

2017 Estimated Results

Estimates of full-year 2017 results for U.S. Cellular, TDS Telecom, and TDS are shown below. Such estimates represent management's view as of February 24, 2017. Such forward-looking statements should not be assumed to be current as of any future date. TDS undertakes no duty to update such information, whether as a result of new information, future events, or otherwise. There can be no assurance that final results will not differ materially from such estimated results.

2017 Estimated Results and Actual Results for the Year Ended December 31, 2016

	U.S. Cellular		TDS Telecom		TDS ⁽³⁾	
	Estimate	Actual	Estimate	Actual	Estimate	Actual
(Dollars in millions)						
Total operating revenues ⁽¹⁾	\$3,800-\$4,000	\$ 3,939	\$1,200-\$1,250	\$ 1,151	\$5,015-\$5,265	\$ 5,104
Operating cash flow ⁽²⁾	\$500-\$650	\$ 618	\$300-\$340	\$ 295	\$805-\$995	\$ 916
Adjusted EBITDA ⁽²⁾	\$650-\$800	\$ 816	\$300-\$340	\$ 298	\$955-\$1,145	\$ 1,118
Capital expenditures	Approx. \$ 500	\$ 446	Approx. \$ 225	\$ 173	Approx. \$ 735	\$ 630

The following table provides a reconciliation to Operating Cash Flow and Adjusted EBITDA for 2017 estimated results, and actual results for the year ended December 31, 2016. In providing 2017 estimated results, TDS has not completed the below reconciliation to net income because it does not provide guidance for income taxes. Although potentially significant, TDS believes that the impact of income taxes cannot be reasonably predicted; therefore, TDS is unable to provide such guidance. Accordingly, a reconciliation to net income is not available without unreasonable effort.

	U.S. Cellular		TDS Telecom		TDS ⁽³⁾	
	Estimate	Actual	Estimate	Actual	Estimate	Actual
(Dollars in millions)						
Net income (loss) (GAAP)	N/A	49	N/A	42	N/A	52
Add back:						
Income tax expense (benefit)	N/A	33	N/A	25	N/A	40
Income (loss) before income taxes (GAAP)	\$ (110)-40	\$ 82	\$ 75-115	\$ 67	\$ (95)-95	\$ 92
Add back:						
Interest expense	110	113	–	3	170	170
Depreciation, amortization and accretion expense	630	618	225	224	860	850
EBITDA (Non-GAAP)	\$ 630-780	\$ 813	\$ 300-340	\$ 294	\$ 935-1,125	\$ 1,112
Add back:						
(Gain) loss on sale of business and other exit costs, net	–	–	–	–	–	(1)
(Gain) loss on license sales and exchanges, net	–	(19)	–	(1)	–	(20)
(Gain) loss on asset disposals, net	20	22	–	4	20	27
Adjusted EBITDA (Non-GAAP) ⁽²⁾	\$ 650-800	\$ 816	\$ 300-340	\$ 298	\$ 955-1,145	\$ 1,118
Deduct:						
Equity in earnings of unconsolidated entities	140	140	–	–	140	140
Interest and dividend income; other income ⁽¹⁾	10	57	–	3	10	62
Other, net	–	1	–	–	–	–
Operating cash flow (Non-GAAP) ⁽²⁾⁽⁴⁾	\$ 500-650	\$ 618	\$ 300-340	\$ 295	\$ 805-995	\$ 916

Note: Totals may not foot due to rounding differences.

- 1) In 2016, Imputed interest related to equipment installment plans was recorded in Interest and dividend income. Beginning in 2017, imputed interest will be recorded in service revenues. The company recorded \$51 million in imputed interest in 2016.
- 2) Adjusted EBITDA (earnings before interest, taxes, depreciation, amortization and accretion) is defined as net income adjusted for the items set forth in the reconciliation above. Operating cash flow is defined as net income adjusted for the items set forth in the reconciliation above. Adjusted EBITDA and Operating cash flow are not measures of financial performance under Generally Accepted Accounting Principles in the United States (“GAAP”) and should not be considered as alternatives to Net income or Cash flows from operating activities, as indicators of cash flows or as measures of liquidity. TDS does not intend to imply that any such items set forth in the reconciliation above are non-recurring, infrequent or unusual; such items may occur in the future. Management uses Adjusted EBITDA and Operating cash flow as measurements of profitability, and therefore reconciliations to applicable GAAP income measures are deemed appropriate. Management believes Adjusted EBITDA and Operating cash flow are useful measures of TDS’ operating results before significant recurring non-cash charges, gains and losses, and other items as presented above as they provide additional relevant and useful information to investors and other users of TDS’ financial data in evaluating the effectiveness of its operations and underlying business trends in a manner that is consistent with management’s evaluation of business performance. Adjusted EBITDA shows adjusted earnings before interest, taxes, depreciation, amortization and accretion, and gains and losses, while Operating cash flow reduces this measure further to exclude Equity in earnings of unconsolidated entities and Interest and dividend income in order to more effectively show the performance of operating activities excluding investment activities. The table above reconciles Adjusted EBITDA and Operating cash flow to the corresponding GAAP measure, Net income or Income (loss) before income taxes.
- 3) The TDS column includes U.S. Cellular, TDS Telecom and also the impacts of consolidating eliminations, corporate operations and non-reportable segments, all of which are not presented above.
- 4) A reconciliation of Operating cash flow (Non-GAAP) to operating income (GAAP) for full year 2016, 2015 and 2014 actual results can be found on the Guidance and Reconciliation page of the company’s website at investors.tdsinc.com.