wholesale customer.

Voice Revenues

Voice revenues decreased 13% in the 2003 third quarter and 15% in the 2003 year-to-date period from the same 2002 periods due to a decline in consumer voice revenues resulting from wireless, e-mail and instant messaging substitution, aggressive competition from RBOCs for consumer and small business customers and lower business voice pricing. Minute volume decreased 4% in the 2003 third quarter compared to the 2002 third quarter. The minute decline was primarily driven by the loss of a major wholesale customer and a large prepaid customer.

Data Revenues

Data revenues increased 4% in the 2003 third quarter and decreased 1% in the 2003 year-to-date period from the same 2002 periods. The quarter-over-quarter increase is driven by an increase in frame relay partially offset by declines in private line services and ATM.

Internet Revenues

Internet revenues decreased 10% in the 2003 third quarter and 4% in the 2003 year-to-date period from the same 2002 periods. The quarter-over-quarter decline was mainly driven by a decrease in dial IP, dedicated IP and web hosting services. The year-to-date decrease in dial IP was primarily due to the final contractually-scheduled repricing of the AOL dial IP agreement. While Sprint has made the decision to exit the web hosting business, the year-to-date period still reflects the increased web-hosting revenue in the 2003 first and second quarters.

Other Revenues

Other revenues decreased 59% in the 2003 third quarter and 49% in the 2003 year-to-date period from the same 2002 periods. The decrease was primarily due to the sale of a consulting business in the third quarter of 2002 and lower equipment sales.

Costs of Services and Products

Costs of services and products include interconnection costs paid to local phone companies, other domestic service providers and foreign phone companies to complete calls made by the division's domestic customers, costs to operate and maintain our long distance networks, and costs of equipment sales. These costs decreased 11% in the 2003 third quarter and 18% in the 2003 year-to-date period from the same 2002 periods. The decrease was due to volume declines, an improving product mix, and initiatives to reduce access unit costs. Costs of services and products for the global markets division were 53.6% of net operating revenues in the 2003 third quarter and year-to-date periods compared to 53.3% and 57.5% for the same periods a year ago.

Selling, General and Administrative Expense

Selling, general and administrative (SG&A) expenses decreased 14% in the 2003 third quarter and 11% in the 2003 year-to-date period from the same 2002 periods. The decline was due to reduced bad debt provisions, restructuring efforts, and general cost controls partially offset by the cost of the executive separation agreements reached during the second quarter. SG&A expense was 26.4% of net operating revenues in the 2003 third quarter and 27.5% in the 2003 year-to-date period compared to 27.1% for the same periods a year ago.

SG&A includes charges for estimated bad debt expense. The reserve for bad debts requires management's judgment and is based on customer specific indicators, as well as historical trending, industry norms, regulatory decisions and recognition of current market indicators about general economic conditions. Bad debt expense as a percentage of net revenues was 0.8% in the 2003 third quarter and 1.7% in the 2003 year-to-date period compared to 3.9% and 3.6% for the same 2002 periods. This reduction reflects an improvement in collections, aging and recoveries of previously written-off accounts. Reserve for bad debt as a percent of outstanding accounts receivable was 11.8% at the end of the 2003 third quarter and 14.9% at year-end 2002.

Depreciation and Amortization Expense

Estimates and assumptions are used both in setting depreciable lives and testing for recoverability. Assumptions are based on internal studies of use, industry data on lives, recognition of technological advancements and understanding of business strategy. Depreciation and amortization expense decreased 7% in the

2003 third quarter and 2% in the 2003 year-to-date period from the same periods a year ago primarily driven by a decrease in capital spending. Depreciation and amortization expense was 17.8% of net operating revenues in both the 2003 third quarter and the 2003 year-to-date period compared to 16.9% and 16.0% for the same 2002 periods.

Restructuring and Asset Impairment

In the 2003 third quarter, the FON Group recorded a pre-tax, non-cash charge of $1.2 billion related to the write-down in the fair value of its MMDS spectrum. Sprint's ongoing evaluation of business use for this asset resulted in a decision to end pursuit of a residential fixed wireless strategy. This decision required a revaluation of the fair value of the asset. Sprint is now focusing its efforts on a broad range of alternative strategies.. Sprint is continuing to invest in the spectrum, is monitoring technology and industry developments, and is involved in efforts to achieve favorable regulatory rulings with respect to this spectrum.

In the 2003 second quarter, a $348 million charge was recorded in connection with Sprint's announcement of the wind-down of its web hosting business. The charge for asset impairments was $337 million. The remaining $11 million was accrued for employee terminations in connection with the wind-down of the web hosting business, as well as restructurings of other global markets division operations in the continuing effort to create a more efficient cost structure. In the 2003 third quarter, an additional $2 million charge was recorded related to employee terminations. Sprint will record additional wind-down related charges for facility lease terminations, customer migration, employee termination, and other wind-down costs in subsequent periods. Sprint expects the aggregate pre-tax charge to be approximately $400 to $475 million.

Local Division

	Selected Operating Results		
	Quarters Ended September 30,		V
	2003	2002	$
	(millions)		
Net operating revenues			
Local service	$ 757	$ 765	$ (8)
Network access	525	526	(1)
Long distance	135	155	(20)
Other	113	134	(21)
Total net operating revenues	1,530	1,580	(50)
Operating expenses			
Costs of services and products	493	513	20
Selling, general and administrative	308	323	15
Depreciation and amortization	270	291	21
Restructuring	-	3	3
Total operating expenses	1,071	1,130	59

Operating income	$ 459	$ 450	$ 9
Operating margin	30.0%	28.5%	

Selected Operating Results

	Year-to-Date September 30, 2003	2002	V $
		(millions)	
Net operating revenues			
Local service	$ 2,284	$ 2,289	$ (5)
Network access	1,567	1,562	5
Long distance	412	479	(67)
Other	332	363	(31)
Total net operating revenues	4,595	4,693	(98)
Operating expenses			
Costs of services and products	1,473	1,467	(6)
Selling, general and administrative	946	946	-
Depreciation and amortization	808	865	57
Restructuring	-	3	3
Total operating expenses	3,227	3,281	54
Operating income	$ 1,368	$ 1,412	$ (44)
Operating margin	29.8%	30.1%	

Net Operating Revenues

Net operating revenues decreased 3% in the 2003 third quarter and 2% in the 2003 year-to-date period from the same 2002 periods. The decline is driven by lower long distance services and equipment sales. The local division ended the 2003 third quarter with approximately 7.9 million switched access lines, a 2% decrease during the past 12 months. The reduction in access lines was driven by the continuing economic slowdown, wireless and broadband substitution, and losses to competitive local providers. The reduction in access lines is expected to continue although Sprint expects the rate of line loss to remain below the losses experienced by the other major carriers. On a voice-grade equivalent basis, which includes both traditional switched services and high capacity lines, voice-grade equivalents grew 6% during the past 12 months. This growth reflects growth in DSL as well as many business customers switching from individual lines to high capacity dedicated circuits.

Local Service Revenues

Local service revenues, derived from local exchange services, decreased 1% in the 2003 third quarter and remained flat in the 2003 year-to-date period from the same 2002 periods as the increase in vertical services revenue and local service rates were more than offset by the decrease in access lines.

Network Access Revenues

Network access revenues, derived from long distance phone companies using the local network to complete calls, remained flat in the 2003 third quarter and the 2003 year-to-date period compared to a year ago. Strong growth in DSL services in the 2003 third quarter was offset by a 4% decline in access minutes of use, as well as by regulator-mandated access rate reductions.

Long Distance Revenues

Long distance revenues are mainly derived from providing nationwide long distance services to residential customers within Sprint's local franchise territories and other services within specified regional call areas, or LATAs, to residential and business customers. These revenues declined 13% in the 2003 third quarter and 14% in the 2003 year-to-date period from the same 2002 periods. This was primarily due to a decline in total long distance minutes of use, as customers shifted more of their communications to wireless, e-mail and instant messaging.

Other Revenues

Other revenues decreased 16% in the 2003 third quarter and 9% in the 2003 year-to-date period from the same 2002 periods principally driven by lower equipment sales. The decrease in equipment sales was primarily the result of the economic slowdown causing a reduction in customer demand for equipment and increased focus toward selling network solutions.

Costs of Services and Products

Costs of services and products include costs to operate and maintain the local network and costs of equipment sales. These costs decreased 4% in the 2003 third quarter and remained flat in the 2003 year-to-date period compared to the same 2002 periods. This decrease was mainly driven by general expense controls and lower costs associated with equipment and long distance revenues somewhat offset by higher pension costs. Costs of services and products were 32.2% of net operating revenues in the 2003 third quarter and 32.1% in the 2003 year-to-date period compared to 32.5% and 31.3% for the same periods a year ago.

Selling, General and Administrative Expense

SG&A expense decreased 5% in the 2003 third quarter and remained flat in the 2003 year-to-date period compared to the same 2002 periods. The third quarter decrease was primarily due to lower bad debt expense driven by a $27 million charge associated with the WorldCom bankruptcy in third quarter 2002 somewhat offset by additional pension costs. SG&A expense was 20.1% of net operating revenues in the 2003 third quarter and 20.6% in the 2003 year-to-date period compared to 20.4% and 20.2% for the same periods a year ago. Bad debt expense as a percentage of net revenues was 1.6% in the 2003 third quarter and 1.4% in the 2003 year-to-date period compared to 3.2% and 2.7% in the same periods a year ago. This reflects an improvement in collections and aging, as well as the charges for the WorldCom bankruptcy in the 2002 third quarter. Reserve for bad debt as a percent of outstanding accounts receivable was 9.9% at the end of the 2003 third quarter and 13.9% at year-end 2002.

Depreciation and Amortization Expense

Estimates and assumptions are used in setting depreciable lives and testing for recoverability. Assumptions are based on internal studies of use, industry data on lives, recognition of technological advancements and understanding of business strategy. Depreciation and amortization expense decreased 7% in both the 2003 third quarter and the year-to-date periods compared to the same 2002 periods. This decline was driven by the implementation of Statement of Financial Accounting Standards (SFAS) No. 143, Accounting for Asset Retirement Obligations, which eliminated the accrual for removal cost from the depreciable rate, as well as declines in circuit switching depreciation rates due to a revised schedule for converting from a digital to a packet network. Depreciation and amortization expense was 17.6% of net operating revenues in the 2003 third quarter and year-to-date periods compared to 18.4% for both of the same periods a year ago.

PCS Group

	Selected Operating Results		
	Quarters Ended September 30,		V
	2003	2002	$
	(millions)		
Net operating revenues	$ 3,340	$ 3,157	$ 183
Operating expenses			
Costs of services and products	1,628	1,478	(150)
Selling, general and administrative	800	955	155
Depreciation and amortization	628	588	(40)
Restructuring	-	(5)	(5)
Total operating expenses	3,056	3,016	(40)
Operating income	$ 284	$ 141	$ 143

	Selected Operating Results			
	Year-to-Date September 30,		V	
	2003	2002	$	
		(millions)		
Net operating revenues	$ 9,383	$ 9,023	$ 360	
Operating expenses				
Costs of services and products	4,597	4,316	(281)	
Selling, general and administrative	2,248	2,556	308	
Depreciation and amortization	1,853	1,658	(195)	
Restructuring and asset impairment	10	18	8	
Total operating expenses	8,708	8,548	(160)	
Operating income	$ 675	$ 475	$ 200	

The PCS Group markets its products through multiple distribution channels, including its own retail stores as well as other retail outlets. Equipment sales to one retail chain and the service revenues generated by sales to its customers accounted for 20.3% of net operating revenues in the 2003 third quarter and 21.2% in the 2003 year-to-date period compared to 22.2% and 22.5% for the same 2002 periods.

Net Operating Revenues

	Quarters Ended September 30,		Year- Septe
	2003	2002	2003
Customers (millions)	15.5	14.5	15.5
Average monthly service revenue per user (ARPU)	$ 63	$ 63	$ 61
Customer churn rate	2.7%	3.8%	2.7%

Net operating revenues include service revenues, sales of handsets and accessory equipment, and other revenues. Service revenues consist of monthly recurring charges, usage charges and miscellaneous fees such as directory assistance, operator-assisted calling, handset insurance and late payment charges. Service revenues increased 6.6% in the 2003 third quarter and 5.6% in the 2003 year-to-date period from the same 2002 periods reflecting an increase in the number of customers, higher monthly recurring charges and increased fees. These increases were partially offset by lower overage charges from usage-based plans. Average monthly usage in the 2003 third quarter increased by more than 3 hours when compared to the 2002 third quarter.

The PCS Group had 184,000 post-paid retail additions in the 2003 third quarter, ending the period with approximately 15.5 million customers compared to approximately 14.5 million customers at the end of the 2002 third quarter. Resellers added 290,000 customers in the third quarter of 2003, which increased their customer base to 1.1 million, principally due to Virgin Mobile. The PCS Group third party affiliates added 22,000 customers in the third quarter of 2003. This brings the total number of customers served on the PCS network, including post-paid retail, affiliate and resale customers, at the end of the quarter to more than 19.3 million. In the 2003 third quarter, nearly 41 percent of new post-paid retail customers chose to include PCS Vision in their service package.

The customer churn rate in the 2003 third quarter was 2.7% compared to 3.8% for the same 2002 period. Improvement was primarily due to reduction in the involuntary churn rate as the PCS Group benefited from credit management policies initiated in the 2002 fourth quarter.

Revenues from sales of handsets and accessories, including new customers and upgrades, were approximately 10.2% of net operating revenues in the 2003 third quarter and 9.0% in the 2003 year-to-date period compared to 10.9% and 10.4% for the same 2002 periods. These declines were mainly due to higher rebates and lower gross additions. As part of the PCS Group's marketing plans, handsets are normally sold at prices below the PCS Group's cost.

Other revenues consist of net fees collected from affiliates for network operation and customer maintenance. It also includes revenues from the wholesale of PCS services to companies that resell to their customers on a retail basis. Other revenues represented 3.0% of net operating revenues in the 2003 third quarter and 2.4% in the 2003 year-to-date period compared to 1.7% and 1.8% for the same 2002 periods. These increases mainly reflect net additions to the affiliate and wholesale customer base.

The PCS Group assesses access charges to long distance carriers for the termination of landline originated calls. Though regulations generally entitle a carrier that terminates a call on behalf of another to be compensated for providing that service, these regulations were developed in a period where services of this nature were provided exclusively by local exchange carriers. Certain long distance carriers have disputed the PCS Group's assessment of these charges as well as the corresponding rate at which the charges were determined. In July 2002, the FCC released a ruling affirming that nothing prohibited wireless carriers from imposing access charges for the use of their networks; however, the FCC also stated that inter-exchange carriers could not be unilaterally required to pay these charges without a contractual obligation to do so. The FCC referred the matter back to the Federal District Court for the Western District of Missouri. The decision has been appealed to the D.C. Circuit Court of Appeals. In light of this ruling, in the 2002 second quarter the PCS Group recorded an additional provision for outstanding receivables related to amounts previously billed and is fully reserved for 2003.

Operating Expenses

	Quarters Ended September 30,		Year- Septe
	2003	2002	2003
Acquisition costs per gross customer addition (CPGA)	$ 465	$ 395	$ 415
Monthly cash costs per user (CCPU)	$ 31	$ 33	$ 31

Cost per Gross Customer Addition

CPGA, a measure of the costs of acquiring a new subscriber, increased approximately 18% in the 2003 third quarter and 19% in the 2003 year-to-date period from the same 2002 periods. These CPGA increases were primarily due to certain fixed costs being spread across lower gross customer additions, higher handset rebates in exchange for one- and two-year service agreements, and a $27 million write-down to replacement cost of the first generation camera phone.

Cash Cost per User

CCPU, a measure of the cash costs to operate the business on a per user basis, decreased approximately 6% in the 2003 third quarter and 3% in the 2003 year-to-date period from the same 2002 periods. The reduction in CCPU occurred primarily due to lower bad debt expense and decreases in customer solutions expense; however, this savings was partially offset by increased USF charges, charges associated with the executive separation agreements reached in the second quarter and upgrade equipment rebate costs incurred to retain customers initiated in the fourth quarter of 2002.

Costs of Services and Products

The PCS Group's costs of services and products mainly include handset and accessory costs, switch and cell site expenses, customer solutions costs and other network-related costs. These costs increased 10% in the 2003 third quarter and 7% in the 2003 year-to-date period from the same 2002 periods. These increases were primarily due to network support of a larger customer base, expanded market coverage, and increased unit handset costs. These increases were somewhat offset by scale benefits resulting from the increased customer base and decreases in customer solutions expense. Handset and equipment costs were 41% of total costs of services and products in the 2003 third quarter and 39% in the 2003 year-to-date period compared to 40% and 39% for the same periods a year ago. Costs of services and products were 48.7% of net operating revenues in the 2003 third quarter and 49.0% in the 2003 year-to-date period compared to 46.8% and 47.8% for the same periods a year ago.

Selling, General and Administrative Expense

SG&A expense mainly includes marketing costs to promote products and services as well as related salary and benefit costs. SG&A expense decreased 16% in the 2003 third quarter and 12% in the 2003 year-to-date period from the same 2002 periods reflecting a decline in bad debt expense due to a better credit class mix, leading to lower write-offs and higher recovery, and reduced sales and marketing costs, partially offset by the cost of the executive separation agreements reached in the second quarter. SG&A expense was 24.0% of net operating revenues in the 2003 third quarter and year-to-date periods compared to 30.3% and 28.3% for the same periods a year ago. Bad debt expense as a percentage of net revenues was 2.3% in the 2003 third quarter and year-to-date periods compared to 6.8% and 5.6% in the same periods a year ago. Reserve for bad debt as a percent of outstanding accounts receivable was 6.4% at the end of the 2003 third quarter and 9.4% at year-end 2002. These improvements were mainly driven by credit management policies initiated in the 2002 fourth quarter resulting in lower involuntary churn and improved receivables aging.

Depreciation and Amortization Expense

Estimates and assumptions are used both in setting depreciable lives and testing for recoverability. Assumptions are based on internal studies of use, industry data on lives, recognition of technological advancements and understanding of business strategy. Depreciation and amortization expense consists mainly of depreciation of network assets and amortization of definite life intangible assets. The definite life intangible assets include various customer bases, which became fully amortized in August 2002.

Depreciation and amortization expense increased 7% in the 2003 third quarter and 12% in the 2003 year-to-date period from the same 2002 periods due to an increase in the network asset investment during 2002 and the 2003 year-to-date period.

Depreciation and amortization expense was 18.8% of net operating revenues in the 2003 third quarter and 19.7% in the 2003 year-to-date period compared to 18.6% and 18.4% for the same periods a year ago.

Restructuring and Asset Impairment

In the first quarter of 2003, the PCS Group recorded a charge of $10 million associated with the termination of a software development project.

In the first quarter of 2002, the PCS Group announced plans to reduce operating costs through the closing of five PCS customer solution centers, as well as additional steps to reduce operating costs in the PCS business units. These actions were finalized in the third quarter of 2002, and ultimately resulted in the PCS Group incurring an $18 million charge.

Nonoperating Items

Interest Expense

Sprint's effective interest rate on long-term debt was 6.9% in the 2003 third quarter compared to 7.0% in the 2002 third quarter. Interest costs on short-term borrowings and interest costs on deferred compensation plans have been excluded so as not to distort the effective interest rate on long-term debt. See "Liquidity and Capital Resources" for more information on Sprint's financing activities.

Premium on Early Retirement of Debt

In the third quarter of 2003, Sprint recorded a net premium of $2 million due to the early retirement of $118 million of debt primarily consisting of the local division's first mortgage bonds. This debt had interest rates ranging from 5.7% to 9.3% and maturity dates ranging from 2003 to 2021.

In March 2003, Sprint completed a tender offer to purchase $442 million principal amount of current senior notes before their scheduled maturity. The notes had an interest rate of 5.7% and a maturity date of November 15, 2003. A premium of $6 million was paid as part of the tender offer.

Also in March 2003, Sprint completed a tender offer to purchase $635 million principal amount of its long-term senior notes before their scheduled maturity. The notes had an interest rate of 5.9% and a maturity date of May 1, 2004. A premium of $13 million was paid as part of the tender offer.

Other Income (Expense), net

Other income (expense), net consisted of the following:

	Quarters Ended September 30,		Year- Septe
	2003	2002	2003
	(millions)		
Dividend and interest income	$ 17	$ 4	$ 38
Equity in net losses of affiliates	(17)	(4)	(45)
Net losses from investments	-	-	-
Gains (losses) on sales of assets	-	67	(3)
Amortization of debt costs	(11)	(7)	(26)
Losses from disposal of PPE	(2)	(1)	(7)
Royalties	3	3	10
Litigation settlement	17	-	(33)
Gains (losses) from foreign currency transactions	(3)	7	(3)
Other, net	-	5	(9)
Total	$ 4	$ 74	$ (78)

Equity in net losses of affiliates was driven by the PCS Group's investment in Virgin Mobile, U.S.A., in all periods presented as well as the PCS Group's investment in Pegaso Telecomunicaciones, S.A. de C.V. in the 2002 year-to-date period.

Net losses from investments in the 2002 year-to-date period mainly consists of the write-down of EarthLink preferred shares to current market value and Sprint's equity investment in Intelig Telecommunicacoes Ltda.

In the first quarter of 2003, Sprint recorded a $50 million charge to settle shareholder litigation. In the 2003 third quarter, Sprint recorded a $17 million credit from an insurance recovery related to this action. See Note 12 of Condensed Notes to Consolidated Financial Statements for additional information.

Beginning in January 2002, Call-Net began making a royalty payment of 2.5% of revenues to Sprint. Currently, this is approximately $3 million per quarter.

Income Taxes

See Note 4 of Condensed Notes to Consolidated Financial Statements for information about the differences that caused the effective income tax rates to vary from the federal statutory rate for income taxes related to continuing operations.

Discontinued Operation, Net

In the 2002 third quarter, Sprint reached a definitive agreement to sell its directory publishing business to R.H. Donnelley for $2.23 billion in cash. The sale closed on January 3, 2003. In the 2003 second quarter, Sprint recognized a pretax gain of $14 million, $9 million after-tax, primarily related to a working capital payment. In the 2003 third quarter, Sprint recognized a loss of $1 million primarily related to a state tax rate true-up. The pretax gain recognized in the year-to-date period was $2.14 billion, $1.32 billion after-tax. In accordance with SFAS No. 144, Accounting for the Impairment or Disposal of Long-lived Assets, Sprint has presented the directory publishing business as a discontinued operation in the consolidated financial statements.

Cumulative Effect of Change in Accounting Principle, Net

In the 2003 first quarter, Sprint adopted SFAS No. 143, Accounting for Asset Retirement Obligations. Upon adoption of SFAS No. 143, the FON Group recorded a reduction in the local division's depreciation reserves to remove previously accrued costs of removal. Historically, the local division accrued costs of removal in its depreciable rate, a practice consistent with regulatory requirements and others in the industry. These costs of removal do not meet the standard's definition of an asset retirement obligation liability. This one-time benefit of approximately $420 million resulted in a cumulative effect of change in accounting principle credit, net of tax, in the Consolidated Statements of Operations of $258 million.

Financial Condition

Total consolidated assets were as follows:

	September 30, 2003	December 31, 2002
	(millions)	
FON Group	$ 21,201	$ 23,133
PCS Group	22,769	23,022
Intergroup eliminations	(1,074)	(862)
Consolidated assets	$ 42,896	$ 45,293

Sprint's consolidated assets decreased $2,397 million in the 2003 year-to-date period. Cash and equivalents increased $1,566 million due to improved operating cash flows, reduced capital expenditures, and the sale of Sprint's directory publishing business to R.H. Donnelley in the 2003 first quarter. Net property, plant, and equipment decreased $1,358 million. Capital expenditures were more than offset by depreciation expense and the asset impairments in the 2003 year-to-date period. Spectrum licenses declined due to an impairment charge of $1.2 billion related to the write-down in the fair value of Sprint's MMDS spectrum.

Liquidity and Capital Resources

Sprint's board of directors exercises discretion regarding the liquidity and capital resource needs of the FON Group and the PCS Group. This includes the ability to prioritize the use of capital and debt capacity, to determine cash management policies and to make decisions regarding the timing and amount of capital expenditures. The actions of the board of directors are subject to its fiduciary duties to all shareholders of Sprint, and not just to the holders of a particular class of common stock. Given the above, it may be difficult for investors to assess each group's liquidity and capital resources and in turn the future prospects of each group based on past performance.

Operating Activities

	Year-to-Date September 30, 2003	Year-to-Date September 30, 2002
	(millions)	
FON Group	$ 2,594	$ 2,739
PCS Group	1,785	1,687
Cash flows provided by operating activities	$ 4,379	$ 4,426

Cash flow from operations decreased $47 million in the 2003 year-to-date period from the same 2002 period. The decline was primarily due to the $400 million cash contribution to the pension trust in July 2003, most of which was allocated to the FON Group. This decline was mostly offset by the FON Group's improvements in its operations as cost controls have mitigated the revenue erosion seen in the global market division and also reduced its working capital requirements.

Investing Activities

	Year-to-Date September 30, 2003	Year-to-Date September 30, 2002
	(millions)	
FON Group	$ (1,152)	$ (1,510)
PCS Group	(1,226)	(2,035)
Cash flows used by investing activities	$ (2,378)	$ (3,545)

The FON Group's capital expenditures totaled $1,141 million in the 2003 year-to-date period and $1,550 million in the same 2002 period. The decline in capital expenditures is primarily due to the global markets division continuing to take advantage of existing network capacity to meet customer demand. Global markets division capital expenditures were incurred mainly to support increasing demand, enhance network reliability and upgrade capabilities for providing new products and services. The local division incurred capital expenditures to accommodate voice grade equivalent growth, expand capabilities for providing enhanced services, convert its network from circuit to next generation packet switching, and continue the build-out of high-speed DSL services.

PCS Group capital expenditures were $1,211 million in the 2003 year-to-date period and $2,078 million in the same 2002 period. Capital expenditures in both years were incurred to increase capacity and expand coverage. The 2002 year-to-date period capital expenditures also include the deployment of 3G technology, which was launched nationwide in the 2002 third quarter. Despite lower capital spending in 2003, PCS has experienced strong improvements in network performance since the deployment of 1x technology. The PCS Group continues to expect a significant increase in capital expenditures in the 2003 fourth quarter.

Proceeds from the sale of assets in the 2003 year-to-date period mainly consists of the sale of marketable securities. The 2002 year-to-date period mainly consists of the proceeds from sales of certain contracts, investment securities, and other administrative assets.

Investments in debt securities in the 2003 year-to-date period consists of investments in marketable securities.

Financing Activities

	Year-to-Date September 30, 2003	Year-to-Date September 30, 2002
	(millions)	
FON Group	$ (2,643)	$ (1,366)
PCS Group	(22)	806

Cash flows provided (used) by financing activities	$ (2,665)	$ (560)

Financing activities include a debt reduction of $2.3 billion in the 2003 year-to-date period compared to a $263 million decline in debt in the same 2002 period. The debt reduction in the 2003 year-to-date period is mainly due to the March 2003 tender for the 2003 and 2004 senior notes, the prepayment of the global markets division accounts receivable asset securitization facility, the prepayment of the Export Development Canada loan, and other scheduled maturities for the 2003 year-to-date period.

Sprint paid cash dividends of $343 million in the 2003 year-to-date period compared to $341 million in the same 2002 period.

Capital Requirements

Sprint's 2003 investing activities, mainly consisting of capital expenditures, are expected to total approximately $3.8 billion. FON Group capital expenditures are expected to be approximately $1.7 billion. PCS Group capital expenditures are expected to be approximately $2.1 billion. Sprint continues to review capital expenditures and will adjust capital investment in concert with growth. Dividend payments are expected to approximate $463 million in 2003. Sprint expects these capital requirements and dividend payments to be funded by Sprint's $2.6 billion cash balance at September 30, 2003, existing financing agreements, and expected 2003 cash flow from operations.

Liquidity

In recent years, Sprint has used the long-term bond market as well as other financial markets to fund its needs. As a result of its improved liquidity position, Sprint currently does not expect to borrow funds through the capital markets in 2003 to fund capital expenditures and operating and working capital requirements.

In January 2003, Sprint closed on the $2.23 billion cash sale of its directory publishing business to R.H. Donnelley.

In June 2003, Sprint entered into a new revolving credit facility with a syndicate of banks. The $1.0 billion facility is unsecured, with no springing liens, and is structured as a 364-day credit line with a subsequent one-year, $1.0 billion term-out option. Sprint does not intend to draw against this facility. Sprint had standby letters of credit serving as a backup to various obligations of approximately $127 million as of September 30, 2003.

Sprint has a PCS Group accounts receivable asset securitization facility that provides Sprint with up to $500 million of additional liquidity. The facility, which expires in 2005, is subject to annual renewals and does not include any ratings triggers that would allow the lenders involved to terminate the facility in the event of a credit rating downgrade. The maximum amount of funding available is based on numerous factors and will fluctuate each month. Sprint has not drawn against the facility and more than $208 million was available as of September 30, 2003.

Sprint has a global markets division accounts receivable asset securitization facility that provides Sprint with up to $700 million of additional liquidity. The facility, which expires in 2005, is subject to annual renewals and does not include any ratings triggers that would allow the lenders involved to terminate the facility in the event of a credit rating downgrade. The maximum amount of funding available is based on numerous factors and will fluctuate each month. In February 2003, Sprint prepaid all outstanding borrowings under this facility. As of September 30, 2003, Sprint had more than $462 million total funding available under the facility.

The undrawn loan facilities described above would charge interest rates equal to LIBOR or Prime Rate plus a spread that varies depending on Sprint's credit ratings.

Debt maturities for the 2003 fourth quarter total approximately $566 million. Debt maturities for 2004 total approximately $519 million. Sprint's $2.6 billion cash balance at September 30, 2003, existing financing agreements, and expected 2003 and 2004 cash flow from operations more than fund these requirements.

Any borrowings Sprint may incur are ultimately limited by certain debt covenants. Sprint could borrow up to an additional $7.9 billion at September 30, 2003 under the most restrictive of its debt covenants. Sprint is currently in compliance with all debt covenants associated with its borrowings.

Sprint completed its tender offers to repurchase senior notes in March 2003 in the amount of $1.1 billion and repaid, before scheduled maturities, $118 million of debt primarily consisting of the local division's first mortgage bonds in the 2003 third quarter. Sprint continually evaluates various factors and, as a result, may repurchase additional debt in the future.

In September 2003, Sprint repaid the $300 million Export Development Canada loan.

Fitch Ratings (Fitch) currently rates Sprint's long-term senior unsecured debt at BBB with a stable outlook. Standard and Poor's Corporate Ratings (Standard and Poor's) currently rates Sprint's long-term senior unsecured debt at BBB- with a stable outlook. In June 2003, Moody's Investors Service (Moody's) raised Sprint's outlook to stable. Moody's currently rates Sprint's long-term senior unsecured debt at Baa3.

Sprint's ability to fund its capital needs is ultimately impacted by the overall capacity and terms of the bank, term-debt and equity markets. There continues to be significant volatility in the markets. Sprint continues to monitor the markets closely and to take steps to maintain as much financial flexibility as possible, while maintaining a reasonable capital structure cost. Sprint currently does not intend to access the markets other than extending, replacing or renewing current credit arrangements.

Off-Balance Sheet Financing

Sprint does not participate in, nor secure, financings for any unconsolidated, special purpose entities.

Financial Strategies

General Risk Management Policies

Sprint selectively enters into interest rate swap agreements to manage its exposure to interest rate changes on its debt. Sprint also enters into forward contracts and options in foreign currencies to reduce the impact of changes in foreign exchange rates. Sprint seeks to minimize counterparty credit risk through stringent credit approval and review processes, the selection of only the most creditworthy counterparties, continual review and monitoring of all counterparties, and thorough legal review of contracts. Sprint also controls exposure to market risk by regularly monitoring changes in foreign exchange and interest rate positions under normal and stress conditions to ensure they do not exceed established limits.

Sprint's derivative transactions are used principally for hedging purposes and comply with Board-approved policies. Senior management receives frequent status updates of all outstanding derivative positions.

Interest Rate Risk Management

Fair Value Hedges

Sprint enters into interest rate swap agreements to manage exposure to interest rate movements and achieve an optimal mixture of floating and fixed-rate debt while minimizing liquidity risk. The interest rate swap agreements designated as fair value hedges effectively convert Sprint's fixed-rate debt to a floating rate by receiving fixed rate amounts in exchange for floating rate interest payments over the life of the agreement without an exchange of the underlying principal amount. During the 2003 third quarter, Sprint entered into interest rate swap agreements, which were designated as fair value hedges.

Cash Flow Hedges

Sprint enters into interest rate swap agreements designated as cash flow hedges to reduce the impact of interest rate movements on future interest expense by effectively converting a portion of its floating-rate debt to a fixed-rate. As of September 30, 2003, Sprint had no outstanding interest rate cash flow hedges.

Other Derivatives

In certain business transactions, Sprint is granted warrants to purchase the securities of other companies at fixed rates. These warrants are supplemental to the terms of the business transaction and are not designated as hedging instruments.

During 2002 and 2003, Sprint entered into variable prepaid forward contracts to monetize equity securities held as available for sale. The derivatives have been designated as cash flow hedges to reduce the variability in expected cash flows related to the forecasted sale of the underlying equity securities.

Foreign Exchange Risk Management

Sprint's foreign exchange risk management program focuses on reducing transaction exposure to optimize consolidated cash flow. Sprint's primary transaction exposure results from payments made to and received from overseas telecommunications companies for completing international calls made by Sprint's domestic customers. These international operations were not material to the consolidated financial position at September 30, 2003 or results of operations or cash flows for the quarter ended September 30, 2003. Sprint has not entered into any significant foreign currency forward contracts or other derivative instruments to reduce the effects of adverse fluctuations in foreign exchange rates. As a result, Sprint was not subject to material foreign exchange risk.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

The risk inherent in Sprint's market risk sensitive instruments and positions is the potential loss arising from adverse changes in those factors. Sprint is susceptible to certain risks related to changes in interest rates and foreign currency exchange rate fluctuations. Sprint does not purchase or hold any derivative financial instruments for trading purposes.

Interest Rate Risk

The communications industry is a capital intensive, technology driven business. Sprint is subject to interest rate risk primarily associated with its borrowings. Sprint selectively enters into interest rate swap and cap agreements to manage its exposure to interest rate changes on its debt.

Approximately 95% of Sprint's outstanding debt at September 30, 2003 is fixed-rate debt. While changes in interest rates impact the fair value of this debt, there is no impact to earnings and cash flows because Sprint intends to hold these obligations to maturity unless refinancing conditions are favorable.

In the 2003 third quarter, Sprint entered into fair value interest rate swaps effectively converting approximately 5% of its outstanding debt to variable rate debt. These interest rate swaps have maturities ranging from 2008 to 2012. Assuming a one percentage point increase in the prevailing forward yield curve, the fair value of the interest rate swaps and the underlying senior notes would change by $57 million. These interest rate swaps met all the requirements for perfect effectiveness under derivative accounting rules; therefore there is no impact to earnings and cash flows for any fair value fluctuations.

Sprint performs interest rate sensitivity analyses on its variable-rate debt. These analyses indicate that a one percentage point change in interest rates would have an annual impact of $17 million pre-tax on the statements of operations and cash flows at September 30, 2003. While Sprint's variable-rate debt is subject to earnings and cash flows impacts as interest rates change, it is not subject to changes in fair values.

Sprint also performs a sensitivity analysis on the fair market value of its outstanding debt. A 10% decline in market interest rates would cause a $542 million increase in fair market value of its debt of $20 billion. This analysis includes the hedged debt, but excludes Sprint's equity unit notes.

Foreign Currency Risk

Sprint also enters into forward contracts and options in foreign currencies to reduce the impact of changes in foreign exchange rates. Sprint uses foreign currency derivatives to hedge its foreign currency exposure related to settlement of international telecommunications access charges. The dollar equivalent of Sprint's net foreign currency payables was $10.5 million at September 30, 2003. The potential immediate pre-tax loss to Sprint that would result from a hypothetical 10% change in foreign currency exchange rates based on these positions would be approximately $1 million.

Item 4. Controls and Procedures

In response to adoption of the Sarbanes-Oxley Act of 2002, Sprint formalized its disclosure controls and procedures. In connection with the preparation of this Form 10-Q and as of September 30, 2003, Sprint's Chief Executive Officer and Chief Financial Officer directed Sprint's internal auditors to update their review of the effectiveness of these disclosure controls and procedures and report their conclusions. The Chief Executive Officer and Chief Financial Officer also met with other members of management, members of the financial accounting and legal departments, and Sprint's independent auditors to discuss and evaluate Sprint's disclosures and the effectiveness of the disclosure controls and procedures. Based on these discussions and the report of the internal auditors, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of the disclosure controls and procedures were effective and enabled Sprint to disclose all material financial and non-financial information affecting its businesses as required by the rules governing this report. No changes were made in Sprint's internal controls over financial reporting during the third quarter that have materially affected or are reasonably likely to materially affect Sprint's financial reporting.

PART II. - Other Information

Item 1. Legal Proceedings

Sprint reported in its Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, that the Inspector General of the General Services Administration (GSA) had recommended that the GSA Debarment Official consider whether to initiate debarment proceedings against Sprint following a billing error related to Sprint's FTS 2001 contract with the GSA. In October 2003, the GSA's Debarment Official decided, based on a review of the record, not to initiate debarment proceedings against Sprint.

In October 2003, the settlements in the derivative action and the securities class action reported by Sprint in its Quarterly Report on Form 10-Q for the quarter ended March 31, 2003, were each preliminarily approved by the court in which each case is pending. Final approval hearings in both cases have been set for December 16, 2003.

The three putative class action lawsuits alleging ERISA violations, filed by participants in the Sprint Retirement Savings Plan and the Centel Retirement Savings Plan for Bargaining Unit Employees and reported by Sprint in its Form 10-Q for the quarter ended June 30, 2003, have been consolidated in the U.S. District Court for the District of Kansas for all purposes. Plaintiffs seek to recover any decline in the value of their FON and PCS stock during the class period.

Various other suits, proceedings and claims, including purported class actions, typical for a business enterprise, are pending against Sprint.

While it is not possible to determine the ultimate disposition of each of these proceedings and whether they will be resolved consistent with Sprint's beliefs, Sprint expects the outcome of such proceedings, individually or in the aggregate, will not have a material adverse effect on the financial condition or results of operations of Sprint, the FON Group or the PCS Group.

Item 2. Changes in Securities

Bylaw Amendment

On August 12, 2003, the Sprint Board of Directors amended Sprint's Bylaws to provide that the Kansas Control Share Acquisition Act does not apply to acquisitions of Sprint stock. Article II, Section 5. The Kansas Control Share Acquisition Act provides that a person loses the right to vote shares of a publicly traded Kansas corporation acquired in a transaction resulting in beneficial ownership of voting stock in excess of certain thresholds (20%, 33 1/3% and 50% of the voting power of the corporation) unless the acquisition is approved by the shareholders of the corporation. By opting out of this Act, shares of Sprint stock acquired in a transaction resulting in beneficial ownership of voting stock in excess of one of these thresholds would retain their voting rights without shareholder approval.

Sale of Unregistered Equity Securities

In September 2003, Sprint issued to Len Lauer, Sprint's new President and Chief Operating Officer, 50,000 restricted stock units relating to shares of FON Stock and 50,000 restricted stock units relating to shares of PCS Stock. The restricted stock units were granted to Mr. Lauer in connection with his promotion to President and Chief Operating Officer as part of his long-term incentive compensation. Each restricted stock unit represents the right to one share of common stock once the unit vests. The restricted stock units also include dividend equivalent rights, which means that, when Sprint pays a dividend on the stock represented by the units, Mr. Lauer is entitled to additional shares of the stock when the units vest. The units vest at various times beginning in 2006 and ending in 2008.

Neither the units nor the common stock issuable once the units vest were registered under the Securities Act of 1933. The issuance of the restricted stock units was exempt from registration under the Securities Act in reliance on the exemption provided by Section 4(2) of the Securities Act because the restricted stock units were issued in a transaction not involving a public offering. Sprint may in the future register the resale of the shares of stock to be received by Mr. Lauer once the units vest.

Item 3. Defaults Upon Senior Securities

There were no reportable events during the quarter ended September 30, 2003.

Item 4. Submission of Matters to a Vote of Security Holders

There were no reportable events during the quarter ended September 30, 2003.

Item 5. Other Information

Ratios of Earnings to Fixed Charges

Sprint's earnings, as adjusted, were inadequate to cover fixed charges by $777 million in the 2003 third quarter and by $633 million in the year-to-date period. Sprint's ratio of earnings to fixed charges was 1.45 in the 2002 third quarter and 1.30 in the 2002 year-to-date period. The ratio of earnings to fixed charges was computed by dividing fixed charges into the sum of earnings, after certain adjustments, and fixed charges. Earnings include income or loss from continuing operations before income taxes plus net losses in equity method investees, less capitalized interest. Fixed charges include interest on all debt of continuing operations, including amortization of debt issuance costs, and the interest component of operating rents.

Item 6. Exhibits and Reports on Form 8-K

(a) The following exhibits are filed as part of this report:

(3) Articles of Incorporation and Bylaws:

(a) Articles of Incorporation, as amended (filed as Exhibit 3.1 to Amendment No. 5 to Sprint Corporation's Registration Statement on Form 8-A relating to Sprint's Series 1 FON Common Stock, filed May 22, 2003, and incorporated herein by reference).

(b) Bylaws, as amended.

(4) Instruments defining the Rights of Sprint's Security Holders:

(a) The rights of Sprint's equity security holders are defined in the Fifth, Sixth, Seventh and Eighth Articles of Sprint's Articles of Incorporation. See Exhibit 3(a).

(b) Provision regarding Kansas Control Share Acquisition Act is in Article II, Section 5 of the Bylaws. Provisions regarding Stockholders' Meetings are set forth in Article III of the Bylaws. Provisions regarding the Capital Stock Committee are set forth in Article IV, Section 12 of the Bylaws. See Exhibit 3(b).

(c) Amended and Restated Rights Agreement dated as of November 23, 1998, between Sprint Corporation and UMB Bank, n.a. (filed as Exhibit 4.1 to Amendment No. 1 to Sprint Corporation's Registration Statement on Form 8-A relating to Sprint's PCS Group Rights, filed November 25, 1998, and incorporated herein by reference).

(d) Amendment dated March 28, 2003, to Amended and Restated Rights Agreement between the Registrant and UMB, n.a., as Rights Agent (filed as Exhibit 4.2 to Amendment No. 3 to Sprint Corporation's Registration Statement on Form 8-A relating to Sprint's PCS Group Rights, filed April 2, 2003, and incorporated herein by reference).

(e) Amended and Restated Standstill Agreement dated November 23, 1998, by and among Sprint Corporation, France Telecom and Deutsche Telekom AG (filed as Exhibit 4E to Post-Effective Amendment No. 2 to Sprint Corporation's Registration Statement on Form S-3 (No. 33-58488) and incorporated herein by reference), as amended by the Master Transfer Agreement dated January 21, 2000 between and among France Telecom, Deutsche Telekom AG, NAB Nordamerika Beteiligungs Holding GmbH, Atlas Telecommunications, S.A., Sprint Corporation, Sprint Global Venture, Inc. and the JV Entities set forth

in Schedule II thereto (filed as Exhibit 2 to Sprint Corporation's Current Report on Form 8-K dated January 26, 2000 and incorporated herein by reference).

(f) Tracking Stock Policies of Sprint Corporation, as amended (filed as Exhibit 4(c) to Sprint Corporation's Annual Report on Form 10-K/A for the year ended December 31, 2001 and incorporated herein by reference).

(12) Computation of Ratios of Earnings to Fixed Charges

(31) (a) Certification of Chief Executive Officer Pursuant to Securities Exchange Act of 1934 Rule 13a-14(a).

(b) Certification of Chief Financial Officer Pursuant to Securities Exchange Act of 1934 Rule 13a-14(a).

(32) (a) Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Sprint will furnish to the Securities and Exchange Commission, upon request, a copy of the instruments defining the rights of holders of long-term debt that does not exceed 10% of the total assets of Sprint.

(b) Reports on Form 8-K

Sprint filed a Current Report on Form 8-K dated July 28, 2003, in which it reported that it announced second quarter 2003 results. The news release regarding second quarter 2003 results, which was furnished as an exhibit to the Current Report, included the following financial information:

Sprint Corporation Consolidated Statements of Operations
Sprint Corporation Consolidated Balance Sheets
Sprint Corporation Condensed Consolidated Cash Flow Information
Sprint Corporation Reconciliation of Non-GAAP Liquidity Measures
Sprint Corporation FON Group Operating Statistics
Sprint Corporation PCS Group Operating Statistics

Sprint filed a Current Report on Form 8-K dated September 10, 2003 in which it reported that it had announced the appointment of Len Lauer as President and Chief Operating Officer of Sprint.

Sprint filed a Current Report on Form 8-K dated October 14, 2003 in which it reported that the Audit Committee of its Board of Directors had determined that Sprint's independent auditor, Ernst and Young LLP, would be replaced by KPMG LLP as the independent auditor for Sprint for the year ending December 31, 2004. Ernst and Young will continue as Sprint's independent auditor for the year ending December 31, 2003.

Sprint filed a Current Report on Form 8-K dated October 23, 2003, in which it reported that it announced third quarter 2003 results. The news release regarding third quarter 2003 results, which was furnished as an exhibit to the Current Report, included the following financial information:

Sprint Corporation Consolidated Statements of Operations
Sprint Corporation Consolidated Balance Sheets
Sprint Corporation Condensed Consolidated Cash Flow Information
Sprint Corporation Reconciliation of Non-GAAP Liquidity Measures
Sprint Corporation FON Group Operating Statistics
Sprint Corporation PCS Group Operating Statistics

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SPRINT CORPORATION
(Registrant)

By /s/ John P. Meyer

John P. Meyer
Senior Vice President -- Controller
Principal Accounting Officer

Dated: November 10, 2003