

AT&T INC.
Form 8-K
July 21, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

Date of report (Date of earliest event reported) July 21, 2011

AT&T INC.
(Exact Name of Registrant as Specified in Charter)

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| Delaware (State or Other Jurisdiction of Incorporation) | 1-8610 (Commission File Number) | 43-1301883 (IRS Employer Identification No.) |
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| 208 S. Akard St., Dallas, Texas (Address of Principal Executive Offices) | 75202 (Zip Code) |
|---|---------------------|

Registrant's telephone number, including area code (210) 821-4105

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240-14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 8.01 Other Events.

Throughout this document, AT&T Inc. is referred to as “we” or “AT&T.” We are a holding company whose subsidiaries and affiliates operate in the communications services industry. Our subsidiaries and affiliates provide wireless and wireline telecommunications services and equipment, and directory advertising both domestically and worldwide.

We announced on July 21, 2011 that second-quarter 2011 net income attributable to AT&T totaled \$3.6 billion, or \$0.60 per diluted share. These results compare with reported net income attributable to AT&T of \$4.0 billion, or \$0.67 per diluted share, in the second quarter of 2010, including a one-time gain of \$0.07 from a Telmex Internacional stock transaction.

On a reported basis, our second-quarter 2011 revenues were \$31.5 billion, up \$687 million from the second-quarter 2010. Second quarter 2011 revenues reflected strong wireless subscriber gains, growth in wireless data services and growth in IP-related services, which were partially offset by declines in wireline voice and print advertising. Compared with results for the second quarter of 2010, operating expenses were \$25.3 billion versus \$24.7 billion; operating income was \$6.2 billion, up from \$6.1 billion; and AT&T's operating income margin was 19.6 percent, compared to 19.7 percent. Led by increased wireless demand, AT&T now expects capital expenditures to be in the \$20 billion range for the full year 2011.

AT&T Mobility's reported service revenues for the second-quarter 2011 were \$14.2 billion, up 7.4 percent versus the year-ago quarter. The increase in revenues reflected an increase in net customers and continued strong growth in data revenues.

AT&T Mobility recorded a net gain of 1.1 million wireless customers in the second quarter of 2011, bringing AT&T's wireless customer base to 98.6 million at June 30, 2011, compared to 90.1 million at June 30, 2010. The subscriber increase reflects continued demand for advanced handsets, an increase in prepaid subscribers, as well as continued growth of data-centric devices such as eReaders, tablets, security systems, fleet management systems and a host of other products. During the second quarter, net adds for connected devices on AT&T's wireless network were 379,000, postpaid subscriber net adds were 331,000, reseller net adds were 248,000 and prepaid net adds were 137,000. For the quarter, average revenue per postpaid subscriber increased 2.0 percent versus the year-earlier quarter due to strong growth in data. Average revenue per total subscriber declined slightly, reflecting the continued growth of data-centric devices.

Second quarter smartphone activations were 5.6 million, including iPhone activations of 3.6 million in the second quarter of 2011 compared to 3.6 million iPhone activations in the first quarter of 2011. Branded computing subscribers, a new growth area for AT&T that includes tablets, aircards, Mi-Fi devices, tethering plans and other data-only devices, totaled 4.0 million, a gain of 545,000 in the second quarter of 2011. Branded computing subscribers are reflected in prepaid and postpaid subscriber totals. Tablet subscribers, including iPad- and Android-based devices, increased 377,000; about 70% of these were reflected in prepaid subscriber totals with the remainder in postpaid.

Total customer churn was 1.43 percent versus 1.29 percent in the second quarter of 2010 and 1.36 percent in the first quarter of 2011. Postpaid churn was 1.15 percent, compared to 1.01 percent in the year-ago second quarter and 1.18 percent in the first quarter of 2011. Churn from iPhone subscribers declined slightly from the first quarter of 2011.

Second-quarter 2011 reported wireless operating expenses totaled \$11.4 billion, up 12.5 percent versus the second quarter of 2010, reflecting strong smartphone activations, higher customer upgrade levels and expenses relating to the transition of former Alltel and Centennial subscribers to our network. AT&T Mobility's operating income margin was 27.0 percent compared to 28.9 percent in the year-ago quarter, reflecting these expense factors, offset in part by improved operating efficiencies and further revenue growth from the company's base of high-value subscribers.

Revenues from our wireline segment were \$14.9 billion, a 3.2% decrease from the year-ago quarter. Revenues from our wireline business customers were \$9.3 billion, a decrease of 4.1 percent from the year-ago quarter, reflecting continued declines in older circuit-based data services and voice partially offset by increases in Internet-Protocol-based data services. Revenues from our wireline consumer customers were \$5.4 billion, up 0.1 percent from the second-quarter 2010, as a decline in voice revenues was more than offset by a continued increase in broadband and video revenues.

Revenue connections from our consumer customers (retail voice, high speed Internet and video) totaled 42.5 million at June 30, 2011 versus 44.3 million at June 30, 2010 and 43.1 million at March 31, 2011. At the end of the second quarter of 2011, our total switched access lines were 39.3 million compared with 46.6 million at the end of the second quarter of 2010. The decline reflects continuing economic pressures on our customers as well as increasing competition from wireless, Voice over Internet Protocol and cable providers. The number of U-verse subscribers totaled 3.4 million at the end of the second quarter of 2011, with a net gain of 202,000 subscribers in the second quarter of 2011. U-verse deployment reached 29 million living units as of June 30, 2011 and we expect to reach approximately 30 million living units across our 22-state local service area by the end of 2011. The number of U-verse voice connections (which use VoIP technology and therefore are not included in the access line total) increased by 162,000 in the quarter to reach 2.0 million.

Second-quarter wireline operating expenses totaled \$13.0 billion, down 3.1% from the year-ago quarter. AT&T's wireline operating margin was 13.1 percent, down slightly compared to 13.2 percent in the year-earlier quarter. Improved IP-based (U-verse and business data services) revenue trends and execution of cost initiatives helped to partially offset declines in traditional voice revenues.

CAUTIONARY LANGUAGE CONCERNING FORWARD-LOOKING STATEMENTS

Information set forth in this filing contains financial estimates and other forward-looking statements that are subject to risks and uncertainties. A discussion of factors that may affect future results is contained in AT&T's filings with the Securities and Exchange Commission. AT&T disclaims any obligation to update or revise statements contained in this filing based on new information or otherwise.

Item 9.01 Financial Statements and Exhibits.

The following exhibits are filed as part of this report:

(d) Exhibits

99.1 AT&T Inc. selected financial statements and operating data.

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 hereunto duly authorized.

AT&T INC.

Date: July 21, 2011

By: /s/ Paul W. Stephens
Paul W. Stephens
Senior Vice President and Controller