

May 4, 2012



## First Quarter 2012 Results and Guidance





# Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995:

***Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995:*** All information set forth in this presentation, except historical and factual information, represents forward-looking statements. This includes all statements about the company's plans, beliefs, estimates and expectations. These statements are based on current estimates, projections and assumptions, which involve certain risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. Important factors that may affect these forward-looking statements include, but are not limited to: the ability of the company to successfully grow its markets; the overall economy; competition; the access to and pricing of unbundled network elements; the ability to obtain or maintain roaming arrangements with other carriers on acceptable terms; the state and federal telecommunications regulatory environment; the value of assets and investments; adverse changes in the ratings afforded TDS and U.S. Cellular debt securities by accredited ratings organizations; industry consolidation; advances in telecommunications technology; uncertainty of access to the capital markets; pending and future litigation; changes in income tax rates, laws, regulations or rulings; acquisitions/divestitures of properties and/or licenses; and changes in customer growth rates, average monthly revenue per unit, churn rates, roaming revenue, the availability of handset devices, or the mix of products and services offered by U.S. Cellular and TDS Telecom. Investors are encouraged to consider these and other risks and uncertainties that are discussed in documents furnished to the SEC.



## Upcoming Investor Events

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5/9/12 – CTIA Analyst Day, New Orleans, LA

5/15/12 – U.S. Cellular Annual Shareholder Meeting

5/17/12 – Telephone and Data Systems Annual Shareholder Meeting



## First Quarter Highlights

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- Strong consolidated results
  - Revenues up 4%
  - Operating income up 5%
  - Diluted EPS up 23%
- Low quarterly effective tax rate
- No shares purchased in the quarter



## Regulatory Developments

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- USF and Inter-carrier Compensation Order
  - FCC considering many petitions to augment, reinterpret or overturn Order
- Spectrum legislation
  - Enacted in Q1 2012
  - FCC to establish rules for bands and incentive auctions
  - FCC initiated rulemaking on interoperability



## First Quarter Highlights

- Awareness building
  - Retail gross additions up 7%
  - Positive prepaid net additions of 4,000
  - Walmart prepaid product launching mid-May
- Smartphone adoption accelerating
- Strong ARPU growth
  - Postpaid ARPU up 5%
- Inbound roaming revenue growth
- Excellent device subsidy and cost management
- Good expense control
- Operating cash flow up 13%

## Challenges

- Postpaid churn remains elevated
  - Continued iPhone impact
  - 4G devices and promotions
- Managing data growth
  - Continued investment in 3G capacity and 4G deployment
  - Minimize costs of outbound roaming
- Device availability
  - Complexity issues and delays



## Current Initiatives – 4G LTE Deployment

- 4G LTE Phase 1
  - Covers 25% of total subscribers in Iowa, Maine, North Carolina, Oklahoma, Texas, and Wisconsin
  - Strong initial sales of 4G LTE devices
- 4G LTE Phase 2 on track for completion in 2012



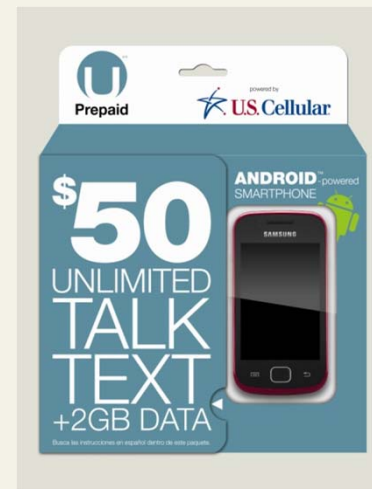
Samsung Galaxy Tab™ 10.1



Samsung Galaxy S® Aviator™

## Current Initiatives – Expanded Distribution

- U.S. Cellular to be U Prepaid carrier in 414 Walmart stores
- Launches mid-May
- Continue to explore additional distribution opportunities



BE WHERE OUR CUSTOMERS WANT TO SHOP

## Current Initiatives – Pricing Refresh

- Pricing refresh – May 1, 2012
  - Provide more options; ability to monetize data growth
    - Tiered data – 300 MB, 2GB, 5GB and 10GB
    - Includes attractive “smartphone starter” package
  - New SMB pricing
    - More options for the 2-20 line business customers
  - Customers will continue to earn reward points
  - Moving to 22-month upgrade from 18 months
  - Phone replacement will not be offered on new Belief Plans

## Customer Activity

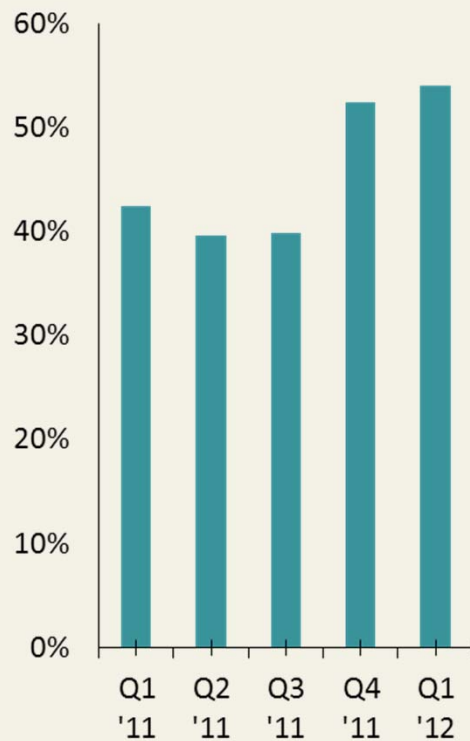
	Q1 '12	Q1 '11
Retail gross additions	273,000	256,000
Postpaid net additions (losses)	(38,000)	(22,000)
Prepaid net additions (losses)	4,000	(9,000)
Retail net additions (losses)	(34,000)	(31,000)
Total customers	5,837,000	6,033,000

## Postpaid Churn Rate

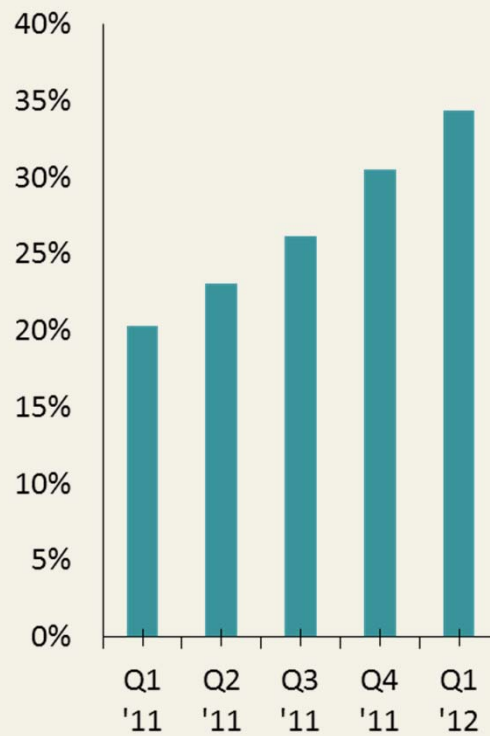


## Smartphone Penetration

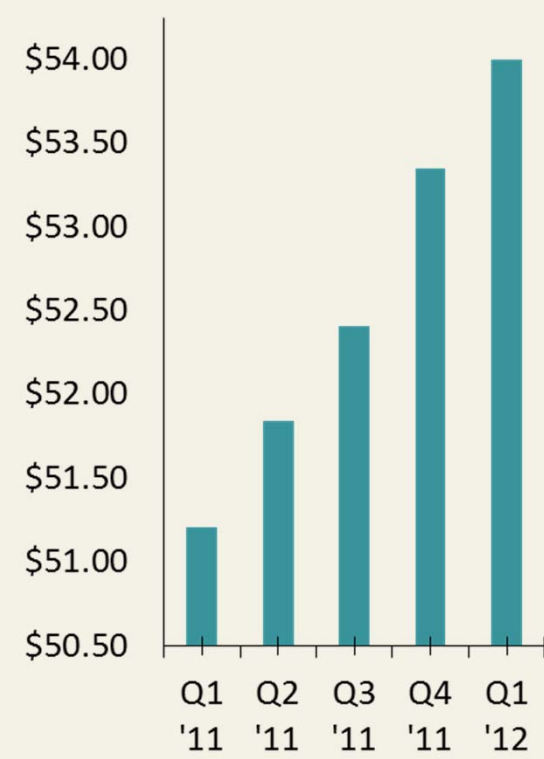
**Smartphones Sold  
(% of total devices)**



**Smartphone Customers  
(% of postpaid base)**



**Postpaid Average Monthly  
Revenue Per Customer**





## Financial Performance

(\$ in millions)	Q1 '12	Q1 '11
Service revenues	\$1,023.8	\$985.1
Retail Service	888.5	864.6
Roaming	80.1	64.4
ETC	39.7	41.8
System operations expense	233.2	217.6
Loss on equipment	118.7	122.4
SG&A expenses	442.2	442.0
Adjusted OIBDA <sup>(1)</sup>	\$ 229.7	\$ 203.1

(1) Adjusted OIBDA is defined as operating income excluding the effects of: depreciation, amortization and accretion (OIBDA); the net gain or loss on asset disposals (if any); and the loss on impairment of assets (if any). This measure also may be commonly referred to by management as operating cash flow. This measure should not be confused with cash flows from operating activities, which is a component of the consolidated statement of cash flows. Non-GAAP reconciliation at end of presentation.

## Financial Performance – continued

(\$ in millions, except per share amounts)	Q1 '12	Q1 '11
Total investment and other income	\$ 9.4	\$ 6.4
Net income attributable to U.S. Cellular shareholders	62.5	35.2
Diluted earnings per share attributable to U.S. Cellular shareholders	\$0.73	\$0.41
Cash flow from operating activities	\$257.0	\$257.7
Less: Cash used for additions to property, plant & equipment	209.2	121.0
Free cash flow <sup>(1)</sup>	\$ 47.8	\$136.7

(1) Free cash flow is defined as cash flows from operating activities less cash used for additions to property, plant and equipment. Free cash flow is a non-GAAP financial measure. U.S. Cellular believes that free cash flow as reported by U.S. Cellular is useful to investors and other users of its financial information in evaluating the amount of cash generated by business operations, after consideration of capital expenditures.



## 2012 Guidance <sup>(1)</sup> – as of 5/4/12

Service revenues	\$4.05 - \$4.15 billion
Operating income	\$200 - \$300 million
Depreciation, amortization and accretion expenses, and asset gains and losses <sup>(2)</sup>	Approx. \$600 million
Adjusted OIBDA <sup>(2) (3)</sup>	\$800 - \$900 million
Capital expenditures	\$850 million

(1) These estimates are based on U.S. Cellular's current plans, which include a multi-year deployment of 4G LTE technology which commenced in 2011. New developments or changing conditions (such as customer net growth, customer demand for data services or possible acquisitions, dispositions or exchanges) could affect U.S. Cellular's plans and, therefore, its 2012 estimated results.

(2) The 2012 Estimated Results do not include any estimate for unrecognized net gains or losses related to disposals and exchanges of assets or losses on impairments of assets (since such transactions and their effects are uncertain).

(3) Adjusted OIBDA is defined as operating income excluding the effects of depreciation, amortization and accretion (OIBDA); the net gain or loss on asset disposals and exchanges (if any); and the loss on impairment of assets (if any). This measure also may be commonly referred to by management as operating cash flow. This measure should not be confused with Cash flows from operating activities, which is a component of the Consolidated Statement of Cash Flows. Adjusted OIBDA excludes the net gain or loss on asset disposals and exchanges (if any) and loss on impairment of assets (if any), in order to show operating results on a more comparable basis from period to period. U.S. Cellular does not intend to imply that any of such amounts that are excluded are non-recurring, infrequent or unusual and, accordingly, they may be incurred in the future. U.S. Cellular believes this measure provides useful information to investors regarding U.S. Cellular's financial condition and results or operations because it highlights certain key cash and non-cash items and their impacts on cash flows from operating activities.





## Q1 2012 Highlights

- Hosted and Managed Services
  - Now reported as a separate segment
  - Contribution from OneNeck acquisition
- ILEC
  - Physical access line losses moderating
  - Initial launch of IPTV
  - Continued success in bundling strategy
- CLEC
  - Strong growth in *managedIP*
- Lower operating income
  - Discrete items of \$5.2 million in Q1 2011
  - Decline in wholesale revenues



## TDS Telecom Revenues

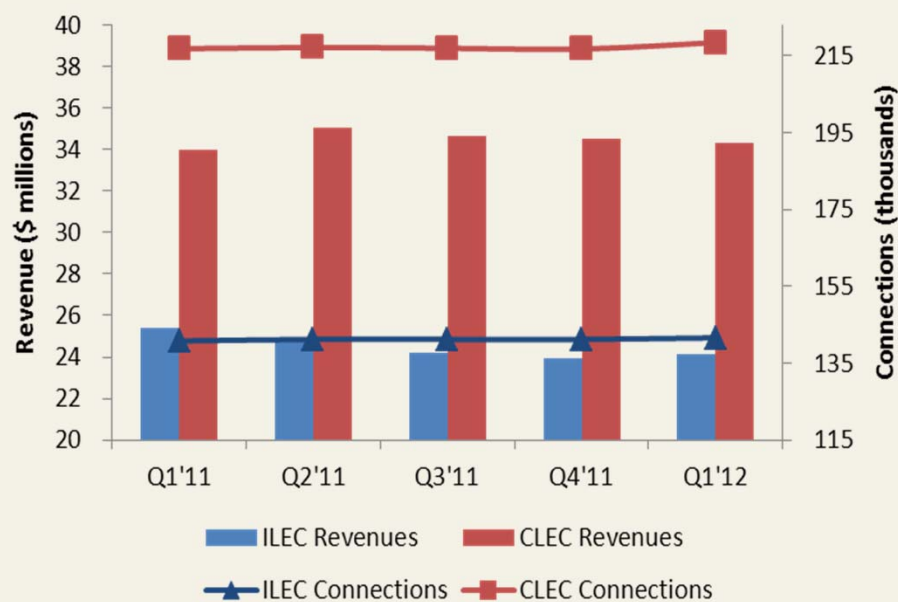
(\$ in millions)	Q1 '12	Q1 '11	Change
ILEC	\$145.1	\$149.6	(3)%
CLEC	44.0	45.3	(3)%
HMS	17.6	6.2	>100%
Total <sup>(1)</sup>	\$204.1	\$198.9	3%

<sup>(1)</sup> Reflects intercompany eliminations

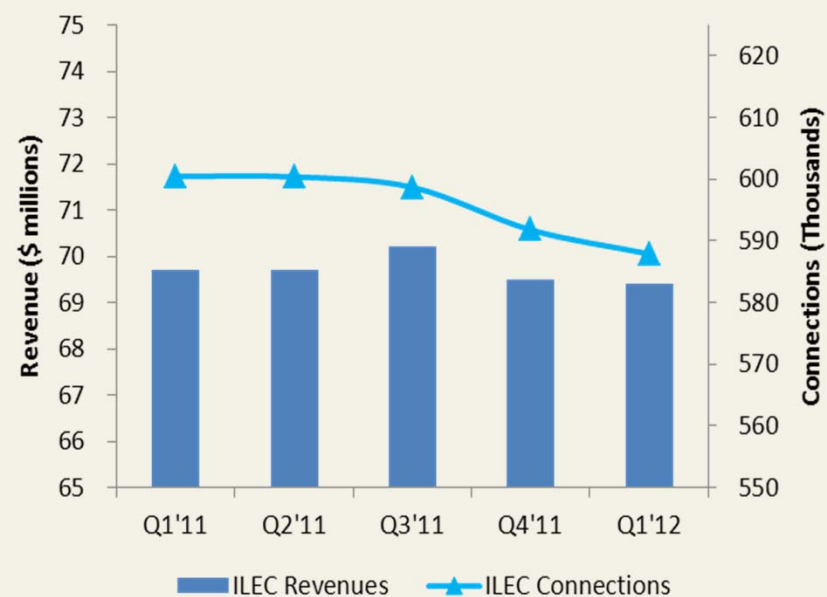


## Revenues : Connections

### Commercial



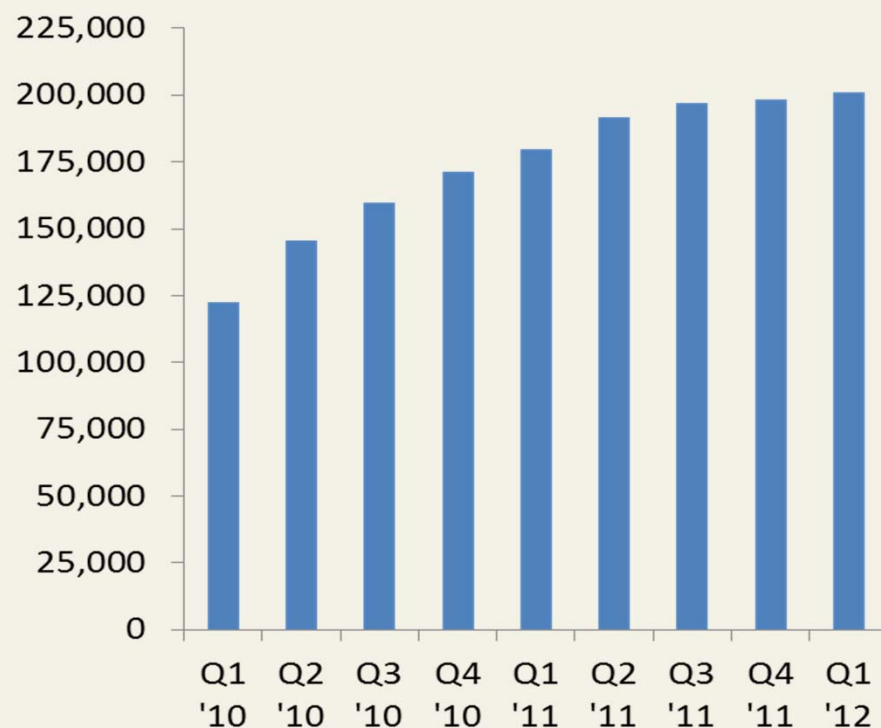
### Residential





## ILEC Voice Bundles Help to Moderate Line Loss

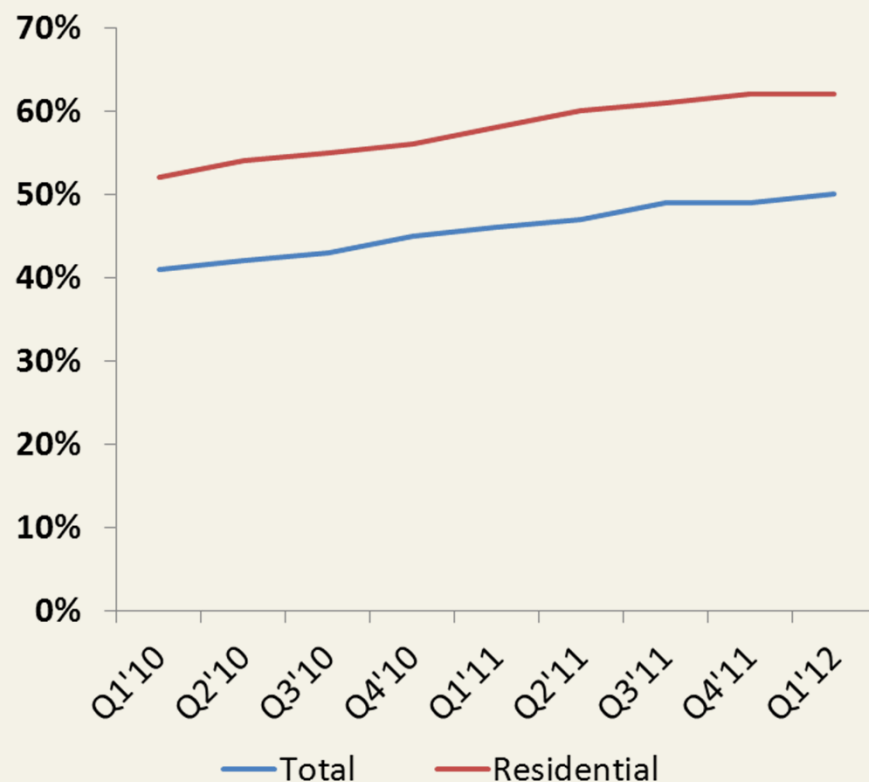
**Star Packages**





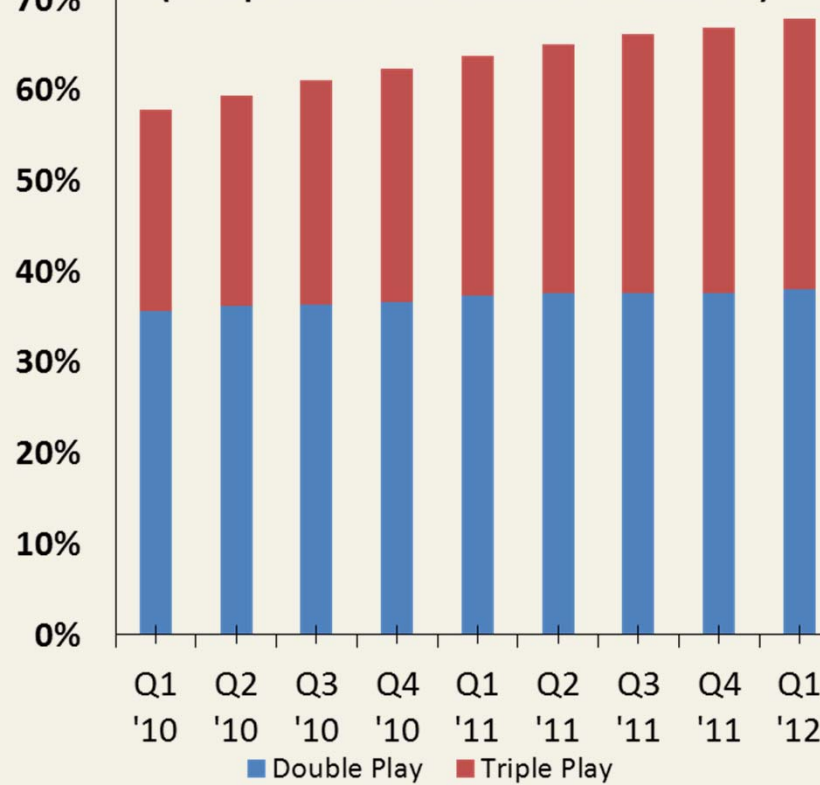
## Growth in Broadband and Residential Bundles

**Broadband Penetration**



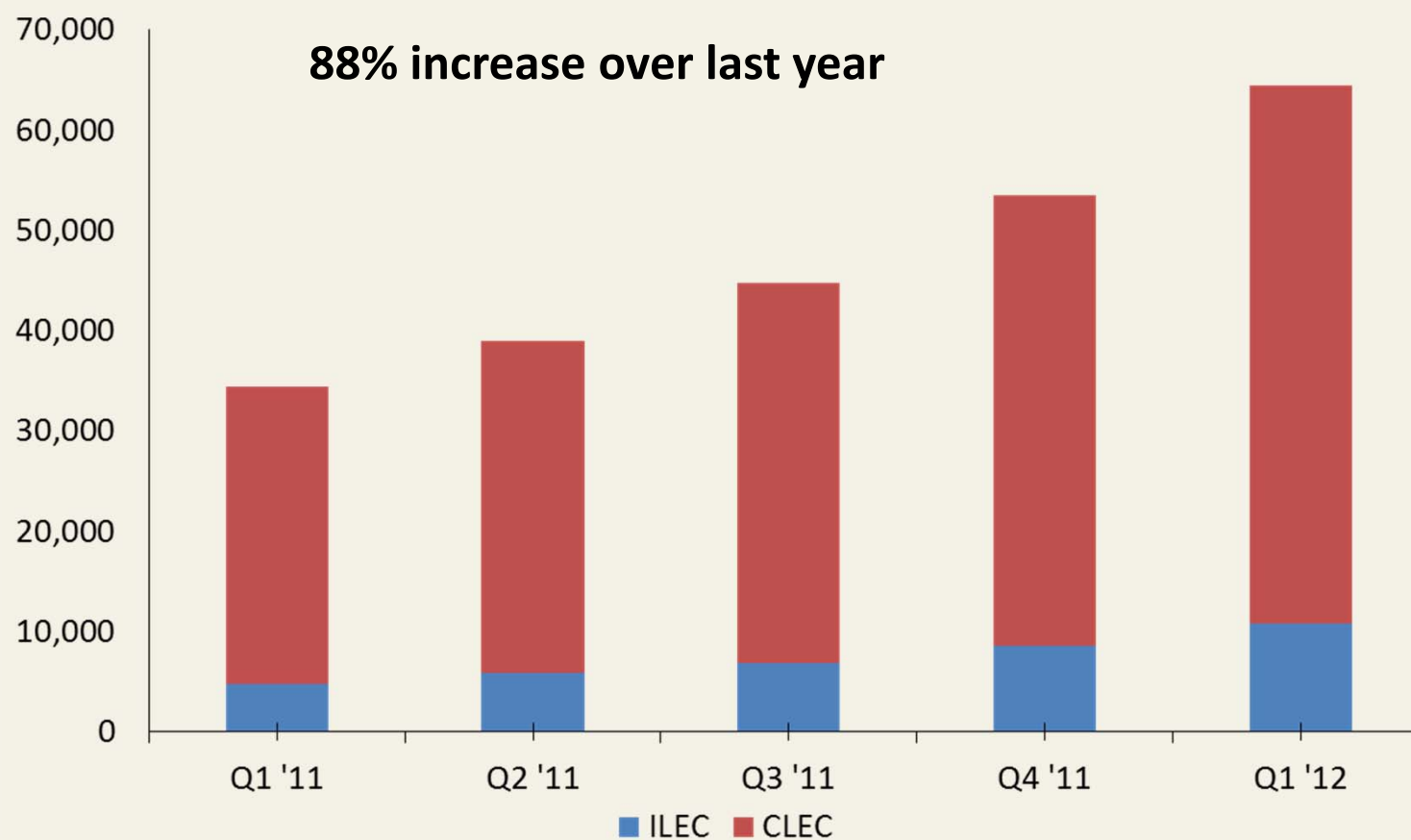
80%

**Penetration of Bundled Plans**  
(As a percent of Residential Customers)





## *managedIP* Connections







## Financial Performance

(\$ in millions)	Q1 '12	Q1 '11	Change
Revenues	\$204.1	\$198.9	3%
Expenses	143.4	121.8	18%
Adjusted OIBDA <sup>(1)</sup>	60.7	77.1	(21)%

(1) Adjusted OIBDA is defined as operating income excluding the effects of: depreciation, amortization and accretion (OIBDA); the net gain or loss on asset disposals (if any); and the loss on impairment of assets (if any). This measure also may be commonly referred to by management as operating cash flow. This measure should not be confused with cash flows from operating activities, which is a component of the consolidated statement of cash flows. Non-GAAP reconciliation at end of presentation.



## 2012 Guidance<sup>(1)</sup> – as of 5/4/12

Operating revenues	\$810 - \$840 million
Operating income	\$55 - \$85 million
Depreciation, amortization and accretion expenses, and losses on asset disposals and impairment of assets <sup>(2)</sup>	Approx. \$190 million
Adjusted OIBDA <sup>(3)</sup>	\$245 - \$275 million
Capital expenditures	\$150 - \$180 million

- (1) These estimates are based on TDS Telecom's current plans which include a multi-year deployment of IPTV that commenced in 2011. New developments or changing conditions (such as costs to deploy, agreements for content or franchises) could affect TDS Telecom's plans and, therefore, its 2012 estimated results.
- (2) The 2012 Estimated Results do not include any estimate for unrecognized net gains or losses related to disposals and exchanges of assets or losses on impairment of assets (since such transactions and their effects are uncertain).
- (3) Adjusted OIBDA is defined as operating income excluding the effects of depreciation, amortization and accretion (OIBDA): the net gain or loss on asset disposals and exchanges (if any); and the loss on impairment of assets (if any). This measure also may be commonly referred to by management as operating cash flow. This measure should not be confused with Cash flows from operating activities, which is a component of the Consolidated Statement of Cash Flows. Adjusted OIBDA excludes the net gain or loss on asset disposals and exchanges (if any) and loss on impairment of assets (if any) in order to show operating results on a more comparable basis from period to period. TDS does not intend to imply that any of such amounts that are excluded are non-recurring, infrequent or unusual and, accordingly, they may be incurred in the future. TDS believes this measure provides useful information to investors regarding TDS' financial condition and results of operations because it highlights certain key cash and non-cash items and their impacts on cash flows from operating activities.

# OIBDA Reconciliation

Three Months Ended March 31, 2012	U.S. Cellular	TDS Telecom (1)	All Other (2)	Consolidated Total
<b>Operating revenues</b>	\$ 1,092,121	\$ 204,075	\$ 9,595	\$ 1,305,791
Deduct:				
U.S. Cellular equipment sales revenue	68,301			
<b>Service revenues</b>	<u>1,023,820</u>			
<b>Operating income (loss)</b>	85,202	13,092	(4,652)	93,642
Add (Deduct):				
Depreciation, amortization and accretion	146,685	47,443	3,306	197,434
Loss on impairment of intangible assets	—	—	—	—
(Gain) loss on asset disposals and exchanges	<u>(2,210)</u>	<u>120</u>	<u>(5)</u>	<u>(2,095)</u>
<b>Adjusted OIBDA (3)</b>	<u>\$ 229,677</u>	<u>\$ 60,655</u>	<u>\$ (1,351)</u>	<u>\$ 288,981</u>

Three Months Ended March 31, 2011	U.S. Cellular	TDS Telecom (1)	All Other (2)	Consolidated Total
<b>Operating revenues</b>	\$ 1,057,092	\$ 198,916	\$ 2,673	\$ 1,258,681
Deduct:				
U.S. Cellular equipment sales revenue	71,979			
<b>Service revenues</b>	<u>985,113</u>			
<b>Operating income (loss)</b>	58,748	32,206	(2,081)	88,873
Add (Deduct):				
Depreciation, amortization and accretion	143,340	44,837	2,636	190,813
Loss on impairment of intangible assets	—	—	—	—
(Gain) loss on asset disposals and exchanges	<u>1,037</u>	<u>104</u>	<u>2</u>	<u>1,143</u>
<b>Adjusted OIBDA (3)</b>	<u>\$ 203,125</u>	<u>\$ 77,147</u>	<u>\$ 557</u>	<u>\$ 280,829</u>

- (1) Includes ILEC, CLEC and HMS intercompany eliminations.
- (2) Consists of Suttle-Straus and Airadigm (as of September 23, 2011), which represents TDS' Non-Reportable Segment, corporate operations and intercompany eliminations between U.S. Cellular, TDS Telecom and corporate investments. Amounts in this column are presented only to reconcile to consolidated totals and may not otherwise be meaningful.
- (3) Adjusted OIBDA is a segment measure reported to the chief operating decision maker for purposes of making decisions about allocating resources to the segments and assessing their performance. Adjusted OIBDA is defined as operating income excluding the effects of: depreciation, amortization and accretion (OIBDA); the net gain or loss on asset disposals (if any); and the loss on impairment of assets (if any). This measure also may be commonly referred to by management as operating cash flow. This measure should not be confused with Cash flows from operating activities, which is a component of the Consolidated Statement of Cash flows. Adjusted OIBDA excludes the net gain or loss on asset disposals and loss on impairment of assets, if any, in order to show operating results on a more comparable basis from period to period. TDS does not intend to imply that any of such amounts that are excluded are non-recurring, infrequent or unusual, and accordingly, they may be incurred in the future.

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