

# AT&T, TeliaSonera earnings delight

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It may have been tumultuous, but it's been a profitable quarter too for most telecommunications companies on both sides of the Atlantic.

On Tuesday U.S. behemoth AT&T announced that its profit soared 63 percent in its first quarter since being bought by SBC Communications, while its revenue increased by 54 percent. For the first quarter ended March 31 the company said net income reached \$1.4 billion, while revenue increased to \$15.8 billion.

SBC had completed its buyout of AT&T last November, even though the San Antonio-based company decided to keep the name of its better-known rival for the combined company.

"Immediately after the SBC/AT&T merger closed in November, we started the process of combining operations, and we've made good progress. At this point, detailed network transition plans are in place, our front-line enterprise sales force consolidation is complete, and we are now able to sell our high-end enterprise portfolio to the small- and medium-business space. We are very much on track to achieve our previously announced merger synergies of \$600 million to \$800 million this year, growing to approximately \$2 billion next year," said Edward Whitacre, chairman and chief executive of the company.

Moreover, the company will be buying out BellSouth, assuming that government regulators will allow the deal to go through and make it the single-largest carrier in the United States.

"To further expand our opportunities, in early March, we agreed to merge with BellSouth," Whitacre said. "This combination will benefit customers and create value for the shareowners of both companies. The new company will have 100-percent ownership of Cingular Wireless, a single brand, a stronger platform for next-generation services and an improved financial outlook for the years ahead. And the timing is right, as we move to a single broadband backbone and a future of converged services," he added.

Mergers have also been profitable for telecommunications companies on the other side of the Atlantic too, as demonstrated by the latest earnings results from TeliaSonera. The Scandinavian group reported earlier this week that its net profit for the first quarter jumped up 20 percent from a year ago, as the merger between Finland's Sonera and Sweden's Telia is finally beginning to pay off. In fact, the company said it would start to pay an extra annual dividend to reflect the recent gains.

Still, there are exceptions to the rule, as Sprint Nextel's earnings have shown. Sprint bought out Nextel Communications last August, and the

company reported Wednesday that its net income fell to \$417 million from \$470 million in the latest quarter. The company added only 1.3 million subscribers, short of most analysts' expectations of a net gain of 1.4 million users. At the same time, the company reported that average monthly use by customers who pay monthly bills fell 3 percent from a year ago to \$62.

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