

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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BELLSOUTH CORP

CIK: **732713** | IRS No.: **581533433** | State of Incorpor.: **GA** | Fiscal Year End: **1231**
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Business Address
1155 PEACHTREE ST NE
ATLANTA GA 30367
4042492000

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 1994

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 1-8607

BELLSOUTH CORPORATION

(Exact name of registrant as specified in its charter)

Georgia

(State of

Incorporation)

58-1533433

(I.R.S. Employer

Identification Number)

1155 Peachtree Street, N. E., Atlanta, Georgia 30367-6000

(Address of principal executive offices) (Zip Code)

Registrant's telephone number 404 249-2000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

At May 10, 1994, a total of 496,172,523 common shares were outstanding.

PART I - FINANCIAL INFORMATION

BELLSOUTH CORPORATION

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(In Millions, Except Per Share Amounts)

	For the Three Months Ended March 31,	
	1994	1993
Operating Revenues:		(Restated)
Network and Related Services		
Local service	\$1,679.7	\$1,618.4
Interstate access	802.4	749.4
Intrastate access	230.1	215.5
Toll	300.2	305.1
Directory advertising and publishing	344.8	329.9
Wireless communications	453.9	352.6
Other services	313.2	262.8
Total Operating Revenues	4,124.3	3,833.7
Operating Expenses:		
Cost of services and products	1,492.3	1,490.8
Depreciation and amortization	798.4	767.6
Selling, general and administrative	821.4	771.2
Total Operating Expenses	3,112.1	3,029.6
Operating Income	1,012.2	804.1
Interest Expense	164.9	180.0
Other Income, net	59.5	8.9
Income Before Income Taxes and Cumulative Effect of Change in Accounting Principle	906.8	633.0
Provision for Income Taxes	321.5	221.8
Income Before Cumulative Effect of Change in Accounting Principle	585.3	411.2
Cumulative Effect of Change in Accounting Principle, net of tax	-	(67.4)
Net Income	\$ 585.3	\$ 343.8
Weighted Average Common Shares Outstanding	496.5	495.4

Dividends Declared Per Common Share	\$.69	\$.69
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Earnings Per Share:

Income Before Cumulative Effect of Change in Accounting Principle	\$ 1.18	\$.83
Cumulative Effect of Change in Accounting Principle, net of tax	-	(.14)
Net Income	\$ 1.18	\$.69

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

BELLSOUTH CORPORATION
CONSOLIDATED BALANCE SHEETS
(In Millions)

	March 31, 1994 (Unaudited)	December 31, 1993
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 597.3	\$ 501.5
Temporary cash investments	33.4	49.0
Accounts receivable, net of allowance for uncollectibles of \$148.6 and \$149.6	2,708.9	2,985.2
Material and supplies	415.5	418.7
Other current assets	454.4	364.6
	4,209.5	4,319.0
Investments and Advances	2,432.5	2,039.4
Property, Plant and Equipment, net	24,634.1	24,667.8
Deferred Charges and Other Assets	541.3	512.2
Intangible Assets, net	1,328.7	1,334.9
Total Assets	\$33,146.1	\$32,873.3
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Debt maturing within one year	\$ 1,644.6	\$ 1,838.6
Accounts payable	981.6	979.0
Other current liabilities	2,908.7	2,943.8
	5,534.9	5,761.4
Long-Term Debt	7,498.9	7,380.7
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	3,531.0	3,465.3
Unamortized investment tax credits	498.6	515.9
Other liabilities and deferred credits	2,300.7	2,255.8

	6,330.3	6,237.0
Shareholders' Equity:		
Common stock, \$1 par value	502.4	501.6
Paid-in capital	8,065.2	8,009.4
Retained earnings	6,165.2	5,919.3
Shares held in trust	(336.2)	(292.6)
Guarantee of ESOP debt	(614.6)	(643.5)
	13,782.0	13,494.2
Total Liabilities & Shareholders' Equity	\$33,146.1	\$32,873.3

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

BELLSOUTH CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In Millions)

	For the Three Months Ended March 31,	
	1994	1993 (Restated)
Cash Flows from Operating Activities:		
Net income.....	\$ 585.3	\$ 343.8
Adjustments to net income:		
Depreciation.....	785.0	751.7
Amortization of intangibles.....	13.4	15.9
Dividends received from unconsolidated affiliates.....	30.4	43.2
Losses/(earnings) of unconsolidated affiliates.....	15.1	(6.8)
Provision for losses on bad debts.....	44.8	50.1
Deferred income taxes and unamortized investment tax credits.....	(18.6)	(50.9)
Change in accounting principle, net of tax....	-	67.4
Gain on sale of operations.....	(70.6)	-
Allowance for funds used during construction..	(4.0)	(5.4)
Net change in accounts receivable.....	49.5	(15.7)
Net change in material and supplies.....	(23.8)	(11.7)
Net change in accounts payable and other current liabilities.....	(36.8)	(248.8)
Net change in deferred charges and other assets.....	(127.1)	(84.7)
Net change in other liabilities and deferred credits.....	135.4	18.8
Other reconciling items, net.....	(.4)	5.1
Net cash provided by operating activities..	1,377.6	872.0
Cash Flows from Investing Activities:		
Capital expenditures.....	(735.7)	(764.2)

Proceeds from disposals of property, plant and equipment.....	37.0	29.8
Proceeds from disposition of short-term investments.....	36.8	44.4
Purchase of short-term investments.....	(21.1)	(34.0)
Investment Dispositions.....	83.8	-
Investments in/advances to unconsolidated affiliates.....	(278.1)	(93.4)
Proceeds from repayment of loans and advances....	4.5	9.5
Other investing activities, net.....	.1	.2
Net cash used for investing activities.....	(872.7)	(807.7)

Cash Flows from Financing Activities:

Proceeds from short-term borrowings.....	5,561.8	3,472.2
Repayments of short-term borrowings.....	(5,739.6)	(3,283.1)
Proceeds of long-term debt.....	142.8	423.7
Repayment of long-term debt.....	(27.4)	(529.0)
Payment of capital lease obligations.....	(3.1)	(3.3)
Proceeds from issuing common and treasury shares.	2.5	20.8
Dividends paid.....	(346.1)	(274.3)
Net cash used for financing activities.....	(409.1)	(173.0)

Net Increase/(Decrease) in Cash and

Cash Equivalents.....	95.8	(108.7)
Cash and Cash Equivalents at Beginning of Period....	501.5	265.5
Cash and Cash Equivalents at End of Period.....	\$ 597.3	\$ 156.8

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

BELLSOUTH CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(In Millions, Except Per Share Amounts)

(a) Preparation of Interim Financial Statements

The consolidated financial statements of BellSouth Corporation ("BellSouth") have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain amounts have been reclassified from previous presentations. In the opinion of BellSouth, these statements include all adjustments necessary for a fair presentation of the results of all interim periods reported herein. All adjustments are of a normal recurring nature. Certain information and footnote disclosures prepared in accordance with generally accepted accounting principles have been either condensed or omitted pursuant to SEC rules and regulations. However, BellSouth believes that the disclosures made are adequate for a fair presentation of results of operations, financial position and cash flows. These consolidated financial statements should be read in conjunction with the consolidated financial statements and accompanying notes included in BellSouth's latest annual report on Form 10-K.

(b) BellSouth Corporation Consolidated Shareholders' Equity

	Common Stock	Paid-In Capital	Retained Earnings	Shares Held in Trust	Guarantee of ESOP Debt
Balance at December 31, 1993.....	\$501.6	\$8,009.4	\$5,919.3	\$(292.6)	\$(643.5)
Net income.....			585.3		
Dividends.....			(342.3)		
Shares issued in connection with various employee benefit plans...		.7			
Shares issued to grantor trusts.....	.8	42.8		(43.6)	
Reduction of ESOP debt and other related activity...			2.9		28.9
Foreign currency translation adjustment...		12.3			
Balance at March 31, 1994.....	\$502.4	\$8,065.2	\$6,165.2	\$(336.2)	\$(614.6)

BellSouth has issued shares to several grantor trusts to provide partial funding for the benefits payable under certain non-qualified benefit plans. The trusts are irrevocable and assets contributed to the trusts can only be used to pay such benefits with certain exceptions. At March 31, 1994, the assets held in the trusts consist of cash and 6,262,087 shares of BellSouth Common Stock.

The total cost of the BellSouth shares as of the date of funding the trusts is included in Common Stock and Paid-in capital; however, because the shares held in trust are not considered outstanding for financial reporting purposes, the shares are reflected separately as Shares Held in Trust, a reduction to Shareholders' Equity. Accordingly, there is no earnings per share impact.

(c) Supplemental Cash Flow Information

The following supplemental information is presented in accordance with the provisions of Statement of Financial Accounting Standards ("SFAS") No. 95, "Statement of Cash Flows":

	For the Three Months Ended March 31,	
	1994	1993
Cash paid during the period for:		
Income taxes.....	\$113.5	\$ 69.7
Interest.....	\$179.6	\$224.9

Schedule of Noncash Investing and Financing Activities:

Common shares issued in lieu of cash dividends under the Shareholder Reinvestment and Stock Purchase Plan ("DRSPP").....	\$ -	\$ 66.4
Shares issued to grantor trusts.....	\$ 43.6	\$ -

(d) SFAS No. 112, "Employers' Accounting for Postemployment Benefits"

In the fourth quarter of 1993, BellSouth adopted SFAS No. 112, "Employers' Accounting for Postemployment Benefits." The cumulative effect of the change in accounting principle was \$67.4 (\$.14 per share). Because the change in accounting was retroactive to January 1, 1993, the consolidated financial statements at March 31, 1993 and for the three months then ended have been restated to reflect the adoption of the accounting standard.

BELLSOUTH CORPORATION
 SELECTED OPERATING DATA
 (Unaudited)

Network Access Lines in Service at March 31 (In Thousands) (a):

		Percentage Gain/(Loss) for the Three Months Ended March 31,	
	1994	1994 vs. 1993	1993 vs. 1992
By Category:			
Residence	13,880.2	3.10	2.90
Business	5,479.2	6.23	5.48
Other	253.3	(2.88)	(5.64)
Total Access Lines	19,612.7	3.87	3.46
By State:			
Alabama	1,687.6	3.48	3.21
Florida	5,171.5	4.17	3.63
Georgia	3,224.4	4.65	4.75
Kentucky	1,041.3	3.00	2.92
Louisiana	1,988.6	2.68	2.08
Mississippi	1,094.8	3.52	2.52
North Carolina	1,923.7	4.39	3.41
South Carolina	1,216.1	2.95	2.61
Tennessee	2,264.7	4.07	3.95
Total Access Lines	19,612.7	3.87	3.46

	For the Three Months Ended March 31,	Percentage Gain/(Loss) for the Three Months Ended March 31,
	1994 vs.	1993 vs.

	1994	1993	1992
Access Minutes of Use (In Millions) (a) (b) :			
Interstate	14,050.8	7.94	5.55
Intrastate	4,005.6	11.39	6.74
Total	18,056.4	8.69	5.80
Toll Messages (In Millions) (a) (c)	388.6	5.83	(2.40)

(a) Prior period operating data are revised at later dates to reflect the most current information. The above information reflects the latest data available for the periods indicated.

(b) Minutes of Use are classified as either interstate or intrastate based on the percentage interstate usage factor. This factor is updated periodically.

(c) Effective in 1994, Toll Messages include messages completed under Optional Calling Plans. Prior period Toll Messages volumes have been restated to reflect this change. See "Management's Discussion and Analysis of Results of Operations and Financial Condition -- Business Volumes."

BELLSOUTH CORPORATION
SELECTED OPERATING DATA - (Continued)

Cellular and Paging Customers Served at March 31 (Equity Basis (d)):

	1994	Percentage Gain 1994 vs. 1993
Domestic Cellular.....	1,682,300	41.0
International Cellular.....	224,300	134.1
Domestic Paging.....	1,285,400	24.8

(d) Includes customers served based on BellSouth's ownership percentage in all markets served.

	For the Three Months Ended March 31, 1994	Year Ended December 31, 1993	1992	1991	1990	1989
Ratio of Earnings to Fixed Charges (e)	5.68	2.98	4.00	3.47	3.68	3.85

- (e) For the purpose of this ratio: (i) earnings have been calculated by adding income before income taxes, gross interest expense, such portion of rental expense representative of the interest factor on such rentals and equity in losses from less-than-50%-owned investments (accounted for under the equity method) less the excess of earnings over distributions from less-than-50%-owned investments (accounted for under the equity method); (ii) fixed charges are comprised of gross interest expense and such portion of rental expense representative of the interest factor on such rentals.

Sources of Revenues

Approximately 73% and 75% of BellSouth's Total Operating Revenues for the three month periods ended March 31, 1994 and 1993, respectively, and a greater portion of net income were from wireline services provided by BellSouth Telecommunications. Charges for local service, access services and toll messages for the three months ended March 31, 1994 accounted for approximately 56%, 34%, and 10%, respectively, of the wireline revenues discussed above. Revenues from wireless communications services and directory advertising and publishing services accounted for approximately 11% and 8%, respectively, of Total Operating Revenues for the three months ended March 31, 1994. The remainder of such revenues was derived principally from other nonregulated services provided by BellSouth Telecommunications.

BELLSOUTH CORPORATION

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

(Dollars in Millions, Except Per Share Amounts)

BellSouth Corporation ("BellSouth") is a holding company headquartered in Atlanta, Georgia whose operating telephone company subsidiary, BellSouth Telecommunications, Inc. ("BellSouth Telecommunications") serves, in the aggregate, approximately two-thirds of the population and one-half of the territory within Alabama, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina and Tennessee. BellSouth Telecommunications primarily provides local exchange service and toll communications services within court-defined geographic areas, called Local Access and Transport Areas ("LATAs"), and provides network access services to enable interLATA communications using the long-distance facilities of interexchange carriers. Through subsidiaries, telecommunications-related services and products are provided both inside and outside the nine-state BellSouth Telecommunications' region. BellSouth Enterprises, Inc. ("BellSouth Enterprises"), another wholly-owned subsidiary, owns businesses providing domestic and international wireless communications services and advertising and publishing products.

Results of Operations

For the Three Months	Percentage
Ended March 31,	

	1994	1993	Change
Net Income	\$585.3	\$343.8	70.2%
Earnings Per Share	\$ 1.18	\$.69	71.0%

Reported earnings for the three months ended March 31, 1994 are a BellSouth record for a quarterly period. Net Income and Earnings Per Share increased \$241.5 (70.2%) and \$.49 (71.0%), respectively, for the three month period ended March 31, 1994 when compared to the restated results for the same period in 1993. The increases were attributable to revenue growth, driven by improved business volumes, cost control efforts at BellSouth Telecommunications, including expense savings attributable to the restructuring plan implemented in 1993, a previously-disclosed \$67.5 (\$.14 per share) gain in 1994 on the sale of BellSouth's interest in the cellular telephone business in Mexico and charges in 1993 of \$67.4 (\$.14 per share) for the retroactive adoption of Statement of Financial Accounting Standards ("SFAS") No. 112, "Employers' Accounting for Postemployment Benefits," and approximately \$25 (\$.05 per share) associated with severe 1993 winter weather conditions. After adjusting both quarterly periods for the effect of these unusual items, Net Income and Earnings per share increased \$81.6 (18.7%) and \$.16 (18.2%), respectively.

Business Volumes

Growth in access lines was particularly strong. The number of access lines in service since March 31, 1993 increased by approximately 730,300, or 3.87%, to 19,612,700, compared to a 3.46% rate of increase for the same prior year period. The overall increase, led by growth in Georgia, North Carolina, Florida and Tennessee, was primarily attributable to continued economic improvement, including expanding employment in BellSouth Telecommunications' nine-state region and an increase in the number of second residential lines. The growth rates for residence and business lines of 3.10% and 6.23%, respectively, for the current quarter improved compared to growth rates of 2.90% and 5.48%, respectively, for the same period in 1993.

Access minutes of use represent the volume of traffic carried by interexchange carriers between LATAs, both interstate and intrastate, using BellSouth Telecommunications' local facilities. Total access minutes of use increased by 1,443.5 million (8.69%) for the three month period ended March 31, 1994, a significant improvement over the 5.80% increase for the same period last year. The increase in access minutes of use was partially attributable to access line growth and also to intraLATA toll competition, which has the effect of increasing access minutes of use while reducing toll messages carried over BellSouth Telecommunications' facilities. The growth rate in total minutes of use continues to be negatively impacted by the effects of bypass and the migration of interexchange carriers to categories of service (e.g., special access) that have a fixed charge as opposed to a volume-driven charge and to high capacity services, which causes a decrease in minutes of use.

Toll messages are comprised of Message Telecommunications Service and Wide Area

Telecommunications Service. Also, effective in 1994, toll messages include messages completed under Optional Calling Plans ("OCPs"), which provide reduced rates for toll calls within a LATA. Prior period toll messages volumes have been restated to reflect this change. Service pricing under OCPs has resulted in volume growth. Accordingly, the trend of declining toll messages volumes in prior periods has been mitigated to some extent by the inclusion of messages completed under these plans.

For the three month period ended March 31, 1994, toll messages increased by 21.4 million (5.83%) compared to a restated decrease of 2.40% for the corresponding period in 1993. The improvement reflects the inclusion in both periods of the negative impact of significant expanded local area calling plans and the growth of messages completed under OCPs. Implementation of additional expanded local area calling plans in BellSouth Telecommunications' service region, coupled with competition in the intraLATA toll market, will adversely impact future toll message volumes. These plans and the effects of competition result in the transfer of calls from toll to local service and access categories, respectively, but the corresponding revenues are not generally shifted at commensurate rates.

Domestic cellular customers (equity-weighted) increased by 488,800 (41.0%) since March 31, 1993 to 1,682,300. While the rate of increase has declined since first quarter 1993, the overall penetration rate (number of customers as a percentage of the total population in the service territory) increased from 3.18% at March 31, 1993 to 4.33% at March 31, 1994. Total minutes of use have also continued to increase, although average minutes of use per cellular customer have declined from first quarter 1993 due to the trend of increased penetration into lower-user market segments.

Since March 31, 1993, the number of international cellular customers expanded to 224,300, an increase of 128,500 (134.1%). Growth in minutes of use for international cellular properties remained strong due in part to demand stimulated by competitive programs, enhanced services and underdeveloped land-line service.

Domestic paging customers increased by 255,800 (24.8%) to 1,285,400 since March 31, 1993 due to continued success of the retail distribution program and aggressive pricing strategies in the reseller market.

See "Selected Operating Data."

Operating Revenues

Total Operating Revenues increased \$290.6 (7.6%) for the three month period ended March 31, 1994 when compared to the corresponding period in 1993. The components of Total Operating Revenues, including percentage changes, were as follows:

For the Three Months		Percentage Change
Ended March 31,		
1994	1993	

Local Service	\$1,679.7	\$1,618.4	3.8%
Interstate Access	802.4	749.4	7.1%
Intrastate Access	230.1	215.5	6.8%
Toll	300.2	305.1	(1.6%)
Directory Advertising and Publishing	344.8	329.9	4.5%
Wireless Communications	453.9	352.6	28.7%
Other Services	313.2	262.8	19.2%
Total Operating Revenues	\$4,124.3	\$3,833.7	7.6%

Local Service revenues increased \$61.3 (3.8%) for the three month period ended March 31, 1994 as compared to the same period in 1993. The increase was primarily attributable to an increase in access lines in service since March 31, 1993. In addition, growth in revenues from local area calling plans, which shift revenues from Toll to Local Service, contributed to the increase for the quarter. The increase was partially offset by rate reductions, principally in Louisiana and Florida.

Interstate Access revenues increased \$53.0 (7.1%) for the three month period ended March 31, 1994 as compared to the same prior year period. The growth for the quarter was attributable to increased rates effective July 1, 1993, growth in minutes of use, increases in end user charges due primarily to access line growth and the effect of billing adjustments recorded in first quarter 1993, which reduced revenues for that period. The increase was partially offset by revenue deferrals under the Federal Communications Commission's ("FCC") price

cap plan and decreased net settlements with the National Exchange Carriers Association. Since BellSouth Telecommunications' earnings remain in the sharing range of the FCC's current price cap plan and because of other factors, it is unlikely that significant revenue growth in this category can be sustained over the long term.

Intrastate Access revenues increased \$14.6 (6.8%) for the three month period ended March 31, 1994 from the comparable 1993 period. The increase was due to growth in minutes of use, increased net settlements with independent telephone companies and the effect of billing adjustments recorded in first quarter 1993, which reduced revenues for that period. The increase was partially offset by rate reductions since March 31, 1993.

Toll revenues decreased \$4.9 (1.6%) for the three month period ended March 31, 1994 compared to the same prior year period. The decrease for the three month

period was due to rate reductions since March 31, 1993, including the impact of local area calling plans which shift revenues to Local Service, and decreased net settlements with independent telephone companies. The decrease was partially offset by growth in toll message volumes, reflecting improvements related in part to optional calling plans.

Directory Advertising and Publishing revenues increased \$14.9 (4.5%) for the three month period ended March 31, 1994 when compared to the same period in 1993. The increase was attributable to increases in the prices and volume of advertising sold for Yellow Pages directories.

Wireless Communications revenues include revenues from the consolidated wireless communications businesses (primarily cellular and paging within BellSouth Enterprises) as well as revenues from interconnections by unaffiliated cellular carriers with BellSouth Telecommunications' network. (BellSouth's interests in the net income or loss of the unconsolidated wireless businesses within BellSouth Enterprises which are accounted for under the equity method of accounting are recorded in Other Income.)

Wireless communications revenues increased \$101.3 (28.7%) for the three month period ended March 31, 1994 when compared to the same period last year. The increase was attributable to continued growth of the customer base and demand for wireless services in domestic and international markets.

Other Services revenues are principally comprised of revenues from customer premises equipment ("CPE") sales and maintenance services, billing and collection services and other nonregulated services (primarily inside wire services) offered by BellSouth Telecommunications.

Other Services revenues increased \$50.4 (19.2%) for the three month period ended March 31, 1994 when compared to the corresponding 1993 period. The increase was attributable in part to volume growth in the CPE businesses and, to a lesser extent, higher demand for voice messaging and inside wire services. In addition, reported revenues increased due to nonrecurring adjustments in certain states and the net effect of intrastate sharing accruals in both first quarter periods.

See "Business Volumes."

Operating Expenses

The components of Total Operating Expenses are Depreciation and Amortization, Cost of Services and Products and Selling, General and Administrative. Cost of Services and Products includes employee and employee-related expenses associated with network repair and maintenance, material and supplies expense, cost of tangible goods sold and other expenses associated with providing services. Selling, General and Administrative includes expenses related to sales activities such as salaries, commissions, benefits, travel, marketing and advertising expenses. For the quarter, Total Operating Expenses increased \$82.5 (2.7%) compared to the same period in 1993, the components of which were as follows:

	For the Three Months Ended March 31,		Percentage
	1994	1993	Change
Depreciation and Amortization	\$ 798.4	\$ 767.6	4.0%
Cost of Services and Products	1,492.3	1,490.8	0.1%
Selling, General and Administrative	821.4	771.2	6.5%
Other Operating Expenses	2,313.7	2,262.0	2.3%
Total Operating Expenses	\$3,112.1	\$3,029.6	2.7%

Depreciation and Amortization increased \$30.8 (4.0%) due to higher levels of property, plant and equipment since March 31, 1993 resulting from continued growth in the customer base for wireless and wireline services and continued modernization of the networks. In addition, higher depreciation rates in certain jurisdictions contributed to the increase. The effect of the expiration of inside wire and reserve deficiency amortizations partially offset the increase for the period.

Other Operating Expenses increased \$51.7 (2.3%) due primarily to increased expenses related to growth in the wireless communications customer base, including additional marketing costs associated with higher levels of sales. To a lesser extent, volume growth in the advertising and publishing and CPE businesses contributed to the increase. Other Operating Expenses in the core wireline business at BellSouth Telecommunications decreased slightly, reflecting expense savings attributable to a reduction of approximately 2,100 employees since March 31, 1993 and the inclusion of approximately \$40 of expenses related to severe weather conditions during first quarter 1993, offset by increased expenses in 1994 attributable to overtime compensation and annual compensation increases for management and craft employees. Of the overall reduction in employees at BellSouth Telecommunications, approximately 1,500 were attributable to the restructuring plan announced in the fourth quarter of 1993.

	For the Three Months Ended March 31,		Percentage
	1994	1993	Change
Interest Expense	\$164.9	\$180.0	(8.4%)
Other Income, net	59.5	8.9	568.5%

Provision for
Income Taxes

321.5

221.8

45.0%

Interest Expense decreased \$15.1 (8.4%) for the three month period as compared to the same 1993 period. The decrease was due primarily to a decline in interest rates on indebtedness, which resulted from refinancings of long-term debt at lower interest rates.

Other Income, net increased \$50.6 (568.5%) for the three months ended March 31, 1994 compared to the same period last year. The increase was due to the \$67.5 gain on sale of BellSouth's interest in the cellular telephone business in Mexico. The increase was partially offset by an overall decrease in earnings from unconsolidated affiliates due primarily to higher costs and expenses related to new and start-up operations, including the business venture with RAM Broadcasting Corporation and the cellular venture in Germany.

Provision for Income Taxes increased \$99.7 (45.0%) for the three months ended March 31, 1994 over the comparable 1993 period. The increase was due primarily to a higher level of pre-tax income and, to a lesser extent, the one percent increase in the Federal statutory income tax rate for corporations, combined with the effect of the \$7.8 transition adjustment related to the implementation of SFAS No. 109, "Accounting for Income Taxes" in first quarter 1993, which reduced tax expense for that period.

Financial Condition

BellSouth uses the net cash generated from its operations and external financing to fund capital expenditures, pay dividends and invest in and operate new business ventures. BellSouth believes that funds provided from operations, in addition to its readily available sources of external financing, will be sufficient to meet the needs of its business for the foreseeable future.

On the strength of a significant improvement in net income, BellSouth's cash flow from operations increased 58.0% to \$1,377.6 for the first three months of 1994 compared to the same period in 1993. The impact of purchases attributable to Hurricane Andrew in first quarter 1993, which reduced cash flow for that period, also contributed to the increase for the 1994 period. Expenditures for the construction and purchase of plant and equipment to support network development activities, which is BellSouth's primary use of capital funds, totaled \$735.7 during the first three months of 1994, compared to \$764.2 for the same period last year. Substantially all funds supporting construction activity were provided internally and this trend is expected to continue through 1994.

Cash used for investments in and advances to unconsolidated affiliates increased from \$93.4 in 1993 to \$278.1 in 1994. Approximately 49% of such cash in 1994 was loaned to Prime South Diversified, Inc., which indirectly wholly owns Community Cable TV, a Las Vegas cable operation managed by Prime Cable. The remainder was invested primarily in certain international cellular and other business ventures in which BellSouth has an interest.

BellSouth's first quarter 1994 dividend of \$.69 per share remained unchanged from the same period last year. Total cash dividends paid to BellSouth's common shareholders were \$346.1 during the first three months of 1994 compared to \$274.3 during the first three months of 1993. The increase was due to the use of \$66.4 of common shares, newly issued by BellSouth, during first quarter 1993 as payment in lieu of cash dividends under the Shareholder Dividend Reinvestment and Stock Purchase Plan. No such newly-issued shares were used for that purpose during first quarter 1994.

BellSouth's debt to total capitalization ratio increased from 39.0% at March 31, 1993 to 39.5% at March 31, 1994. The increase was due to a small decrease in Shareholders' Equity, attributable to the restructuring charge recorded in the fourth quarter of 1993, and a slight increase in the level of debt.

Other Matters

Restructuring of Telephone Operations

Since implementation in fourth quarter 1993 of BellSouth Telecommunications' overall plan to redesign and streamline its telephone operations by the end of 1996, the workforce has been reduced by approximately 1,500 employees, including 200 during the first quarter of 1994. In the first quarter of 1994, cash expenditures by BellSouth Telecommunications related to the ongoing implementation of the restructuring plan were approximately \$40. At March 31, 1994, the liability associated with future restructuring activities was \$1,043.

BellSouth Telecommunications expects to reduce the workforce by an additional 3,500 employees by the end of 1994 as a part of the restructuring plan. Cash expenditures of approximately \$450 are expected during the remainder of 1994 in connection with the additional workforce reductions, consolidation, elimination and centralization of certain business operations and changes to information systems used primarily to provide services to existing customers.

Investment and Business Dispositions

As previously disclosed, BellSouth disposed of its 36% interest in the cellular telephone business in Guadalajara, Mexico during the first quarter of 1994. A gain of \$67.5 (\$.14 per share) was recognized on the sale. Also, in April 1994, BellSouth Communication Systems, Inc., a wholly-owned subsidiary, disposed of its customer premises equipment sales and service operations outside the nine-state region served by BellSouth Telecommunications. These dispositions will not materially affect BellSouth's financial condition and future operating results.

Regulatory Environment

Accounting Under SFAS No. 71

BellSouth's rate regulated enterprise, BellSouth Telecommunications, continues

to account for the economic effects of regulation under SFAS No. 71, "Accounting for the Effects of Certain Types of Regulation." BellSouth, for strategic and business planning purposes, continuously monitors and evaluates the impacts of both existing and potential competitive factors. If, in BellSouth's judgment, changes in the competitive structure of the telecommunications industry dictate that it could not charge prices to customers which provide for the recovery of costs, SFAS No. 71 would no longer apply. Additionally, if BellSouth is successful in altering the existing regulatory framework and achieving price regulation, the accounting under SFAS No. 71 would be discontinued since such plans do not provide for the recovery of specific costs.

BellSouth currently believes that the existing and anticipated levels of competition still permit prices based on costs to be charged to and collected from customers. However, the rapid pace of change in the industry is making it increasingly likely that BellSouth will be required to discontinue its accounting under SFAS No. 71 in the future. If the accounting under SFAS No. 71 were to be discontinued due to the overall level of competition or to changes in regulatory frameworks, the effect on BellSouth's financial condition and results of operations would be material. Specific financial impacts would depend on the timing and magnitude of changes, both in the marketplace and in the overall regulatory framework.

Annual Access Tariff

In April 1994, the 1994 Annual Access Tariff was filed with the Federal Communications Commission with proposed access charges scheduled to become effective on July 1, 1994. The filing proposes to decrease rates by \$28 annually. BellSouth Telecommunications elected to retain a productivity offset factor of 3.3%, which has applied since July 1, 1993.

Kentucky

As a part of the objective to align the regulatory framework and processes with the increasingly competitive telecommunications environment, BellSouth Telecommunications filed with the Kentucky Public Service Commission in March 1994 a proposed price regulation plan which, if adopted, would replace the current incentive regulation plan that is scheduled to expire on May 31, 1994. Under the proposed plan, the regulatory focus would shift from the company's earnings to rates that customers pay for services. The proposal includes provisions that basic residential rates would not increase for three years, residential touchtone charges would be eliminated over a four-year period, intrastate switched access charges would be reduced to interstate levels and prices for non-basic services would be based on market factors. Hearings on the proposal are scheduled for the fall of 1994.

Louisiana

As previously disclosed, BellSouth Telecommunications filed a petition with the Louisiana Public Service Commission in January 1994 requesting a price regulation plan. In May 1994, the Louisiana Commission scheduled hearings on

the proposal for the fall of 1994.

South Carolina

Traditional rate of return regulation is currently in effect in South Carolina. However, during April 1994, legislation was enacted which would permit the South Carolina Public Service Commission to adopt alternative forms of regulation, including price regulation.

PART II -- OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

Exhibits identified in parentheses below, on file with the SEC, are incorporated herein by reference as exhibits hereto.

Exhibit
Number

- | | |
|-----|--|
| 4a | No instrument which defines the rights of holders of long and intermediate term debt of BellSouth Corporation is filed herewith pursuant to Regulation S-K, Item 601(b)(4)(iii)(A). Pursuant to this regulation, BellSouth Corporation hereby agrees to furnish a copy of any such instrument to the SEC upon request. |
| 10z | BellSouth Corporation Financial Services Plan |
| 11 | Computation of Earnings Per Common Share |
| 12 | Computation of Ratio of Earnings to Fixed Charges. (Page 9 of this Form 10-Q). |

(b) Reports on Form 8-K:

January 5, 1994 - Settlement with Florida's Office of Public Counsel

January 24, 1994 - 1993 Annual Earnings Release

February 1, 1994 - New Agreement with QVC Network, Inc.

SIGNATURE

BELLSOUTH
FINANCIAL SERVICES PLAN

EFFECTIVE 1/1/85
AMENDED 1/1/94

BELLSOUTH
FINANCIAL SERVICES PLAN

SECTION I - GENERAL

1. This Financial Services Plan is provided for the benefit of those managers who are designated by the Chief Executive Officer of BellSouth Corporation or his delegated representative to be eligible to participate in this plan.

2. The purpose of the Financial Services Plan is to provide professional assistance in carrying out personal financial goals and responsibilities in the most effective manner. By using services covered under the Plan, the manager spends less time on the details of financial matters while still meeting his/her personal financial responsibilities enabling the manager to commit more time and energy to the Company.

SECTION II - FINANCIAL PLANNING SERVICES

1. The Plan accommodates a range of financial planning services, including a full initial financial plan, an annual retainer to update the financial plan as required, or an agreement to obtain advice and assistance upon request on an hourly rate basis.

1/1/94

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2. When the eligible manager has selected a firm, he/she must notify the Company of his/her selection by completing a Request for Personal Financial Planning Service (ATTACHMENT A). A new Request must also be completed any time there is a change in the provider of financial planning services. All requests must be forwarded to Human Resources in the appropriate company. In all companies except BellSouth Telecommunications, requests should be sent to:

Financial Services Plan Coordinator
13J08 Campanile
1155 Peachtree Street, N.E.
Atlanta, GA 30367-6000

3. The services generally provided by financial planners consist of a review of Company-provided benefit and compensation plans and the provision of estate, insurance, investment, retirement, education, and income tax planning.

4. Each manager is responsible for furnishing his/her financial planner with company-provided information on plans and plan changes.

5. BellSouth does not guarantee the advice of any firm or individual selected.

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SECTION III - TAX PREPARATION SERVICES

1. Eligible managers may select any qualified professional firm or individual for income tax preparation services. This policy will enable participants to continue a previously established relationship with a professional tax consultant, CPA or recognized accounting firm.

SECTION IV - LEGAL SERVICES

1. Legal services for the preparation of wills and trusts will be covered under the Plan. Such services may be provided by any professionally qualified attorney chosen by the Participant.

SECTION V - AVAILABILITY OF SERVICES

1. Availability of these services to other than active eligible managers is covered in ATTACHMENT B.

SECTION VI - PARTICIPANT ACCOUNTS

1. The Company will establish a three-year Plan Account for each eligible manager with a specified allocation of money and a specified beginning date. (For 1994, one group of newly eligible managers will have a one-year account with a specified allocation of money [see ATTACHMENT B]).

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2. A prorated Account balance will be established for individuals who become eligible for participation after the beginning of or retire during the three-year accounting period. See ATTACHMENT B for details.

3. The funds in the Account may be used at any time during the three-year (or one-year) accounting period for financial planning, tax preparation, or legal services, as defined in the Plan.

4. The balance in a participant's Account will be reduced for expenses that are approved for reimbursement by the participant's supervisor during the three-year (or one-year) accounting period.

SECTION VII - BILLING

1. Reimbursements to the participant by the Company for Plan services are considered "wages" subject to FICA, FUTA and income tax withholding; the total reimbursement amount will be minus applicable withholdings.

The taxes are withheld at the same rate that is used for the base salary. The individual provider should provide advice to the manager on the extent that such services are tax deductible.

2. Providers of Plan services should render invoices directly to the participant, who is responsible for paying the amount due, indicating the type and dates of services provided. At companies utilizing the

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PeopleSoft personnel/payroll system, the participant will be reimbursed through submission of the expense, approved by his/her supervisor, to the payroll organization for inclusion in his/her paycheck. At other BellSouth companies, the participant will be reimbursed according to the administrative guidelines established there.

3. Retired participants should submit the original invoice, certified correct, to the retired manager's former department for voucher preparation.

SECTION VIII - OTHER ADMINISTRATIVE MATTERS

1. The Executive Vice President - Corporate Relations has the authority to interpret the Plan. The Vice Presidents - Human Resources in each company will establish rules for its administration.

2. If there are any questions on this plan, contact the Financial Services Coordinator at (404) 249-2216.

ATTACHMENTS A Through B

1/1/94

ATTACHMENT A

TO: Human Resources

RE: Request for Personal Financial Planning Service

As an employee eligible for participation in the BellSouth Financial Services Plan, I have accepted the Company's offer to compensate me for financial planning services provided under the Plan. After careful consideration, I have selected _____ (name of firm) to provide such services. I certify that this financial planner has one of the following designations: Certified Financial Planner (CFP), Chartered Financial Consultant (CFC), or Accredited Personal Finance Specialist (APFS).

I have read the plan document for the Financial Services Plan in its entirety and I understand it and all other limitations contained in it. I further understand that services provided under the Plan are completely personal and confidential and that the Company will in no way be involved with, or know of my personal affairs. Moreover, I understand that participation is voluntary and the option to rely on, to act on, or refrain from acting on, in whole or in part, any advice, recommendations or information provided by the firm, its employees or agents, is the individual and personal decision of the undersigned.

I authorize the Company to release to the firm detailed information concerning my compensation, employee benefits in which I now or will participate, and any other financial data which may have a bearing on my personal financial planning.

In consideration of BellSouth's undertaking to compensate me for fees charged by the firm for services rendered to me, I on my own behalf and on behalf of my heirs, executors or administrators do hereby release and forever discharge BellSouth and its subsidiaries, its officers, agents, assigns and their successors of and from all losses, debts, demands, actions, causes of action, suits, accounts, covenants, contracts, agreements, damages and any and all claims, law and equity attributable directly or indirectly, in whole or in part, to my acting on, failure to act on, or reliance on advice, recommendations or information furnished to me by the firm, its employees or agents.

I agree to hold BellSouth Corporation harmless and to defend the Corporation from any claim filed by the firm in relation to this program.

Name (Printed or typed)

Office Address _____

Telephone #() _____

Signature _____

Date

1/1/94

Attachment A

TO: Financial Counseling Plan Coordinator
BellSouth Corporation
1155 Peachtree Street, N.E.
Room 13J08

RE: Request for Personal Financial Planning Service

Gentlemen:

As an employee eligible for participation in the BellSouth Financial Counseling Plan, I have accepted the Company's offer to provide me with the services available under the plan. After consideration of the firms approved under the plan, I have selected _____ (name of firm) to provide the services as outlined in your brochure.

While the Company will pay your fees in connection with the preparation of financial planning reports and related counseling services, I understand that any fees or expenses other than for legal services incurred in connection with the implementation of any recommendations will be borne by me.

I understand that your services are completely personal and confidential and that the Company will in no way be involved with, or know of, my personal affairs. Moreover, I understand that the Company does not, and will not endorse any recommendations or suggestions that I may receive from you.

I authorize the Company to release to you detailed information concerning my compensation, employee benefits in which I now or will participate, and any other financial data which may have a bearing on my personal financial planning.

I understand that any fees or expenses paid by the Company for the provision of such consulting services will be reported by the Company as additional compensation and, therefore, will be subject to the various federal and state withholding requirements.

Please contact me to commence arrangements for my financial planning.

Name (Printed or typed)

Office Address _____

Telephone #() _____

Signature _____ Date

ATTACHMENT B

PRORATION SCHEDULES
FINANCIAL SERVICES PLAN

1) NEWLY ELIGIBLE MANAGERS

- Each eligible employee will be advised of the account allocation for the current three-year (or in 1994, one-year as described in Section VI, paragraph 1) Account period. The actual beginning balance in a newly eligible manager's three-year Account will be prorated as described below.
- 100% of account allocation if newly eligible during the first year of an Account period.
- 75% of account allocation if newly eligible during the second year of an Account period.
- 50% of account allocation if newly eligible during the third year of an Account period.

2) POST-RETIREMENT

- Expenses for financial planning and legal services will be reimbursed during the twelve-month period following retirement.
- Expenses for tax preparation services will be covered for the tax year in which retirement occurs and the following tax year.

3) SPOUSE OF DECEASED ACTIVE MANAGER

- Expenses for financial planning and legal services will be reimbursed for services provided during the twelve-month period following death.
- Expenses for tax preparation services will be covered for the tax year in which death occurs and the following tax year.
- Expenses for Plan services provided during the period just before death, for which the manager was unable to submit a voucher before his/her death, may be reimbursed by the Company.

4) TERMINATIONS/RESIGNATIONS

- For terminations or resignations other than retirement or death

(both covered above) and for terminations or resignations other than those for cause (see below), the amount of reimbursable Plan expenses invoiced before the termination date but submitted within 60 days after the termination date may not exceed the balance in the Account as of the termination date. In any event, Accounts for employees terminated as described in this paragraph will be closed 60 calendar days after the termination date.

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ATTACHMENT B

PRORATION SCHEDULES
FINANCIAL SERVICES PLAN

- For terminations with cause, Plan Accounts will be closed as of the termination date and no further Plan expenses will be reimbursed as of that date regardless of the invoice date.

5) LEAVE OF ABSENCE

- Any managers who are participating in the Financial Services Plan at the time they begin an approved Leave of Absence will remain eligible for services for up to twelve months during such Leave of Absence.

6) CHANGE IN ELIGIBILITY

- When a manager's level of eligibility within the Plan changes, the existing account balance will be prorated to one-third or two-thirds of the specified allocation, if this change occurs in the first or second year of the three-year account. Invoices dated prior to the date of the change in status will be processed even if they exceed the prorated amount. Eligibility for further participation will be based on the new eligibility level, commencing at the beginning of the following year.

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BELLSOUTH CORPORATION

COMPUTATION OF EARNINGS PER COMMON SHARE
(Dollars in Millions, Except Per Share Amounts)

	For the Three Months Ended March 31,	
	1994	1993
Earnings Per Common Share:		
Net Income	\$ 585.3	\$ 343.8
Weighted average shares outstanding	496,113,887	494,938,221
Incremental shares from assumed exercise of stock options and payment of performance share awards	353,124	466,394
Total Shares	496,467,011	495,404,615
Earnings Per Common Share	\$ 1.18	\$.69
Fully Diluted Earnings Per Common Share:		
Net Income	\$ 585.3	\$ 343.8
Weighted average shares outstanding	496,113,887	494,938,221
Incremental shares from assumed exercise of stock options and payment of performance share awards	406,099	505,635
Total Shares	496,519,986	495,443,856
Fully diluted earnings per common share	\$ 1.18	\$.69