Consolidated Statements of Income

For the year ended December 31, (In millions, except per share amounts)	1995	1994	1993
Operating Revenues			
Local service	\$ 6,722.2	\$ 6,605.4	\$ 6,472.9
Long distance	1,039.2	1,081.2	1,134.4
Network access	3,557.5	3,447.0	3,387.2
Other	2,088.0	2,173.0	2,413.3
Total operating revenues	13,406.9	13,306.6	13,407.8
Operating Expenses			
Maintenance and support	3,069.0	3,039.7	3,194.2
Depreciation and amortization	2,566.8	2,640.6	2,534.0
Marketing and customer services	1,422.2	1,415.7	1,441.1
Taxes other than income	1,015.6	993.2	1,038.9
Selling, general and administrative	2,484.5	2,639.7	4,031.1
Other	756.6	821.5	835.2
Total operating expenses	11,314.7	11,550.4	13,074.5
Operating income	2,092.2	1,756.2	333.3
Gain on sale of stock by subsidiary [Note J]	264.1		
Other income (expense) – net	(4.9)	(43.8)	(97.0)
Interest expense	733.9	673.8	659.5
Income (loss) from long-term investments	92.9	57.7	(21.9)
Earnings (loss) before income taxes, extraordinary item			
and cumulative effect of change in accounting principle	1,710.4	1,096.3	(445.1)
Income taxes	640.9	303.7	(172.7)
Earnings (loss) before extraordinary item and cumulative			
effect of change in accounting principle	1,069.5	792.6	(272.4)
Extraordinary item for the discontinuance of regulatory	(5.5.5.)		
accounting principles, net of taxes [Note B]	(2,919.4)	_	
Cumulative effect of change in accounting for postemployment benefits, net of taxes [Note D]			(121.7)
		ф дос.	(121.7)
Net income (loss)	\$ (1,849.9)	\$ 792.6	\$ (394.1)
Earnings (loss) per share before extraordinary item and cumulative effect of change in accounting principle	\$ 2.50	\$ 1.89	\$ (.66)
Extraordinary item per share	(6.84)		
Cumulative effect per share of change in accounting principle	_	_	(.29)
Earnings (loss) per share	\$ (4.34)	\$ 1.89	\$ (.95)
Weighted average number of shares outstanding	426.5	418.8	412.7
See accompanying notes to consolidated financial statements.			

Consolidated Balance Sheets

Current assets: Cash and temporary cash investments \$93.2 \$137.5 Receivables (net of allowance of \$221.6 and \$226.7, respectively) 2,636.2 2,532.5 Inventories 141.3 173.3 Prepaid expenses 360.2 361.2 Deferred charges and other current assets 456.5 593.5 Total current assets 3,687.4 3,798.0 Property, plant and equipment – net 17,055.3 20,623.4 Long-term investments [Note F] 3,286.2 1,999.4 Deferred charges and other assets 2,191.1 3,647.2 Total Assets \$26,220.0 \$3,0068.0 Liabilities and Stockholders' Equity Current liabilities Accounts payable \$2,902.2 \$2,668.2 Short-term debt 506.6 2,128.8 Cother current liabilities 533.7 Total current liabilities 3,992.5 5,880.5 Long-term debt 9,336.9 7,784.5 Deferred income taxes 1,650.2 3,304.7 Unamortized investment tax credits 198.8 304.4 Other long-term liabilities and deferred credits 198.8 304.4 Other long-term liabilities and deferred credits 3,885.0 3,615.3 Minority interest, including a portion subject to redemption requirements [Note J] 1,077.4 567.2 Commitments and contingencies [Notes G, M, N, Q and S] Stockholders' equity: Preferred stock - St par value, 75,000,000 shares authorized Preferred stock - St par value, 750,000,000 shares authorized Preferred stock - Stries A Junior Participating - \$1 par value, 5,000,000 shares authorized Preferred stock - Stries A Junior Participating - \$1 par value, 5,000,000 shares authorized Preferred stock - Stries A Junior Participating - \$1 par value, 5,000,000 shares authorized Preferred stock - Stries A Junior Participating - \$1 par value, 5,000,000 shares authorized Preferred stock - Stries A Junior Participating - \$1 par value, 5,000,000 shares authorized Preferred stock - Stries A Junior Participating - \$1 par value, 5,000,000 shares authorized Preferred stock - Stries	December 31, (In millions, except share amounts)	1995	1994
Cash and temporary cash investments \$ 93.2 \$ 137.5 Receivables (net of allowance of \$221.6 and \$226.7, respectively) 2,636.2 2,532.5 Inventories 141.3 173.3 Prepaid expenses 360.2 361.2 Deferred charges and other current assets 456.5 593.5 Total current assets 3,687.4 3,798.0 Property, plant and equipment – net 17,035.3 20,623.4 Long-term investments [Note F] 3,286.2 1,999.4 Deferred charges and other assets 2,191.1 3,647.2 Total Assets \$ 26,220.0 \$ 30,068.0 Liabilities and Stockholders' Equity \$ 2,202.2 \$ 2,668.2 Current liabilities: Accounts payable \$ 2,902.2 \$ 2,668.2 Short-term debt 506.6 2,128.8 Other current liabilities 33.7 1,033.5 Total current liabilities 3,399.5 5,850.5 Long-term debt 9,336.9 7,784.5 Deferred income taxes 1,650.2 3,364.7 Unamortized investment tax credits 198.8<	Assets		
Receivables (net of allowance of \$221.6 and \$226.7, respectively) 2.636.2 2.532.5 Inventories	Current assets:		
Inventories	Cash and temporary cash investments	\$ 93.2	\$ 137.5
Prepaid expenses 360.2 361.2 Deferred charges and other current assets 456.5 593.5 Total current assets 3,687.4 3,798.0 Property, plant and equipment – net 17,055.3 20,623.4 Long-term investments [Note F] 3,286.2 1,999.4 Deferred charges and other assets 2,191.1 3,647.2 Total Assets \$26,220.0 \$30,068.0 Liabilities and Stockholders' Equity Current liabilities: Accounts payable \$2,902.2 \$2,668.2 Short-term debt 506.6 2,128.8 Other current liabilities 583.7 1,053.5 Total current liabilities 3,992.5 5,850.5 Long-term debt 9,336.9 7,784.5 Deferred income taxes 1,650.2 3,364.7 Unamortized investment tax credits 198.8 304.4 Other long-term liabilities and deferred credits 3,885.0 3,615.3 Minority interest, including a portion subject to redemption requirements [Note J] 1,077.4 567.2 Commitments and contingencies [Notes G, M, N, Q and S] Stockholders' equity: Preferred stock – \$1 par value, 70,000,000 shares authorized — — — — — — — — — — — — — — — — — —	Receivables (net of allowance of \$221.6 and \$226.7, respectively)	2,636.2	2,532.5
Deferred charges and other current assets 3,687.4 3,798.0	Inventories	141.3	173.3
Total current assets 3,687.4 3,798.0	Prepaid expenses	360.2	361.2
Property, plant and equipment = net	Deferred charges and other current assets	456.5	593.5
Long-term investments [Note F] 3,286.2 1,999.4 Deferred charges and other assets 2,191.1 3,647.2 Total Assets \$26,220.0 \$30,068.0 Liabilities and Stockholders' Equity Current liabilities:	Total current assets	3,687.4	3,798.0
Deferred charges and other assets	Property, plant and equipment – net	17,055.3	20,623.4
Total Assets \$26,220.0 \$30,068.0	Long-term investments [Note F]	3,286.2	1,999.4
Liabilities and Stockholders' Equity Current liabilities: Accounts payable \$ 2,902.2 \$ 2,668.2 Short-term debt 506.6 2,128.8 Other current liabilities 583.7 1,053.5 Total current liabilities 3,992.5 5,850.5 Eng-term debt 9,336.9 7,784.5 Deferred income taxes 1,650.2 3,364.7 Unamortized investment tax credits 198.8 304.4 Other long-term liabilities and deferred credits 3,885.0 3,615.3 Minority interest, including a portion subject to redemption requirements [Note J] 1,077.4 567.2 Commitments and contingencies [Notes G, M, N, Q and S] Stockholders' equity: Preferred stock - \$1 par value, 70,000,000 shares authorized Preferred stock - Series A Junior Participating - \$1 par value, 5,000,000 shares authorized 447.2 439.7 Additional paid-in capital 6,566.9 6,942.0 Retained earnings - 2,208.2 Treasury stock - (14,756,356 and 16,102,683 shares, respectively, at cost) (691.1) (644.3) Deferred compensation - LESOP Trust (343.8) (364.2) Total Stockholders' Equity 5,079.2 8,581.4 Total Liabilities and Stockholders' Equity \$26,220.0 \$30,068.0	Deferred charges and other assets	2,191.1	3,647.2
Current liabilities: Accounts payable \$ 2,902.2 \$ 2,668.2	Total Assets	\$ 26,220.0	\$ 30,068.0
Accounts payable \$ 2,902.2 \$ 2,668.2	Liabilities and Stockholders' Equity		
Short-term debt 506.6 2,128.8 Other current liabilities 583.7 1,053.5 Total current liabilities 3,992.5 5,850.5 Long-term debt 9,336.9 7,784.5 Deferred income taxes 1,650.2 3,364.7 Unamortized investment tax credits 198.8 304.4 Other long-term liabilities and deferred credits 3,885.0 3,615.3 Minority interest, including a portion subject 1,077.4 567.2 Commitments and contingencies [Notes G, M, N, Q and S] 5 567.2 Stockholders' equity: - - - Preferred stock – \$1 par value, 70,000,000 shares authorized - - - Preferred stock – Series A Junior Participating – \$1 par value, 5,000,000 shares authorized 447.2 439.7 Additional paid-in capital 6,566.9 6,942.0 Retained earnings - 2,208.2 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 <td< td=""><td>Current liabilities:</td><td></td><td></td></td<>	Current liabilities:		
Other current liabilities 583.7 1,053.5 Total current liabilities 3,992.5 5,850.5 Long-term debt 9,336.9 7,784.5 Deferred income taxes 1,650.2 3,364.7 Unamortized investment tax credits 198.8 304.4 Other long-term liabilities and deferred credits 3,885.0 3,615.3 Minority interest, including a portion subject to redemption requirements [Note J] 1,077.4 567.2 Commitments and contingencies [Notes G, M, N, Q and S] Stockholders' equity: Preferred stock – \$1 par value, 70,000,000 shares authorized — — Preferred stock – \$1 par value, 70,000,000 shares authorized — — — Preferred stock – \$1 par value, 750,000,000 shares authorized 447.2 439.7 Additional paid-in capital 6,566.9 6,942.0 Retained earnings — 2,208.2 Treasury stock – (14,756,356 and 16,102,683 shares, respectively, at cost) (591.1) (644.3) Deferred compensation – LESOP Trust (343.8) (364.2) Total Stockholders' Equity 6,079.2 8,581.4 Total Liabilities and Stockholders' Equ	Accounts payable	\$ 2,902.2	\$ 2,668.2
Total current liabilities	Short-term debt	506.6	2,128.8
Long-term debt	Other current liabilities	583.7	1,053.5
Deferred income taxes Unamortized investment tax credits 198.8 304.4 Other long-term liabilities and deferred credits 3,885.0 3,615.3 Minority interest, including a portion subject to redemption requirements [Note J] 1,077.4 Commitments and contingencies [Notes G, M, N, Q and S] Stockholders' equity: Preferred stock – \$1 par value, 70,000,000 shares authorized Preferred stock – Series A Junior Participating – \$1 par value, 5,000,000 shares authorized Common stock – \$1 par value, 750,000,000 shares authorized 447.2 Additional paid-in capital 6,566.9 6,942.0 Retained earnings	Total current liabilities	3,992.5	5,850.5
Unamortized investment tax credits Other long-term liabilities and deferred credits 3,885.0 3,615.3 Minority interest, including a portion subject to redemption requirements [Note J] Commitments and contingencies [Notes G, M, N, Q and S] Stockholders' equity: Preferred stock – \$1 par value, 70,000,000 shares authorized Preferred stock – Series A Junior Participating – \$1 par value, 5,000,000 shares authorized Common stock – \$1 par value, 750,000,000 shares authorized 447.2 Common stock – \$1 par value, 750,000,000 shares authorized Additional paid-in capital Retained earnings Treasury stock – (14,756,356 and 16,102,683 shares, respectively, at cost) Deferred compensation – LESOP Trust (591.1) Cettal Stockholders' Equity \$26,220.0 \$30,068.0	Long-term debt	9,336.9	7,784.5
Other long-term liabilities and deferred credits Minority interest, including a portion subject to redemption requirements [Note J] Commitments and contingencies [Notes G, M, N, Q and S] Stockholders' equity: Preferred stock – \$1 par value, 70,000,000 shares authorized Preferred stock – Series A Junior Participating – \$1 par value, 5,000,000 shares authorized Common stock – \$1 par value, 750,000,000 shares authorized Additional paid-in capital Retained earnings Treasury stock – (14,756,356 and 16,102,683 shares, respectively, at cost) Deferred compensation – LESOP Trust Total Stockholders' Equity \$26,220.0 \$3,615.3 3,615.3 3,615.3 3,615.3 3,615.3 1,077.4 567.2 — — — — — — — — — — — — — — — — — —	Deferred income taxes	1,650.2	3,364.7
Minority interest, including a portion subject to redemption requirements [Note J] Commitments and contingencies [Notes G, M, N, Q and S] Stockholders' equity: Preferred stock – \$1 par value, 70,000,000 shares authorized Preferred stock – Series A Junior Participating – \$1 par value, 5,000,000 shares authorized Common stock – \$1 par value, 750,000,000 shares authorized Additional paid-in capital Retained earnings Treasury stock – (14,756,356 and 16,102,683 shares, respectively, at cost) Deferred compensation – LESOP Trust Total Stockholders' Equity 5,072.4 1,077.4 567.2 1,077.4 567.2 430.7 (591.1) (644.3) (644.3) (644.3) (644.3) (644.3) (644.3) (644.3) (644.3) (644.3) (707.4) 1,077.4 567.2	Unamortized investment tax credits	198.8	304.4
to redemption requirements [Note J] Commitments and contingencies [Notes G, M, N, Q and S] Stockholders' equity: Preferred stock – \$1 par value, 70,000,000 shares authorized Preferred stock – Series A Junior Participating – \$1 par value, 5,000,000 shares authorized Common stock – \$1 par value, 750,000,000 shares authorized Additional paid-in capital Retained earnings Treasury stock – (14,756,356 and 16,102,683 shares, respectively, at cost) Deferred compensation – LESOP Trust Total Stockholders' Equity \$26,220.0 \$30,068.0	Other long-term liabilities and deferred credits	3,885.0	3,615.3
Stockholders' equity: Preferred stock – \$1 par value, 70,000,000 shares authorized Preferred stock – Series A Junior Participating – \$1 par value, 5,000,000 shares authorized ————————————————————————————————————		1,077.4	567.2
Preferred stock – \$1 par value, 70,000,000 shares authorized Preferred stock – Series A Junior Participating – \$1 par value, 5,000,000 shares authorized Common stock – \$1 par value, 750,000,000 shares authorized Additional paid-in capital Retained earnings Treasury stock – (14,756,356 and 16,102,683 shares, respectively, at cost) Deferred compensation – LESOP Trust Total Stockholders' Equity \$26,220.0 \$30,068.0	Commitments and contingencies [Notes G, M, N, Q and S]		
Preferred stock – \$1 par value, 70,000,000 shares authorized Preferred stock – Series A Junior Participating – \$1 par value, 5,000,000 shares authorized Common stock – \$1 par value, 750,000,000 shares authorized Additional paid-in capital Retained earnings Treasury stock – (14,756,356 and 16,102,683 shares, respectively, at cost) Deferred compensation – LESOP Trust Total Stockholders' Equity \$26,220.0 \$30,068.0	Stockholders' equity:		
Preferred stock – Series A Junior Participating – \$1 par value, 5,000,000 shares authorized Common stock – \$1 par value, 750,000,000 shares authorized Additional paid-in capital Retained earnings Treasury stock – (14,756,356 and 16,102,683 shares, respectively, at cost) Deferred compensation – LESOP Trust Total Stockholders' Equity Preferred stock – \$1 par value, 750,000,000 shares authorized 447.2 439.7 6,942.0 (591.1) (644.3) (343.8) (364.2) Total Stockholders' Equity \$26,220.0 \$30,068.0		_	_
Additional paid-in capital 6,566.9 6,942.0 Retained earnings — 2,208.2 Treasury stock — (14,756,356 and 16,102,683 shares, respectively, at cost) (591.1) (644.3) Deferred compensation — LESOP Trust (343.8) (364.2) Total Stockholders' Equity 6,079.2 8,581.4 Total Liabilities and Stockholders' Equity \$ 26,220.0 \$ 30,068.0	Preferred stock - Series A Junior Participating - \$1 par value,	_	_
Retained earnings — 2,208.2 Treasury stock – (14,756,356 and 16,102,683 shares, respectively, at cost) (591.1) (644.3) Deferred compensation – LESOP Trust (343.8) (364.2) Total Stockholders' Equity 6,079.2 8,581.4 Total Liabilities and Stockholders' Equity \$ 26,220.0 \$ 30,068.0	Common stock - \$1 par value, 750,000,000 shares authorized	447.2	439.7
Treasury stock - (14,756,356 and 16,102,683 shares, respectively, at cost) (591.1) (644.3) Deferred compensation - LESOP Trust (343.8) (364.2) Total Stockholders' Equity 6,079.2 8,581.4 Total Liabilities and Stockholders' Equity \$ 26,220.0 \$ 30,068.0	Additional paid-in capital	6,566.9	6,942.0
respectively, at cost) (591.1) (644.3) Deferred compensation – LESOP Trust (343.8) (364.2) Total Stockholders' Equity 6,079.2 8,581.4 Total Liabilities and Stockholders' Equity \$ 26,220.0 \$ 30,068.0	Retained earnings	_	2,208.2
Deferred compensation – LESOP Trust(343.8)(364.2)Total Stockholders' Equity6,079.28,581.4Total Liabilities and Stockholders' Equity\$ 26,220.0\$ 30,068.0		(504.4)	(644.3)
Total Stockholders' Equity 6,079.2 8,581.4 Total Liabilities and Stockholders' Equity \$26,220.0 \$30,068.0			` ′
Total Liabilities and Stockholders' Equity \$26,220.0 \$30,068.0			
	- · ·		
		\$ 26,220.0	\$ 30,068.0

Consolidated Statements of Changes in Stockholders' Equity

(In millions)	Common Shares	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Deferred Compensation LESOP Trust	Total Stockholders' Equity
Balance, December 31, 1992	214.2	\$ 214.2	\$ 6,520.0	\$ 3,958.7	\$ (572.9)	\$ (396.3)	\$ 9,723.7
Employee benefit and dividend							
reinvestment plans	2.3	2.3	100.3	_	(67.0)	16.0	51.6
Stock split [Note K]	214.6	214.6	_	(206.4)	(8.2)	_	_
Dividends							
(\$2.36 per common share)	_	_	_	(974.8)	_	_	(974.8)
Other	_	_	4.2	4.9	_	_	9.1
Net loss	_	_	_	(394.1)	_	_	(394.1)
Balance, December 31, 1993	431.1	\$ 431.1	\$ 6,624.5	\$ 2,388.3	\$ (648.1)	\$ (380.3)	\$ 8,415.5
Employee benefit and dividend	9.6	9.6	217.4		2.0	16.1	245.0
reinvestment plans	8.6	8.6	317.4	_	3.8	16.1	345.9
Dividends (\$2.36 per common share)				(993.0)	_	_	(993.0)
Other	_	_	.1	20.3	_	_	20.4
Net income	_		_	792.6	_	_	792.6
Balance, December 31, 1994	439.7	\$ 439.7	\$ 6,942.0	\$ 2,208.2	\$ (644.3)	\$ (364.2)	\$ 8,581.4
Employee benefit and dividend							
reinvestment plans	7.1	7.1	273.5	_	53.4	20.4	354.4
Dividends [Note K]							
(\$2.36 per common share)	_	_	(674.4)	(337.1)	_	_	(1,011.5)
Other	.4	.4	25.8	(21.2)	(.2)	_	4.8
Net loss				(1,849.9)			(1,849.9)
Balance, December 31, 1995	447.2	\$ 447.2	\$ 6,566.9	\$ —	\$ (591.1)	\$ (343.8)	\$ 6,079.2

At December 31, 1995, there were 894,833 stockholders of record of common shares.

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

For the year ended December 31, (In millions)	1995	1994	1993
Cash Flows from Operating Activities:*			
Net income (loss)	\$ (1,849.9)	\$ 792.6	\$ (394.1)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Extraordinary item, net of taxes	2,919.4		_
Depreciation and amortization	2,566.8	2,640.6	2,534.0
Amortization of unearned lease income - net	(92.1)	(82.0)	(91.7)
Deferred income taxes – net	156.8	(160.2)	(671.1)
Deferred tax credits – net	(42.0)	(49.8)	(59.7)
Gain on sale of stock by subsidiary	(264.1)		_
Changes in operating assets and liabilities:			
Receivables	(212.6)	(93.4)	(56.9)
Inventories	25.9	(4.1)	17.3
Prepaid expenses	(12.3)	(55.0)	14.8
Deferred charges and other current assets	118.3	255.9	(303.7)
Accounts payable	359.4	(190.2)	284.4
Other current liabilities	(257.8)	290.2	(47.7)
Other – net	232.0	355.1	2,424.6
Total adjustments	5,497.7	2,907.1	4,044.3
Net cash provided by operating activities	3,647.8	3,699.7	3,650.2
Cash Flows from Investing Activities:			
Capital expenditures	(3,188.1)	(3,012.2)	(2,717.2)
Investment in leased assets	(245.4)	(173.8)	(241.5)
Cash received from leasing activities	85.9	67.0	57.7
Other investing activities – net	(518.3)	(43.6)	(1,349.5)
Net cash used in investing activities	(3,865.9)	(3,162.6)	(4,250.5)
	(5,555.5)	(5,102.0)	(1,200.0)
Cash Flows from Financing Activities:	12.040.2	19 220 0	14 420 6
Issuance of commercial paper and short-term debt	13,940.3	18,230.0	14,438.6
Repayment of commercial paper and short-term debt	(13,981.2)	(19,905.6)	(11,985.6)
Issuance of long-term debt	136.4	1,556.2	2,410.9
Repayment of long-term debt and capital leases	(144.5)	(127.9)	(141.3)
Debt refinancing and call premiums	200.7	212.2	(3,120.3)
Issuance of common stock	222.7	213.2	98.3
Purchase of treasury stock	(200.4)	(992 5)	(92.3)
Dividends paid	(899.4)	(882.5)	(944.1)
Minority interest	289.2	359.2	5.0
Proceeds from sale of stock by subsidiary – net	610.3		
Net cash provided by (used in) financing activities	173.8	(557.4)	669.2
Net (decrease) increase in Cash and temporary cash investments	(44.3)	(20.3)	68.9
Cash and temporary cash investments at beginning of year	137.5	157.8	88.9
Cash and temporary cash investments at end of year	\$ 93.2	\$ 137.5	\$ 157.8
Excludes non-cash effects of deconsolidation of cellular subsidiary in 1995. (See Note F.)			

^{*} Excludes non-cash effects of deconsolidation of cellular subsidiary in 1995. (See Note F.)