



Third Quarter 2014 Results

October 31, 2014

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Upcoming conferences



- 11/12/14 – Wells Fargo - New York
- 1/6/15 – Citi – Las Vegas

TDS third quarter update



- Return value to shareholders
 - Repurchased \$10.7 million of TDS shares
 - Repurchased \$6.5 million of U.S. Cellular shares
 - Paid \$14.5 million in TDS dividends
- Additional agreements to monetize non-core spectrum
 - Transferring 148 million MHz/pops of non-operating market licenses
 - Receiving 46 million MHz/pops of operating market licenses
 - Will receive \$145 million in cash
- Non-core tower sale process moving forward
- Discrete non-cash accounting items
 - HMS impairment
 - Income tax expense resulting from net deferred tax asset valuation allowance adjustments
- Not pursuing REIT structure at this time



Drive subscriber growth

Positive postpaid net additions for quarter

- Increase gross additions with high-quality network, strong device portfolio, connected devices and competitive pricing
 - Postpaid gross additions up 52%
 - Competitive offerings
 - iPhone – strong sales including new iPhone 6
 - Shared Connect Plans – 35% of postpaid customers
 - Equipment Installment Plans – 38% of postpaid transactions
- Reduce churn through stabilization of billing system and restoring high levels of customer service, device portfolio, including Apple devices, and attractive plans and pricing
 - Postpaid churn improved to 1.6% from 1.7%

Drive revenue growth



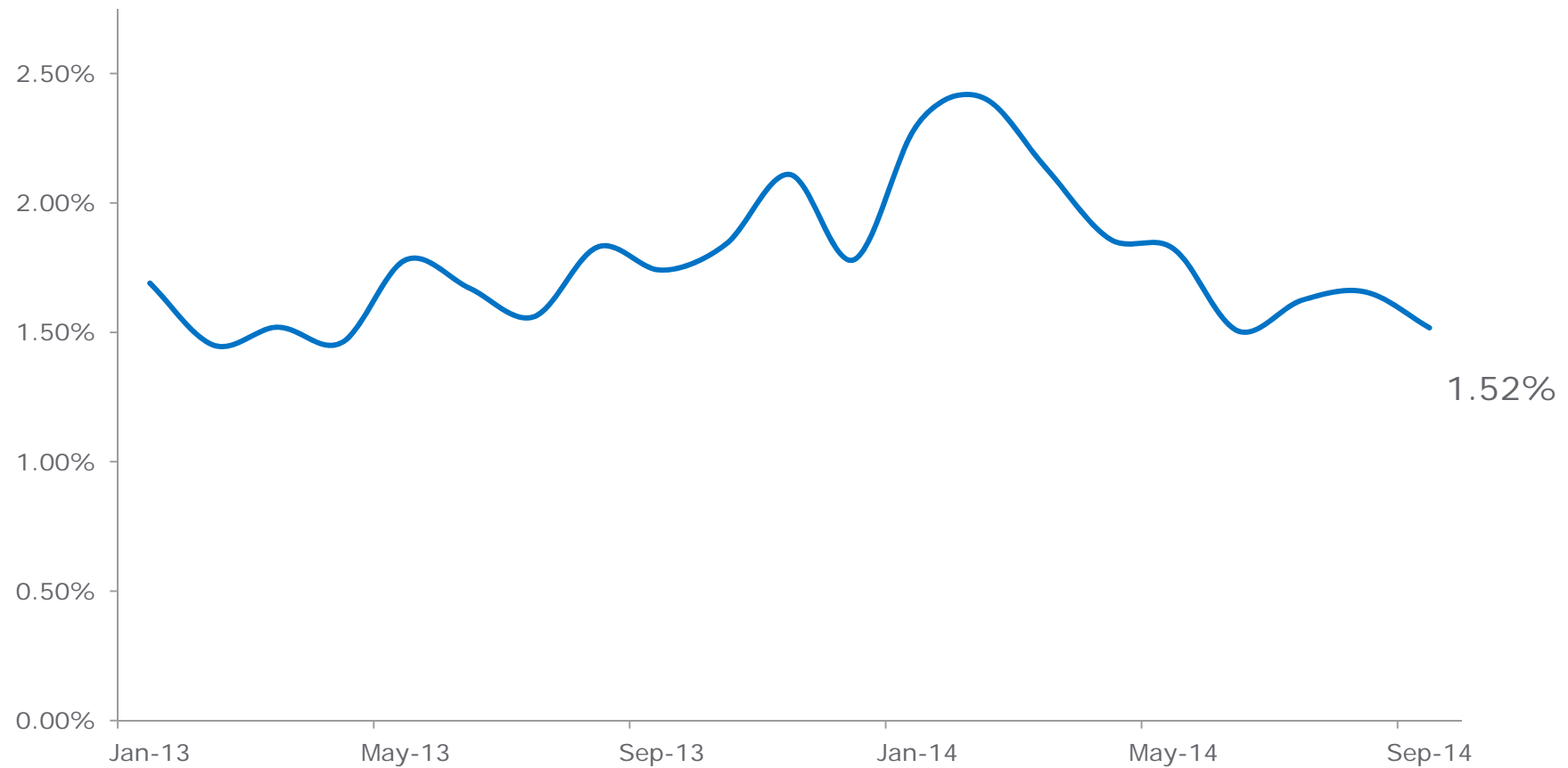
- Increase smartphone penetration
 - Postpaid smartphone penetration increased from 47% to 58%
- Launch new products and services that utilize and monetize our data network
 - Connected devices are 6% of postpaid base
 - Shared Connect Plans (shared data)
 - Penetration increased sequentially from 22% to 35%
 - Equipment Installment Plans
 - 334,000 devices or 8% of postpaid base
- Growth in data traffic is expected to drive revenue growth
- 4G LTE Network deployment continues
 - Will reach 93% of customers in early first quarter
 - Currently 74% of data traffic is on 4G LTE network

Customer results



	Q3 '14	Q3 '13
Postpaid gross additions	251,000	165,000
Postpaid churn	1.6%	1.7%
Postpaid net additions (losses)	52,000	(60,000)
Prepaid net (losses)	(2,000)	(11,000)
Retail net additions (losses)	50,000	(71,000)
Total retail customers	4,550,000	4,713,000

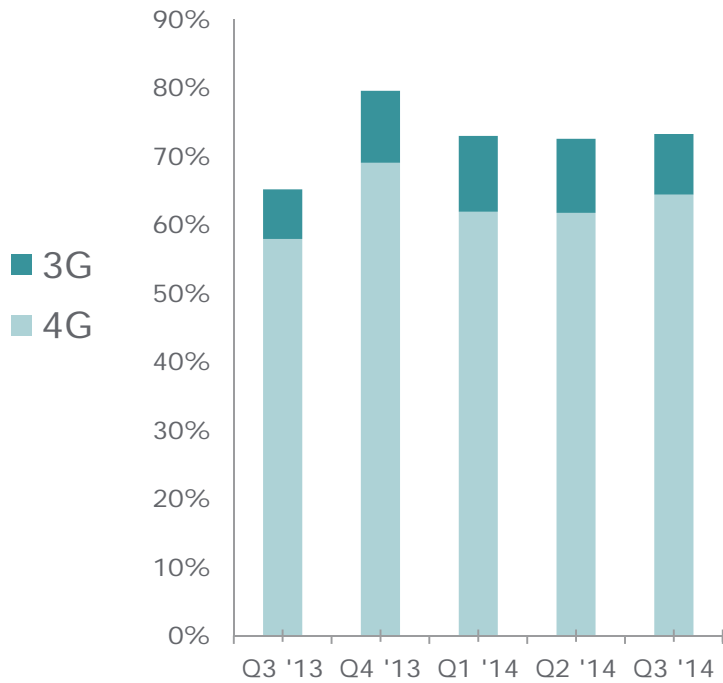
Monthly Postpaid Churn rate*



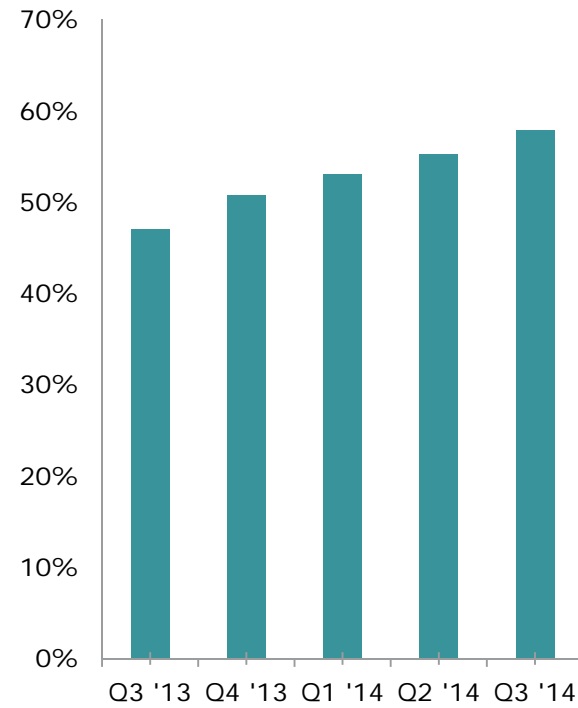
* Core markets – definition provided in note at the end of this presentation

Smartphone sales and penetration U.S. Cellular

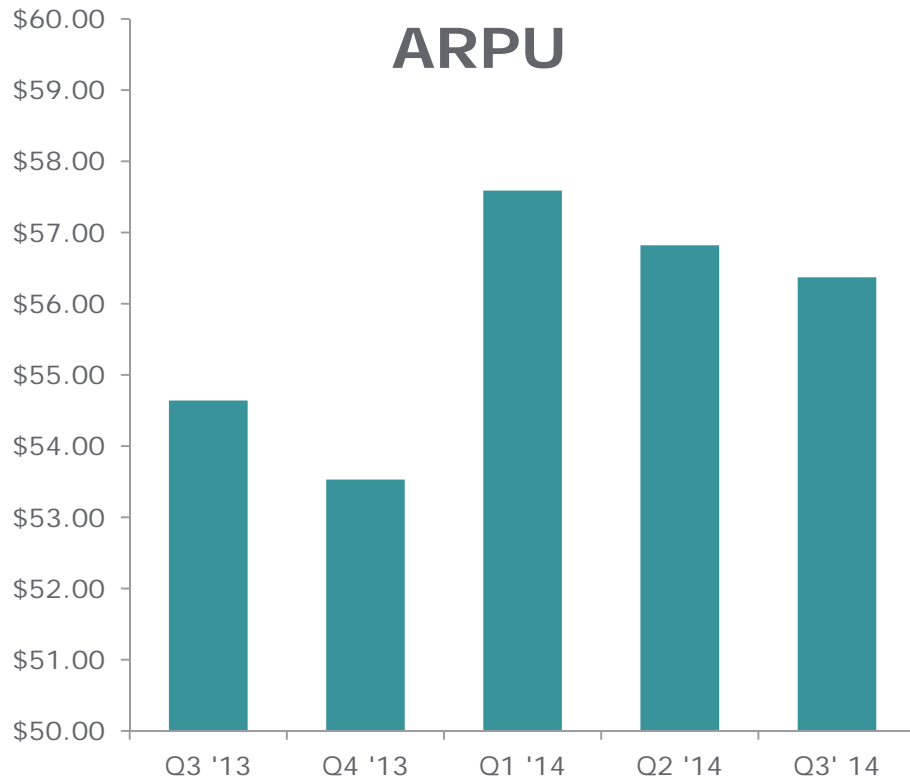
Smartphones Sold
(% of total devices)



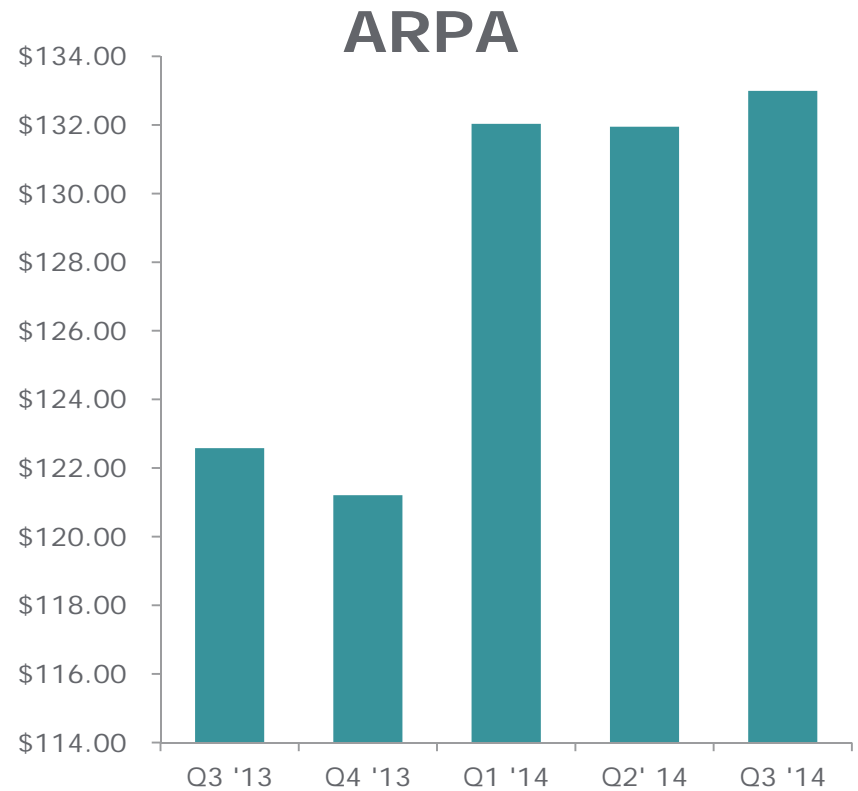
Smartphone Customers
(% of postpaid base)



Average Postpaid Revenue Metrics



ARPU – Average Revenue Per User



ARPA – Average Revenue Per Account

Equipment Installment Plan Metrics

	Q3 2014	YTD 2014
Number of Transactions ⁽¹⁾	238,000	334,000
EIP as a % of total postpaid devices sold	38%	19%
EIP equipment revenue	\$78.2M	\$111.8M
EIP accounts receivable (ST & LT)	\$128.6 M	\$128.6M
EIP bad debts expense	\$4.1M	\$7.1M

(1) Includes feature, connected and smartphone devices

Total operating revenues- up 7% U.S. Cellular

(\$ in millions)	Q3 '14	Q3 '13
Service revenues	\$ 851.1	\$ 862.3
Retail service	743.8	752.3
Roaming	66.6	72.0
Other	40.7	38.0
Equipment revenues	149.4	76.9
Total operating revenues	\$1,000.4	\$ 939.2

Financial performance



(\$ in millions)	Q3 '14	Q3 '13
Total revenues	\$1,000.4	\$939.2
System operations expense	199.8	177.4
Loss on equipment	158.5	116.5
SG&A expenses	397.5	410.5
Total investment and other income	26.1	27.2
Adjusted income before income taxes ⁽¹⁾	\$ 127.0	\$194.7

(1) Adjusted income before income taxes is a non-GAAP financial measure that is defined in the non-GAAP reconciliation at the end of the presentation

2014 guidance



(as of 10/31/14)	2014 Estimates (Current)	2014 Estimates (Previous)	2013 Actual (Core)*
Total operating revenues	\$3,900 - \$4,000 M	Unchanged	\$3,729 M
Adjusted income before income taxes (1)	\$375 - \$450 M	\$350 - \$450 M	\$ 518 M
Capital expenditures	\$600 M	\$640 M	\$ 735 M

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* Core markets – definition provided in note at the end of this presentation



Third quarter update



- Wireline
 - Fiber/IPTV results encouraging, with the upcoming launch of 5 additional fiber-based IPTV markets this year
 - Cost reductions drive 10% increase in adjusted income before income taxes
- Cable
 - Improve customer penetration in Baja Broadband markets
 - Leverage strong household growth
 - Integrate BendBroadband and tuck-ins
- Hosted and Managed Services
 - Growth in colocation, dedicated hosting, hosted application management and cloud computing services
 - Impairment charge

TDS Telecom operating performance



(\$ in millions)	Q3 '14	Q3 '13
Wireline	\$178.1	\$181.8
Cable	28.5	14.4
HMS	<u>67.5</u>	<u>38.7</u>
Total operating revenues ⁽¹⁾	273.2	234.5
Expenses ⁽¹⁾⁽²⁾	199.1	170.7
Adjusted income before income taxes ⁽³⁾	\$73.2	\$63.9

(1) Reflects intercompany eliminations.

(2) Represents cost of products and services and selling, general and administrative expenses.

(3) Adjusted income before income taxes is a non-GAAP financial measure that is defined in the non-GAAP reconciliation at the end of the presentation.

Wireline operating performance



(\$ in millions)	Q3 '14	Q3 '13
Residential	\$73.9	\$74.3
Commercial	57.2	57.1
Wholesale	<u>46.6</u>	<u>49.8</u>
Total service revenues	177.7	181.1
Expenses ⁽¹⁾	111.5	121.5
Adjusted income before income taxes ⁽²⁾	\$66.4	\$60.2

(1) Represents cost of products and services and selling, general and administrative expenses.

(2) Adjusted income before income taxes is a non-GAAP financial measure that is defined in the non-GAAP reconciliation at the end of the presentation.



Broadband speeds, IPTV driving wireline residential revenue growth

ILEC Residential Customers by Broadband Speeds

	9/30/14	9/30/13
> 5 Mb	82%	77%
> 10 Mb	39%	32%

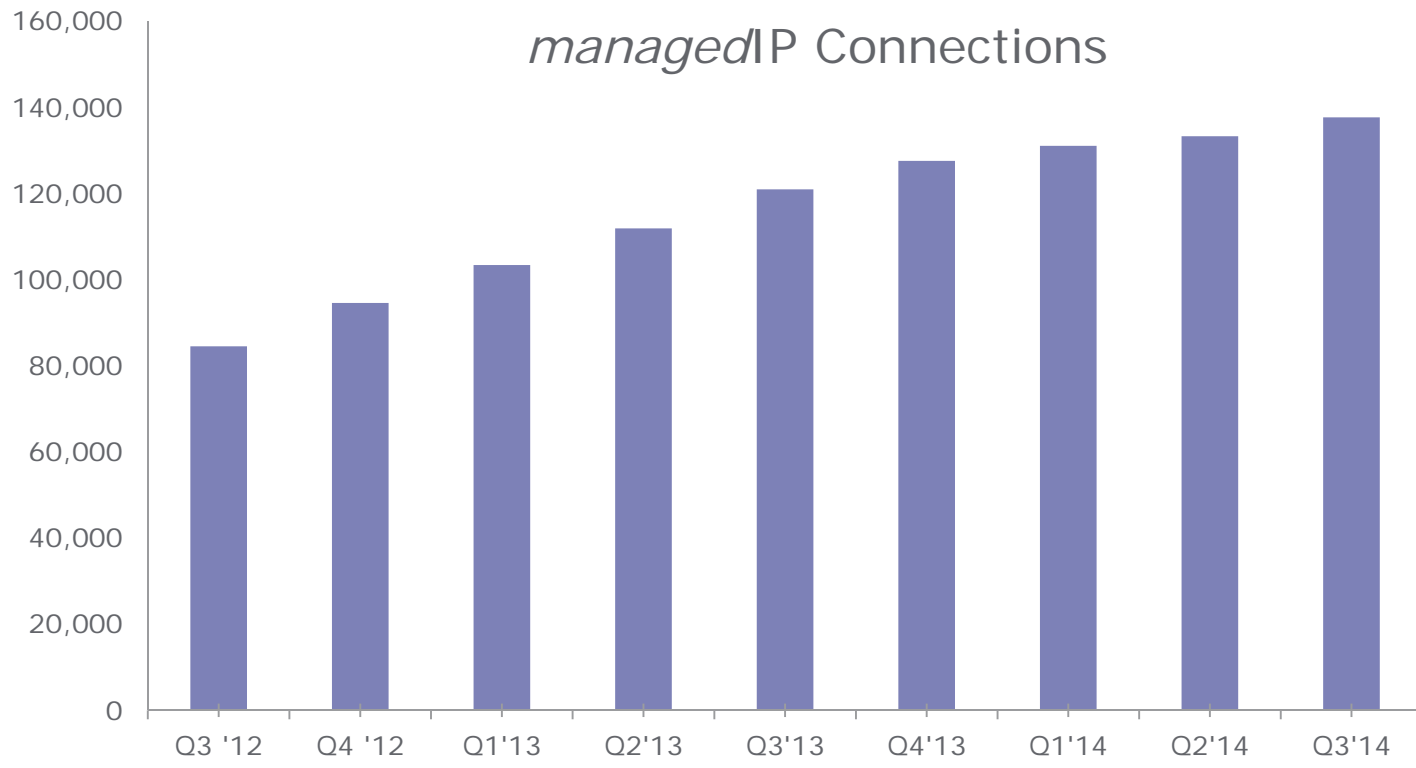
Wireline Residential Average Revenue Per Connection

9/30/14	9/30/13
\$41.47	\$41.12

IPTV Connections

	9/30/14	9/30/13
IPTV	20,700	12,200

Wireline *managed*IP connections increased 14%



Wireline Commercial ARPU

	9/30/14	9/30/13
Total Commercial Connections	\$52.42	\$51.83

Cable* operating performance



(as of 9/30/14)	Connections
Video	109,100
Broadband	106,400
Voice	<u>41,800</u>
Total cable connections	257,300

	Q3 '14	Q3 '13
Total operating revenues	\$28.5	\$14.4
Expenses ⁽¹⁾	22.6	11.9
Adjusted income before income taxes ⁽²⁾	\$ 5.3	\$ 2.5

(as of 9/30/14)	Industry Penetration	Baja Penetration	Total cable Penetration
Video	40%	30%	36%
Broadband	41%	29%	35%
Voice	20%	9%	14%

* Includes Baja, BendBroadband since 9/1/14, and two tuck-ins

(1) Represents cost of products and services and selling, general and administrative expenses.

(2) Adjusted income before income taxes is a non-GAAP financial measure that is defined in the non-GAAP reconciliation at the end of the presentation.

Hosted and Managed Services operating performance



(\$ in millions)	Q3 '14	Q3 '13
Service revenues	\$27.8	\$23.2
Equipment revenues	<u>39.7</u>	<u>15.5</u>
Total operating revenues	67.5	38.7
Expenses ⁽¹⁾	66.0	37.6
Adjusted income before income taxes ⁽²⁾	\$ 1.5	\$ 1.3

- (1) Represents cost of products and services and selling, general and administrative expenses.
 (2) Adjusted income before income taxes is a non-GAAP financial measure that is defined in the non-GAAP reconciliation at the end of the presentation.

2014 TDS Telecom guidance⁽¹⁾



(as of 10/31/14) (\$ in millions)	2014 Estimates (Current)	2014 Estimates (Previous)	2013 Actual
Total operating revenues	\$1,075 - \$1,125	\$1,050 - \$1,100	\$947
Adjusted income before income taxes ⁽²⁾	\$275 - \$300	\$260 - \$290	\$249
Capital expenditures	\$210	\$200	\$165

(1) There can be no assurance that final results will not differ materially from such estimated results.

(2) Adjusted income before income taxes is a non-GAAP financial measure that is defined in the non-GAAP reconciliation at the end of the presentation.

Appendix

Adjusted Income Before Income Taxes Reconciliation – 2013 Full Year Actual Results



(\$ In millions)	<u>U.S. Cellular Consolidated</u>	<u>Divestiture Markets and NY1&NY2 Partnerships*</u>	<u>U.S. Cellular Core*</u>	<u>TDS Telecom Total</u>
Income (loss) before income taxes	\$258	\$85	\$173	\$49
Depreciation, amortization and accretion expense	804	249	555	203
(Gain) loss on sale of business and other exit costs, net	(247)	(249)	2	---
(Gain) loss on license sales and exchanges	(255)	---	(255)	---
(Gain) loss on investments	(19)	(19)	---	(1)
Interest expense	<u>44</u>	<u>---</u>	<u>44</u>	<u>(2)</u>
Adjusted income before income taxes	\$585	\$67	\$518	\$249

* These are non-GAAP measures. See notes at the end of this presentation

Adjusted income before income taxes reconciliation (actual results)



Three Months Ended 9/30/14

Three Months Ended 9/30/13

(\$ in millions)	Three Months Ended 9/30/14						Three Months Ended 9/30/13					
	U.S. Cellular Consolidated	Wireline	Cable	HMS	TDS Telecom Total	TDS (1)	U.S. Cellular Consolidated	Wireline	Cable	HMS	TDS Telecom Total	TDS (1)
Income (loss) before income taxes	(\$25.2)	\$27.9	(\$.8)	(\$89.6)	(\$62.6)	(\$111.9)	(\$16.0)	\$19.7	(\$.5)	(\$5.4)	\$13.8	(\$17.8)
Depreciation, amortization and accretion expense (2)	149.0	41.4	6.2	6.7	54.3	205.5	201.0	42.1	2.9	6.3	51.3	255.3
(Gain) loss on sale of business and other exit costs, net	(10.3)	(2.2)	--	--	(2.2)	(4.8)	(1.5)	--	--	--	--	(1.5)
Loss on investments	--	--	--	--	--	--	--	(.8)	--	--	(.8)	--
Loss on impairment of assets	--	--	--	84.0	84.0	84.0	--	--	--	--	--	--
Interest expense	<u>13.5</u>	<u>(.6)</u>	--	<u>.3</u>	<u>(.3)</u>	<u>27.2</u>	<u>11.3</u>	<u>(.8)</u>	--	<u>.4</u>	<u>(.4)</u>	<u>25.0</u>
Adjusted income before income taxes (3)	\$127.0	\$66.4	\$5.3	\$1.5	\$73.2	\$200.0	\$194.7	\$60.2	\$2.5	\$1.3	\$63.9	\$260.9

(1) (2) (3) – see notes at the end of this presentation



- (1) 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.
- (2) Actual results for the three months ended September 30, 2013 includes \$45.7 million of incremental accelerated depreciation, amortization and accretion resulting from the Divestiture Transaction.
- (3) Adjusted income before income taxes is defined as income before income taxes, adjusted for the items set forth in the reconciliation above. Adjusted income before income taxes excludes these items in order to show operating results on a more comparable basis from period to period. From time to time, TDS may exclude other items from adjusted income before income taxes if such items help reflect operating results on a more comparable basis. TDS does not intend to imply that any such items that are excluded are non-recurring, infrequent or unusual; such items may occur in the future. Adjusted income before income taxes is not a measure of financial performance under Generally Accepted Accounting Principles in the United States ("GAAP") and should not be considered as an alternative to income before income taxes as an indicator of the company's operating performance or as an alternative to cash flows from operating activities, determined in accordance with GAAP, as an indicator of cash flows or as a measure of liquidity. TDS believes adjusted income before income taxes is a useful measure of TDS' operating results before significant recurring non-cash charges, discrete gains and losses, and financing charges (interest expense).

* The U.S. Cellular Consolidated amounts represent GAAP financial measures and include the results of both the Core Markets and the Divestiture and NY1 and NY2 Partnerships. The amounts for Divestiture Markets and NY1 and NY2 Partnerships, and for the Core Markets, represent non-GAAP financial measures. TDS believes that the amounts for the Divestiture Markets and NY1 and NY2 Partnerships, and for the Core Markets, may be useful to investors and other users of its financial information in evaluating the separate results for the Core Markets. Divestiture Markets are comprised of U.S. Cellular's Chicago, central Illinois, St. Louis and certain Indiana/Michigan/Ohio markets. Core Markets are comprised of all other markets in which U.S. Cellular conducts business including Peoria, Rockford and certain other areas in Illinois, and in Columbia, Joplin, Jefferson City and certain other areas in Missouri. Core Markets as defined also includes any other income or expenses due to U.S. Cellular's direct or indirect ownership interests in other spectrum in the Divestiture Markets which was not included in the sale and other retained assets from the Divestiture Markets.

