TDS 2004 Annual Meeting Remarks
Ted Carlson
Sandy Helton
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Chicago, Illinois

SLIDE 1 **INTRODUCTION SLIDE**

Good morning and thank you for joining us at the 2004 meeting of TDS shareholders.

SLIDE 2 **TED CARLSON SLIDE**

I am pleased to report that 2003 was an excellent year for TDS, marked by many achievements and impressive results. Our business units continued to deliver on their strategies and improve their competitive positions. We took steps to sustain the company's financial strength and to improve the returns provided to our shareholders. And we remain focused on the continued growth, profitability and operating excellence of the company going forward. In recognition of the company's progress, I'm pleased to report that TDS improved its position in the Fortune 500 ranking, moving up 15 places from our rank last year, the year that TDS debuted on the list.

Today, since the annual report and 10K extensively cover our progress for 2003, I'll focus more on what we're doing to position TDS for the future, first sharing some thoughts on the economic and competitive environments, and then discussing U.S. Cellular and TDS Telecom. Sandy Helton will then discuss our financial results as well as several of our corporate initiatives.

SLIDE 3 **SAFE HARBOR**

Because we will be discussing future aspects of the company, I remind everyone to please review these Safe Harbor provisions.

SLIDE 4 **ECONOMY & INDUSTRY FOCUS**

The economic recovery appears to be well underway after several sluggish years, and it appears that the current Administration is intent on keeping the positive momentum going. Regardless of the election outcome, we expect the strong positive momentum to continue into 2005.

The telecommunications industry remains fast-paced and highly competitive. Competition comes in many forms, with new technologies, added functionality and promotional and marketing campaigns.

On the wireless side, we're seeing positive competitive change in the form of the proposed merger of AT&T Wireless and Cingular. As national wireless competitor consolidation continues, we believe it should lead to some rationalization of pricing and, in turn, healthier financials for the segment. Contrary to the concerns voiced by some that fewer national carriers will reduce consumer choice and value, we believe that the presence of too many national carriers can erode the financial health and stability of the segment, reducing carriers' ability to innovate and invest in their networks.

Assuming the AT&T Wireless / Cingular transaction is permitted to occur as planned, we would not be surprised to see additional consolidation activity this year or next. Ideally we would like to see the number of national players reduced to four, which we believe and academic studies suggest, would lead to more rational pricing.

Yet, even with consolidation, all telecommunications companies face the

challenge of the ever-changing nature of the industry. When many of us in this room were young, our telecommunication habits were formed by the relatively stable service offerings of a very few telecom companies.

Today, with a wealth of service offerings, it is the user who defines communication patterns. Consumers are redesigning the shape of the industry. Wireless service is becoming a necessity. It is available across a wide socioeconomic and demographic strata, and the stage is set for continued minutes of use growth and greater penetration of the population. Today, a number of adults, especially young singles, do not have wireline service for voice, but rather use it only for high-speed access to the Internet. While favorable for U.S. Cellular, our largest business, this trend presents a challenge to TDS Telecom, our wireline business.

And whereas the wireless segment of the industry faces pressures from the presence of many wireless carriers, on the wireline side the pressure is coming from other segments of the industry, and from new technologies. Wireless substitution, cable telephony, VOIP, Internet, telephony and other emerging technologies all make business increasingly challenging for wireline telephony companies. Determining ways to keep our current customers and to attract new ones deciding on which new technologies to pursue ourselves to grow the business and to improve profitability and managing in a highly complex regulatory environment, these are all critical areas for the wireline side of the business.

Fortunately, we have excellent management teams at both U.S. Cellular and TDS Telecom who are aggressively tackling the challenges presented by today's dynamic environment. We have leaders who choose to see the environment in terms of the great opportunities it presents for the business to succeed, grow and excel and who focus on delivering what customers really want today while preparing for what they are likely to want tomorrow.

SLIDE 5 **STRATEGIC FOCUS AT TDS**

The key to delivering successful results is having the right strategy and delivering on it. Both U.S. Cellular and TDS Telecom's strategies support TDS's mission to provide outstanding communications services to our customers and meet the needs of our shareholders, our people and our communities and both business units are keenly focused on growing their businesses profitably.

Both businesses made significant progress over the past year delivering on their strategies.

SLIDE 6 **U.S. CELLULAR STRATEGY**

Let me start U.S. Cellular's strategy and then continue with an overview of its major accomplishments U.S Cellular follows a consistent customer-satisfaction strategy, the components of which are highlighted on this slide.

SLIDE 7 **U.S. CELLULAR – 2003 ACCOMPLISHMENTS**

U.S. Cellular focused on five major areas in 2003 that support its strategy, and it made significant progress in each:

- It provided exceptional quality customer service, in part by converting Chicago's non-standard billing system to its own CARES billing and support system, which not only provides better quality of service for customers but also lowers operating costs.
- It strengthened its footprint, particularly in the Midwest, with the August 2003 exchange of northern Florida and Georgia markets for wireless licenses in seven states, as well as with the launch of eight new markets in the Midwest during the year. In addition, U.S. Cellular announced the sale for $97 million

of its South Texas markets, which it completed in February 2004.

- It continued its three-year network upgrade initiative, so that by 2003 year end, more than 75% of the network had been upgraded to CDMA 1X.
- It launched a new line of data services branded **easy**edge, initially offering customers popular download applications and, for business customers, wireless modem service.
- And it successfully managed the first phase of wireless number portability, a federal mandate that allows consumers to keep their phone number when switching providers. The initial phase involved those customers in the largest metropolitan statistical area markets. U.S. Cellular was a net beneficiary of portability requests, an indication of the value it creates by focusing on the customer.

SLIDE 8 **PROOF OF SUCCESS … U.S. CELLULAR'S POSTPAY CHURN**

In addition to its success in WNP, another tangible measure of the success of U.S. Cellular's strategy is the low rate at which customers disconnect service, or the churn rate. As this slide shows, U.S. Cellular's post-pay churn rate on an annual basis since 1998 has been both low and quite stable.

SLIDE 9 **U.S. CELLULAR – 1ST QUARTER 2004**

And the churn rate remains low. Postpay churn at U.S. Cellular for the first quarter was 1.3% -- the lowest for any quarter in the company's history of tracking churn and among the very best churn rates in the industry. The low churn rate helped spur strong net customer addition performance for the quarter, with 43 percent more net adds than in the first quarter of 2003. This impressive increase was achieved despite the effects of the divestiture of the northern Florida and Georgia markets in 2003 and the south Texas markets mid way through the first quarter of 2004.

U.S. Cellular's results for both for 2003 and the first quarter of 2004 underscore the success of its targeted, customer-centric strategy, one that has served it well also with the second phase of WNP, which took effect late last month.

So far we have been very pleased with WNP results. WNP could be classified as almost a "non-event" for the company. This is an achievement which we credit in great part to U.S. Cellular's focus on customer satisfaction. While there is much change in the telecom industry that is beyond any company's control, what can be controlled is the quality of the customer's experience, and that's the basis of U.S. Cellular's business model.

SLIDE 10 **TECHNOLOGY TRENDS**

A critical aspect of providing a high-quality customer experience is ensuring that we offer products and services customers want -- and that they value. The wireless sector is fast paced and ever changing with new technologies continuing to emerge, technologies such as EVDO and EVDV. However, when considering future technology offerings, we always remember a fundamentally important fact – that this is a service industry, and the customers must be the drivers of our new service offerings, not technology for technology's sake.

Our strategy is to deploy technology that meets real customer needs – and that, at the same time, can be rolled out with a strong business case. We will not offer new services until we're confident customers want them and until we're ready to launch them with full billing and customer service support.

Data services are an excellent example of our approach in action. Our first entry into data services was with our short messaging service, what many refer to as text messaging. The service has proved immensely popular with our customers, and volumes are up 270% year over year in the first quarter.

Last year, in preparing to launch U.S. Cellular's advanced data services called **easy**edge, the company took great pains to make sure it could completely support it, even providing U.S. Cellular associates with **easy**edge-enabled handsets so that they could become thoroughly familiar with the service firsthand. U.S. Cellular launched the service with great success. In the first quarter of 2004, SMS and **easy**edge together contributed $11 million to U.S. Cellular's service revenues, or 2%, of the total service revenues for the quarter.

Not only are data services a fast-growing and popular group of services, they represent an important revenue stream going forward. That's why U.S. Cellular is enhancing the data services it offers through its **easy**edge brand, by introducing and aggressively marketing picture messaging. It is also exploring the next potential waves of data technology.

One such technology is high-speed EVDO. U.S. Cellular is considering it seriously and currently has several trials in place. Technical results so far appear positive, but we want to be sure these are robust services that consumers really want and are willing to pay for before U.S. Cellular rolls it out in the network.

SLIDE 11 **U.S. CELLULAR – 2004 FOCUS**

U.S. Cellular has four major goals for the year 2004 in delivering on its customer satisfaction strategy.

First, it aims to drive rapid growth and improved profitability in its new and established markets.

Second, it aims to continue to improve its network coverage and service quality, with particular emphasis on completing the build-out of several new markets it acquired in last year's AT&T Wireless transaction.

Third, the company plans to complete the deployment of CDMA 1X

And fourth, it will continue to develop and enhance its line of data services, including its new **easy**edge picture messaging service.

SLIDE 12 **TDS TELECOM - STRATEGY**

Moving now to TDS Telecom, its strategy is similar to that of U.S. Cellular in that its primary focus is on providing outstanding customer service - putting the customer first and delivering an excellent total customer experience.

TDS Telecom is committed to protecting and growing its current markets by building strong customer loyalty. The company continues to rank very high in customer satisfaction, which helps drive loyalty. According to a respected third-party survey, customers rate TDS Telecom's service better than that of almost every other wired telephone company on all aspects of service.

In executing its strategy, TDS Telecom is focusing on four areas, market development, which includes its growth strategy, market fortification, public-policy advocacy and productivity, including process improvement.

SLIDE 13 **MARKET DEVELOPMENT**

In terms of market development, TDS Telecom aims to grow the business through a combination of acquisitions, build-out variations and new technologies in targeted clusters.

One example of a potential build-out variation in combination with a new technology is the potential offering of Voice Over IP, or Internet telephony, to

markets outside of TDS Telecom's traditional geographic serving areas.

VOIP is not limited to market development; however, it can also be used to fortify existing markets. Because of its potential value in both developing new markets and defending existing ones, TDS Telecom is planning several technical trials for VOIP this year to determine how the company can best utilize this new technology.

Another technology useful for both market development and market fortification is fiber to the premise, or FTTP, a technology TDS Telecom will also be trialing this year. FTTP can provide a triple-play service offering of voice, data and video through a broadband fiber-optic system that extends all the way to the user's premises from TDS Telecom's switching centers. The company is considering FTTP primarily for new subdivisions and high-growth areas due to the current cost of deployment considerations.

SLIDE 14 **MARKET FORTIFICATION**

Developing new products and services is one component of TDS Telecom's market fortification strategy. The company is also enhancing existing services and working to increase their penetration and profitability levels. It is also growing the CLEC in its existing markets.

An example of an existing service enhancement is the bundling of services, which gives customers the option of customizing the amount of services they receive together with the convenience of one bill for several services. TDS Telecom has been very successful in these bundling efforts, which include various vertical services, long-distance options, and Internet and DSL service.

DSL

DSL is proving very successful for the company. On May 24, the ILEC reached the 30,000 DSL line mark, a notable milestone, considering that it only started offering DSL four years ago. Although DSL is a lower-margin business at this point in its penetration life cycle, it has great growth prospects.50% of those who sign on for DSL with the ILEC, are new data customers. Once they get DSL, very few customers churn off, which makes DSL an excellent means of retaining customers for other TDS Telecom services. TDS Telecom's DSL modems are wi-fi enabled so customers can have wireless access at home by simply purchasing a wi-fi card, and this provides customers an additional level of satisfaction, in turn building customer loyalty.

DSL of course, is a powerful tool for addressing cable competition for broadband services. TDS Telecom expanded its high-speed DSL capability to 19 additional markets last year, and continues to expand its DSL service areas in 2004. By year end 2003, in those markets where our ILEC offers DSL service, 45% of all high-speed data users had chosen the ILEC's DSL service over the cable modem competition, a share which is up 14 percentage points over year end 2002.

TDS Telecom is firmly convinced that the way of the future for wireline services is to provide high speed data capability in conjunction with voice services. High speed data provides the capacity to deliver a wealth of new services in the future, and TDS Telecom is positioning itself to fully capture and develop the opportunities that high speed data presents.

At this point I'd like to briefly address a trend we're seeing in the wireline segment of the industry, a slowing in equivalent access line growth. TDS Telecom ILEC is faring better than the RBOCs, as TDS Telecom's ILEC saw moderate equivalent access line growth in 2003 and, in the first quarter of 2004.

CLEC Discussion

TDS Telecom foresaw this moderating ILEC trend several years ago. It was one of the main reasons the company launched TDS Metrocom six years ago, and it has become a substantial growth engine. The CLEC consolidated operation reached a major milestone in 2003, generating its first positive annual operating cash flow, which we define as earnings before taxes, depreciation and amortization.

Our CLEC operations have grown to a business of more than $200 million in revenues. Customer churn has come down, and there's been a dramatic reduction in bad-debt expense relative to 2002.

These are commendable achievements in the CLEC industry segment and are the result of staying focused on a targeted strategy. That strategy consists of three components: first, growing into carefully chosen markets in the Midwest where we aim for deep penetration second, leveraging the ILEC infrastructure and third, using primarily a facilities-based model which allows more service differentiations and higher incremental margins.

SLIDE 15 **PUBLIC POLICY ADVOCACY PRODUCTIVITY ENHANCEMENTS**

Public policy advocacy is of great importance to TDS Telecom because of the **regulatory environment**. Telecom regulation is very complex. Several key issues are currently under review or appeal, including the Triennial Review Order, the Universal Service Fund and state access reform. Outcomes on these and other regulatory issues could have considerable effects on TDS Telecom's ILEC and CLEC operations.

We have a very strong regulatory group at TDS Telecom that asserts the company's positions and aggressively and pursues the issues on the company's behalf. At the same time, TDS Telecom's regulatory experts work in concert with like-minded companies and organizations to ensure that government policy encourages telephone companies to bring important services such as the Internet and high speed data to all of America, including rural America.

Productivity improvement is another key focus area for TDS Telecom. The company is working on ways to be more efficient and reduce its cost structure. Leveraging the management and process infrastructures to support both ILEC and CLEC operations is one example. The company's successful recent voluntary employee retirement program, is another. In addition, last year TDS Telecom spearheaded an innovative online purchasing system for the entire TDS organization. This system allows vendors to compete online for contracts, and has already resulted in significant savings – such as for DSL modem costs, which have been reduced by a third.

SLIDE 16 **TDS TELECOM – 1ST QUARTER 2004**

Moving to TDS Telecom's first-quarter customer growth results, both the ILEC and the CLEC posted solid, consistent results. The ILEC had a good quarter. ILEC access line equivalents grew 1% over the first quarter of 2003. ILEC DSL customers grew 113% year over year, pointing to the growing popularity of this important service. ILEC long-distance customers increased 32%. The CLEC also had a good quarter, with access line equivalents growing 25% year over year, and DSL customers up 73%.

SLIDE 17 **TDS TELECOM – 2004 FOCUS AREAS**

Looking to 2004, TDS Telecom is focused on four broad goals:

- First, Telecom plans to lead the industry in customer satisfaction. It is strengthening existing ILEC markets and developing new service revenue

streams.

- Second, Telecom is rapidly and profitably growing the CLEC operations, in part by penetrating deeper into operating-cluster service areas where existing assets can best be leveraged.
- Third, Telecom is rapidly growing DSL and other data services in both its ILEC and CLEC markets. Greater penetration for data services creates efficiencies and productivity improvements, and optimizing cross-functional processes in ILEC and CLEC operations helps drive further efficiency gains.
- Fourth, TDS Telecom is aggressively promoting a positive regulatory environment that is in the customers' and the company's best interests.

SLIDE 18 **TDS MISSION AND THE PEOPLE MAKING IT HAPPEN**

All of us at TDS are dedicated to achieving the TDS mission - to provide outstanding communications services to our customers and meet the needs of our shareholders, our people and our communities.

Achieving the mission requires the right strategies and talented people to execute them. We have an excellent team at TDS, people who embrace customer service and integrity in all that they do, and people who are committed to making TDS a highly successful company.

We've been fortunate since the end of 2002 to have added a number of great people to the team. Among the new directors and officers we welcomed to the TDS team are:

- Mitchell Sara now, who joined the TDS board of directors this spring
- Kurt Thaus, who joined TDS as Sr. VP and CIO
- Frieda Ireland, VP of Internal Audit for TDS
- Jeff Childs, who joined U.S. Cellular as Senior VP of HR
- George Irving, VP of Business Support Services for U.S. Cellular, and
- Carolyn Tilden, VP of Service Delivery for U.S. Cellular.

I would also like to take this opportunity today to thank:

- all our employees and associates who have worked thoughtfully and diligently to ensure the company's continued success;
- the management teams in our business units and at our corporate offices for their leadership in the company's achievement;
- our customers who've encouraged others to join us – we appreciate that loyalty and we are committed to delivering on their high expectations;
- our vendors and business partners who've supported us with quality and efficiency;
- our shareholders and our suppliers of debt capital for their continued support, providing the financial means to build the business;
- And of course our talented boards of directors for their wise advice and counsel.

It is with sadness that I note the passing last December of one of the company's founding shareholders and founding board member, Lester Johnson. Lester contributed greatly to TDS over the many years he served on the TDS board, and we shall miss his thoughtful counsel. It is the caliber of people like Lester that makes TDS the company it is today, and we are very fortunate to have 11,000 talented, committed people supporting TDS and its mission. The company builds on this strength.

SLIDE 19 **TRANSITION SLIDE - MAP**

TDS's focus on the customer … its sound strategies and its people who deliver for the customers … together these make TDS a strong company. With your

continued support, we are confident that TDS will reach even greater levels of achievement, and success.

And now Sandy Helton will report on TDS's operating results as well as on several important corporate initiatives. Sandy …

SLIDE 20 **SANDRA L. HELTON**

Thank you, Ted.

Good morning. It's a pleasure to be with you here today.

Ted has shared with you a progress report on the strategy and initiatives of our business units. I'll share with you some of our key corporate initiatives. But first let's briefly review our financial results, starting with our five-year performance, moving to 2003 results and finally our first-quarter performance.

SLIDE 21 **SAFE HARBOR**

Before I proceed, I would like to remind you that I will be discussing forward-looking material in addition to mentioning certain financial metrics that are not standard to generally accepted accounting practices, or GAAP as the practices are often referenced. Therefore, relating to the forward-looking information, I would ask that you review this Safe Harbor information … and at the conclusion of the presentation you will find a reconciliation of the non-GAAP financial measures I'll be discussing to their GAAP counterparts.

SLIDE 22 **EXCELLENT RESULTS – 5 YEAR CAGR**

Starting with our five-year performance, our 13.8% compound annual revenue growth was at the upper end of the 10-15% growth rate range we have established as our goal. This is less than the 15% which we had been achieving through 2002, but we realize that industry growth is slowing and have adjusted our sights accordingly.

Earnings before interest, taxes, depreciation and amortization for the five-year period – which I will refer to hereafter as 'operating cash flow' – increased 10.5%. Our operating cash flow performance continues to trail revenue growth due mainly to the effect of acquisitions and the build-out of new markets at U.S. Cellular.

SLIDE 23 **2003 OPERATING RESULTS**

Turning to the full-year results, our performance last year was marked by solid operating results at our business units and for TDS in total. Consolidated operating revenues grew 15%. Our operating cash flow increased 7% year over year to $964 million - solid growth, but considerably trailing revenue growth.

TDS Metrocom improved its operating cash flow by $46 million, going from a substantial loss in 2002 to a positive $12 million in 2003, and TDS Telecom's ILEC grew earnings commensurate with revenue growth. However, U.S. Cellular incurred higher operating costs associated with integrating and growing the Chicago market, as well as equipment subsidies for new and existing customers across its markets. Competition continues to be keen, as evidenced in aggressive equipment subsidies and price competition for U.S. Cellular and a small decline in access lines at TDS Telecom's ILEC business, due in part to wireless substitution and other substitution technologies.

In terms of capital expenditures, U.S. Cellular spent a total of $633 million for the year, which was lower than our planned spending, in part due to favorable vendor pricing related to the deployment of the CDMA 1X network technology. Of the total capital expenditures, $50 million went toward the company's CDMA

deployment. Most of the rest of U.S. Cellular's capital spending for the year related to the buildout and improvement of its overall network. These improvements supported U.S. Cellular's strong increase in customers and minutes of use during the year. Capital expenditures at TDS Telecom totaled $139 million for the year, as planned.

SLIDE 24 **1Q 2004 OPERATING RESULTS**

And now, for a look at more recent results. The first quarter was one of very solid performance for TDS as a whole, and particularly strong for U.S. Cellular, whose net add performance set an all-time record and greatly surpassed investment-community expectations.

TDS consolidated revenues grew 7% year-over-year in the first quarter, due to strong customer growth and higher average monthly revenue per customer at U.S. Cellular, with continued steady results at TDS Telecom. In 2003, U.S. Cellular operated markets in south Texas, northern Florida and Georgia, which have since been divested. Excluding these markets from the first quarter 2004 and 2003, TDS's revenue grew double-digit in the first quarter.

Operating income more than doubled on a year-over-year basis, increasing from $35.7 million in first quarter of 2003 to $73.2 million. A great part of the increase was due to improved profitability at both U.S. Cellular and TDS Telecom. Also affecting the year-over-year performance was a pre-tax loss of $23.5 million in the first quarter of 2003 related to the difference between the value of the Florida and Georgia assets being exchanged with AT&T Wireless and the fair value of the AT&T Wireless licenses due to be received in that transaction, which was completed in August last year.

Operating cash flow grew 10% year over year to $228.5 million, also due to the improved profitability at both business units.

SLIDE 25 **TDS FINANCIAL STRATEGIES**

Our ultimate aim at TDS is to generate profitable growth and build shareholder value, while maintaining financial strength and liquidity.

Toward achieving that goal, we have four objectives. First, we want to achieve a compound annual revenue growth over a five-year period in a range of 10 to 15%. Our performance is in line with this objective – as I mentioned earlier, we achieved a 13.8% compound annual growth rate for the five years ended December 31, 2003.

But profitable growth involves more than revenue growth. It also entails generating a return on capital greater than the weighted average cost of capital for each business, which is our second objective. We must constantly strive to deploy capital in the company in the most effective manner. Therefore, our second financial objective is to earn a return that is greater than the cost of that capital. Specifically, this translates into a return on capital for the ILEC business of between 9.5 to 10.5%, approximately 16% for the CLEC business, and 11 to 12% for U.S. Cellular.

The ILEC business successfully achieved its ROC target which was established five years ago. This was a tremendous accomplishment. Now we need to maintain a strong ROC while pursuing revenue growth

On the CLEC side, TDS Metrocom is still measured against its business plan rather than ROC, and they are working hard to realize this plan.

Although U.S. Cellular's ROC climbed from around 5.5% in 1998 to around 8% in

2001, with the Chicago acquisition and the investment required to launch new markets, as well as its investment in its network upgrade, U.S. Cellular's ROC has declined, as one would expect given the high level of investment in the business. We remain committed to delivering returns greater than our cost of capital.

Our third financial objective is to generate a return for our shareholders that exceeds the return of comparable companies in the telecom industry. We are working steadily toward that objective.

We increased our annual dividend 7% in 2003 – and another 6% in 2004. 2004 marks the 29th consecutive year of annual dividend increases.

SLIDE 26 **STOCK REPURCHASE PROGRAM**

We also re-launched our stock repurchase program. Early in 2003, the board authorized an increase of 2 million shares to the previous 1 million stock repurchase authorization, bringing the authorization to 3 million shares.

We have made solid progress on the repurchase program, buying back 2 million shares at a total cost of $95.2 million as of the end of the first quarter of 2004. We plan to continue the program as market conditions warrant.

SLIDE 27 **TDS STOCK PRICE**

In addition to the increased dividend and share repurchase program, we are pleased to report a substantial up-tick in the price of TDS stock, which grew 33% in 2003, besting the performance of both the S&P 500 and the Dow Jones Industrial Average. That trend has continued in 2004, as TDS stock has increased another 15% year-to-date through last Friday, June 25, besting the performance of the S&P 500, which was up 2% year-to-date, and Dow Jones, which was down 1%. Over this entire time frame, our stock has performed as well or better than our peers. Although TDS's stock price is not tightly within our control, ultimately it is driven by our performance, which is why we are focused on profitable growth and improving our return on capital.

SLIDE 28 **CREDIT RATINGS**

And finally, we are committed to maintaining our strong investment grade, 'A-' credit rating. Both TDS and U.S. Cellular are rated 'A-' with Standard & Poor's and Fitch. And while Moody's recently downgraded both companies by one notch to 'baa1', the rating is still investment grade.

SLIDE 29 **DEBT-RELATED ACTIVITIES**

Toward improving the company's financial position, we implemented several financing activities during the past year. An important aspect of these initiatives is providing us enough liquidity to pursue attractive business opportunities that may arise.

We reduced the company's overall debt level in 2003 by redeeming all of the $300 million TOPrS, as well as $71 million of high-interest medium-term notes. This improves our debt ratios and provides annual interest savings of approximately $31 million.

Taking advantage of favorable capital markets, we refinanced U.S. Cellular short-term debt with a $444 million, 30-year bond offering at a very attractive rate. U.S. Cellular used a portion of the proceeds to repay the 8.1% intercompany loan of $105 million arranged with TDS in 2002 to partially finance the purchase of the Chicago market.

Furthermore, we consolidated U.S. Cellular's two revolving credit facilities into a

$700 million line on favorable terms.

More recently, U.S. Cellular issued another $430 million of long-term bonds this month, and the net proceeds of $413 million will be used to redeem U.S. Cellular's LYONS, a bond convertible into U.S. Cellular stock, and $250 million of debt that matures in 2007.

All of these actions contribute to TDS's financial health and strength.

SLIDE 30 **SOX 404 / FOCUS ON THE FUNDAMENTALS**

At this point, I would like to address an initiative on which we have spent a great deal of time at TDS and U.S. Cellular over the last year, and that is preparing the companies to be in compliance with Section 404 of the Sarbanes-Oxley Act of 2002, or SOX 404, as it is commonly known.

Very briefly, to fulfill the requirements of SOX 404, the SEC is requiring that by year end, the senior officers of publicly traded companies and their independent auditors must attest to the quality of their company's internal controls. We are taking this major responsibility very seriously.

We have always taken our responsibility for the accuracy, completeness and transparency of our financial statements very seriously. With SOX 404 comes the requirement for more documentation, increased rigor and lower thresholds for disclosing potential problems.

We have expended a great deal of effort toward satisfying the requirements of SOX 404, testing and documenting all the processes for generating our financial statements and the internal controls that ensure that the statements are complete and accurate. With the hard work of more than 100 process owners and the assistance of PricewaterhouseCoopers, we remain confident that we will be able to comply with the requirements of Section 404.

Many in corporate America regard SOX 404 as a drain of money, time and resources. Yes, it does involve a lot of work and effort – and yes, it is expensive, particularly in the short term. However, I also believe that SOX 404 provides all of us in Corporate America with a valuable opportunity to refocus on fundamental business practices which can get lost in the everyday rush of ongoing tasks, projects and other key business priorities. And by doing so, we can realize certain benefits to the business.

We at TDS are strengthening our focus on the fundamentals, working to continuously improve our accounting and reporting processes so that we are confident that they are consistent, predictable and totally reliable.

Our processes and structure today are not broken. The results of our initial SOX 404 testing indicate that we are in line with other companies. However, by focusing on our accounting and reporting processes – simplifying them, standardizing them, documenting them and consistently performing them – we can maintain the level of internal controls necessary for total confidence in our financial processes and resulting statements –which is the intent of SOX 404. But more importantly, this will enable our financial team to improve the effectiveness of our basic accounting functions, and free up valuable time which we can devote to supporting important business initiatives. In the end, this serves to strengthen our businesses and the total company.

SLIDE 31 **2004 F0CUS**

In addition to our Focus on the Fundamentals, we have four primary areas of emphasis in 2004.

We will continue to improve the strategic positioning of both our wireless and wireline businesses, by enhancing their geographic footprints and by the introduction of new products and services.

We must deliver on our business plans and financial commitments, showing continued growth in revenues and increased profitability, as well as improved ROC.

We want to maintain our strong investment-grade credit ratings while maintaining sufficient liquidity to enable our business units to pursue strategic opportunities as they arise. We aim to continue stock repurchase program, as market conditions warrant, and we remain focused on developing and supporting our people, helping them to increase their skills and knowledge in order to enable them to make even greater contributions toward the company's goals, and to make that a beneficial experience for them.

Success in these areas in 2004 should enhance the long-term value of the company for you, our shareholders, our customers and our employees.

SLIDE 32 **EXCELLENT PROSPECTS**

We are excited about our prospects going forward. We have positioned the company to capitalize on the strengthening economy in the U.S. as well what appears to be the first steps toward consolidation in the wireless segment of the telecommunications industry, a step we believe will prove beneficial to both the industry and consumers alike.

Why do we believe TDS is in a very sound position for the future? Because we have targeted strategies at the business units. All of us are focused on profitable growth and long-term value creation. We're strong financially and we have very capable, committed employees. We also have a shareholder base that provides continued support to the company. For that, we thank you. And we look forward to meeting with you again next year to report on our continued progress.

SLIDE 33 **END SLIDE**

And now, Ted and I would be happy to take any questions you might have.

SLIDE 34 **GAAP RECONCILIATION SLIDE: 2003**

SLIDE 35 **GAAP RECONCILIATION SLIDE: 1ST QTR 2004**