

HUNGARIAN TELEPHONE & CABLE CORP
Form 10-Q
August 13, 2004
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2004

Commission file number 1-11484

HUNGARIAN TELEPHONE AND CABLE CORP.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

13-3652685
(I.R.S. Employer
Identification No.)

1201 Third Avenue, Suite 3400 Seattle, WA 98101-3034

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(Address of principal executive offices)

(206) 654-0204

(Registrant's telephone number, including area code)

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 ninety days. Yes No

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of Common Stock as of the latest possible date:

Common Stock, \$.001 par value
(Class)

12,430,417 Shares
(Outstanding at August 9, 2004)

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HUNGARIAN TELEPHONE AND CABLE CORP. AND SUBSIDIARY

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Part I. Financial Information

HUNGARIAN TELEPHONE AND CABLE CORP. AND SUBSIDIARY

Item 1. Financial Statements

Consolidated Condensed Balance Sheets

(In thousands, except share data)

	June 30,	December 31,
	2004	2003
	<u> </u>	<u> </u>
	(unaudited)	
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 19,049	21,191
Restricted cash		12
Accounts receivable, net	5,717	6,474
Current deferred tax asset	1,480	2,714
Other current assets	5,047	3,622
	<u> </u>	<u> </u>
Total current assets	31,293	34,013
Property, plant and equipment, net	117,055	120,258
Goodwill	8,685	8,727
Other intangibles, less accumulated amortization	4,251	4,407
Deferred costs	2,577	3,598
Deferred tax asset	3,228	3,291
Other assets	1,972	2,262
	<u> </u>	<u> </u>
Total assets	\$ 169,061	176,556
<u>Liabilities and Stockholders' Equity</u>		
Current liabilities:		
Current installments of long-term debt	\$ 22,857	21,929
Excess cash amounts due under long-term debt agreement		3,820
Accounts payable	1,834	2,263
Accruals	2,722	2,803
Other current liabilities	2,139	2,280
Due to related parties	493	493
	<u> </u>	<u> </u>
Total current liabilities	30,045	33,588
Long-term debt, excluding current installments	77,377	90,839
Deferred credits and other liabilities	4,691	5,770
	<u> </u>	<u> </u>
Total liabilities	112,113	130,197
<u>Commitments and Contingencies</u>		
Stockholders' equity:		
Cumulative Convertible Preferred stock, \$.01 par value; \$70.00 liquidation value. Authorized 200,000 shares; issued and outstanding 30,000 shares in 2004 and 2003		
	12	12

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Common stock, \$.001 par value. Authorized 25,000,000 shares; issued and outstanding 12,418,417 shares in 2004 and 12,230,670 in 2003

Additional paid-in capital	146,305	145,616
Accumulated deficit	(109,480)	(119,548)
Accumulated other comprehensive income	20,111	20,279
	<u>56,948</u>	<u>46,359</u>
Total stockholders equity		
	<u>\$ 169,061</u>	<u>176,556</u>

See accompanying notes to consolidated financial statements.

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Part I. Financial Information

HUNGARIAN TELEPHONE AND CABLE CORP. AND SUBSIDIARY

Consolidated Condensed Statements of Operations and Comprehensive Income (Loss)

For the Three and Six Month Periods Ended June 30, 2004 and 2003

(In thousands, except share and per share data)

(unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2004	2003	2004	2003
Telephone service revenues, net	\$ 14,690	\$ 14,975	\$ 30,151	\$ 29,992
Operating expenses:				
Operating and maintenance expenses	5,623	5,359	11,393	10,680
Depreciation and amortization	3,003	2,886	5,970	5,621
Total operating expenses	8,626	8,245	17,363	16,301
Income from operations	6,064	6,730	12,788	13,691
Other income (expenses):				
Foreign exchange (losses) gains, net	(1,724)	(6,305)	1,974	(9,633)
Interest expense	(2,302)	(2,214)	(4,751)	(4,668)
Interest income	664	286	1,250	478
Other, net	66	(205)	135	(189)
Net income (loss) before income taxes	2,768	(1,708)	11,396	(321)
Income tax (expense) benefit	(310)	361	(1,276)	14
Net income (loss)	\$ 2,458	\$ (1,347)	\$ 10,120	\$ (307)
Cumulative convertible preferred stock dividends	(26)	(26)	(52)	(52)
Net income (loss) attributable to common stockholders	2,432	(1,373)	10,068	(359)
Comprehensive income adjustments	(1,211)	(565)	(168)	(768)
Total comprehensive income (loss)	\$ 1,221	\$ (1,938)	\$ 9,900	\$ (1,127)
Earnings (loss) per common share:				
Basic	\$ 0.20	\$ (0.11)	\$ 0.82	\$ (0.03)
Diluted	\$ 0.19	\$ (0.11)	\$ 0.79	\$ (0.03)

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Weighted average number of common shares
outstanding:

Basic	<u>12,348,794</u>	<u>12,193,966</u>	<u>12,323,814</u>	<u>12,153,865</u>
Diluted	<u>12,882,306</u>	<u>12,193,966</u>	<u>12,872,001</u>	<u>12,153,865</u>

See accompanying notes to condensed consolidated financial statements.

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Part I. Financial Information

HUNGARIAN TELEPHONE AND CABLE CORP. AND SUBSIDIARY

Consolidated Condensed Statements of Stockholders' Equity

(In thousands, except share and per share data)

(unaudited)

	<u>Shares</u>	<u>Common Stock</u>	<u>Preferred Stock</u>	<u>Additional Paid-in Capital</u>	<u>Accumulated deficit</u>	<u>Accumulated Other Comprehensive Income</u>	<u>Total Stockholders Equity</u>
Balances at December 31, 2003	12,230,670	\$ 12		145,616	(119,548)	20,279	\$ 46,359
Proceeds from exercise of options	172,247			689			689
Common stock granted to Employee	15,500						
Cumulative convertible preferred stock dividends					(52)		(52)
Net income					10,120		10,120
Foreign currency translation adjustment						(168)	(168)
Balances at June 30, 2004	12,418,417	\$ 12		146,305	(109,480)	20,111	\$ 56,948

See accompanying notes to consolidated condensed financial statements.

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Part I. Financial Information

HUNGARIAN TELEPHONE AND CABLE CORP. AND SUBSIDIARY

Consolidated Condensed Statements of Cash Flows

For the Six Month Periods Ended June 30, 2004 and 2003

(In thousands)

(unaudited)

	<u>2004</u>	<u>2003</u>
Net cash provided by operating activities	\$ 14,762	13,705
Cash flows from investing activities:		
Construction of telecommunication networks	(3,216)	(1,534)
Decrease in construction deposits		310
Grant funding received for capital expenditures	214	
Proceeds from sale of assets	29	16
Net cash used in investing activities	(2,973)	(1,208)
Cash flows from financing activities:		
Repayments of long-term debt	(14,381)	(12,540)
Dividends paid	(52)	
Proceeds from exercise of options	689	664
Net cash used in financing activities	(13,744)	(11,876)
Effect of foreign exchange rate changes on cash	(187)	(816)