



Third Quarter 2019 Results

November 1, 2019

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

All information set forth in this presentation about Telephone and Data Systems, Inc. including its subsidiaries U.S. Cellular and TDS Telecom (the "company"), 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: intense competition; the ability to execute the company's business strategy; uncertainties in the company's future cash flows and liquidity and access to the capital markets; the ability to make payments on the company's indebtedness or comply with the terms of debt covenants; impacts of any pending acquisitions/divestitures/exchanges of properties and/or licenses, including, but not limited to, the ability to obtain regulatory approvals, successfully complete the transactions and the financial impacts of such transactions; the ability of the company to successfully manage and grow its markets; 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 the company's debt securities by accredited ratings organizations; industry consolidation; advances in telecommunications technology; pending and future litigation; changes in income tax rates, laws, regulations or rulings; changes in customer growth rates, average monthly revenue per user, churn rates, roaming revenue and terms; the availability of wireless devices; or the mix of products and services offered by the company. Investors are encouraged to consider these and other risks and uncertainties that are discussed in documents furnished to the Securities and Exchange Commission.

Upcoming investor relations calendar

- 11/14/19 - Citi Non-Deal Roadshow (New York)
 - From management: Ted Carlson, Doug Chambers and Jane McCahon
- 12/3/19 - Wells Fargo TMT (Las Vegas) One-on-one meetings only
 - From management: Doug Chambers and Jane McCahon
- 12/11/19 - UBS Global TMT (New York)
 - From management: Ken Meyers, Mike Irizarry, and Jane McCahon
- 1/7/20 - Citi 2020 Global TMT West (Las Vegas)
 - From management: Ken Meyers and Jane McCahon



Executing on 2019 strategic priorities

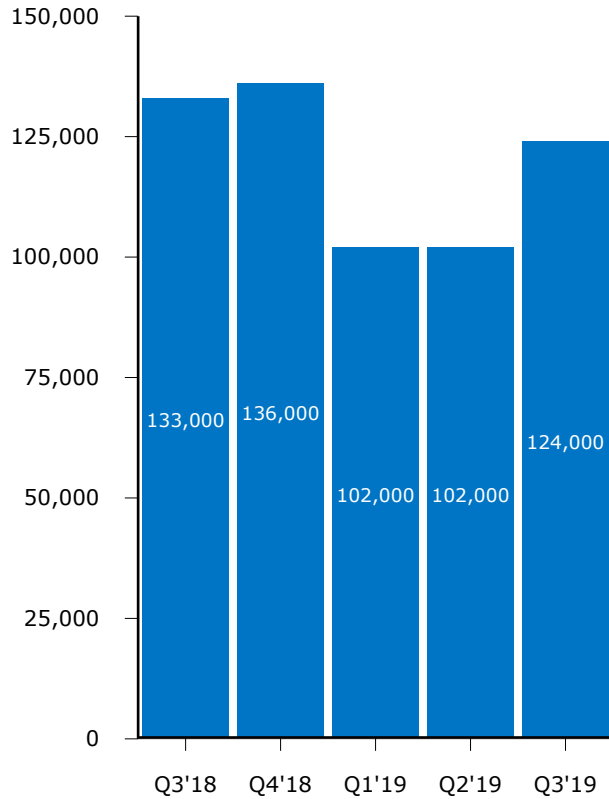


- **Attract new customers and strengthen our base**
 - Subscriber activity momentum drove improved results
 - Brand refresh: Bringing Fairness to Wireless
 - New web-based technology for improved customer experience
 - New service plans – lower pricing and more data at faster speeds
- **Drive revenue growth**
 - Service revenues up 2% - higher ARPU and Roaming
 - Device upgrade rate remained low
- **Continued focus on cost structure**
- **Invest in network**
 - Ready network for 5G – launch service in Q1 2020
 - Continuing investment in speed and capacity
 - Roll-out of VoLTE continuing – now available to 67% of customers
 - Access to mid-band spectrum

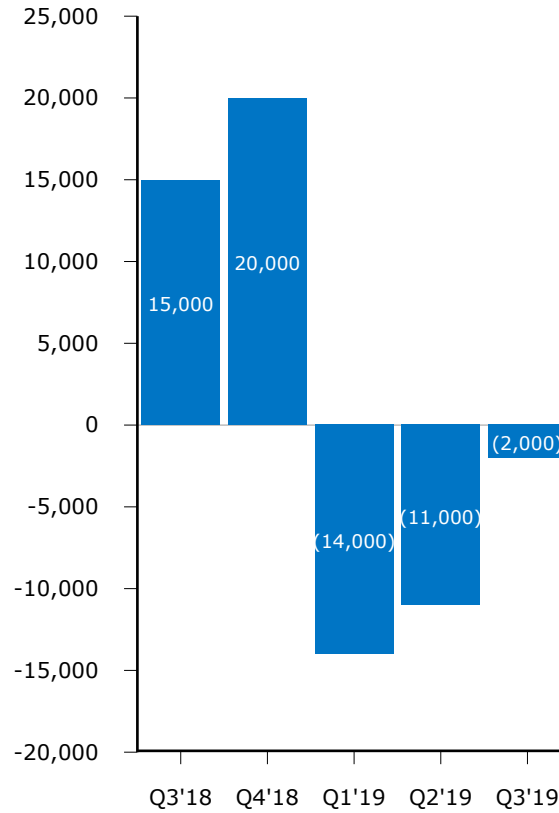
Postpaid handsets



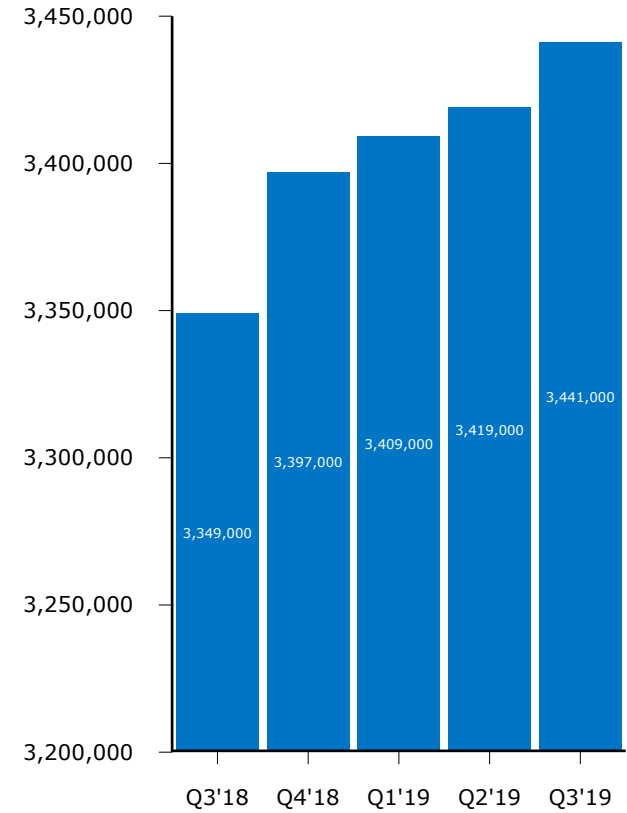
Gross Additions



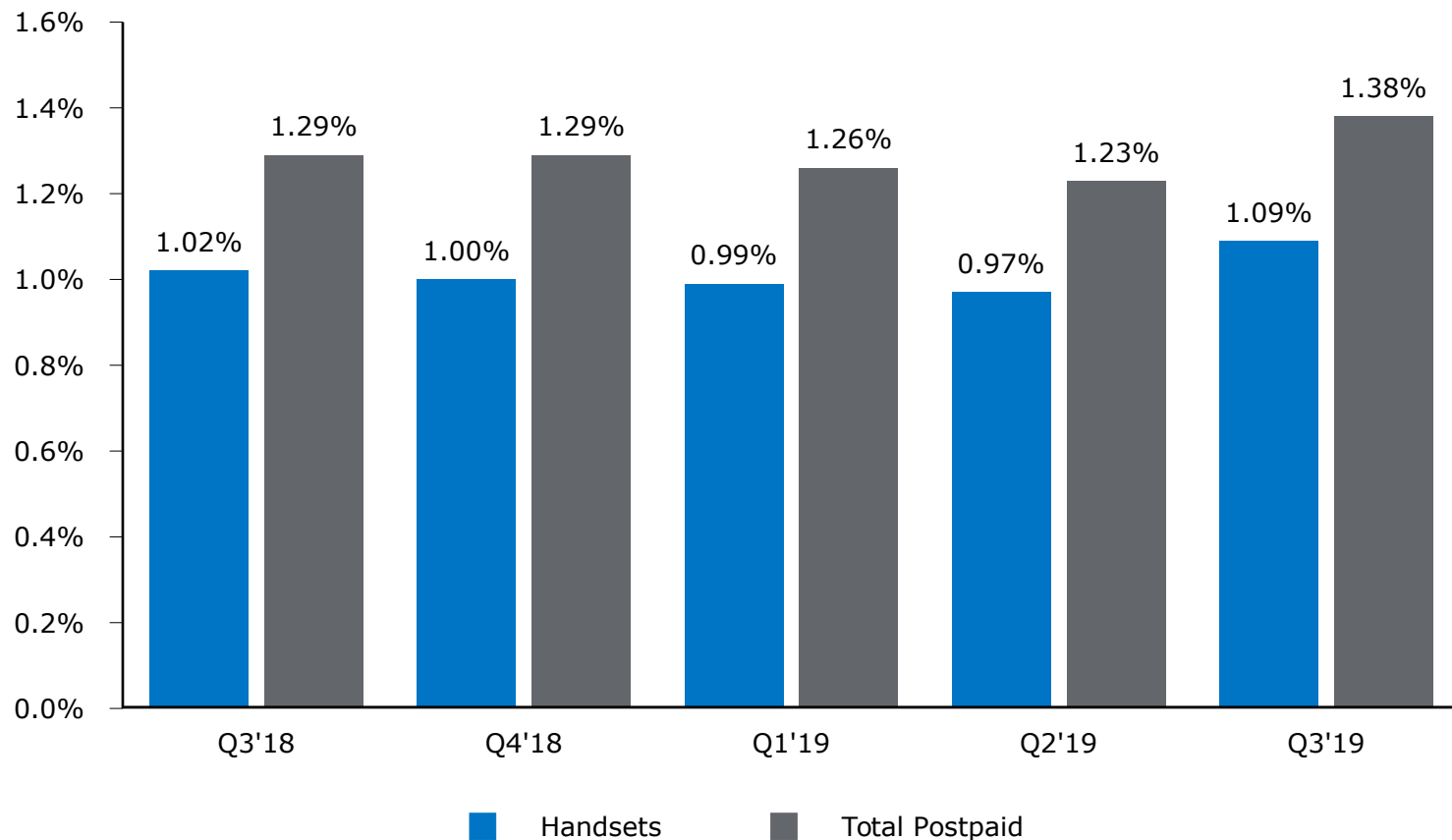
Net Additions



Smartphone Connections

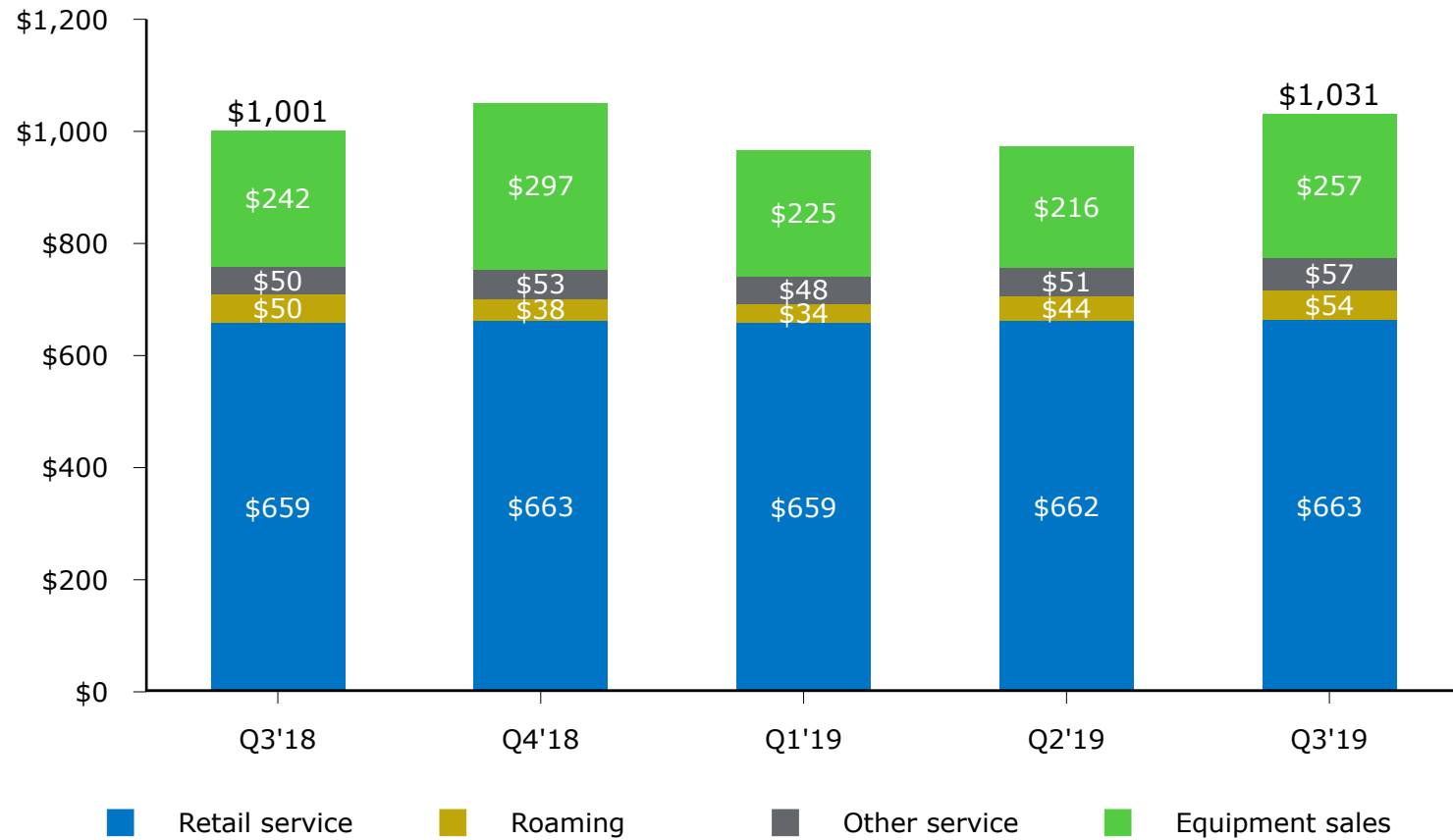


Postpaid churn rate



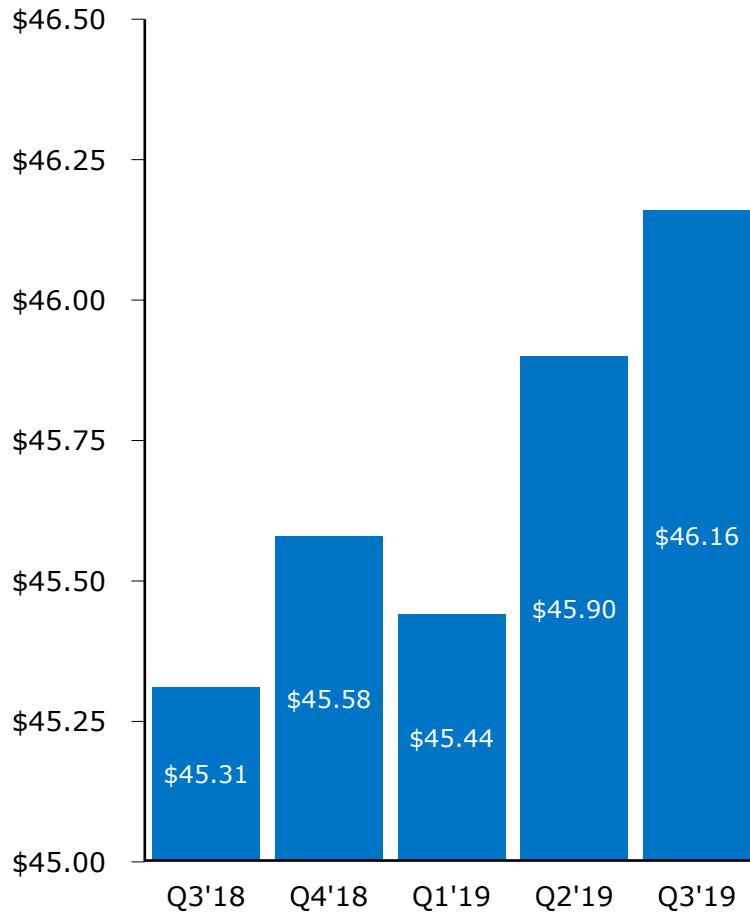
Total operating revenues

(\$ in millions)



Postpaid revenue

Average Revenue Per User (ARPU)



Average Revenue Per Account (ARPA)



Adjusted OIBDA



(\$ in millions)	Q3'19	Q3'18	% Change
Total operating revenues	\$ 1,031	\$ 1,001	3 %
System operations expense	199	200	(1)%
Cost of equipment sold	266	258	3 %
SG&A expenses	358	346	3 %
Total cash expenses ⁽¹⁾	823	804	2 %
Adjusted OIBDA ⁽²⁾	\$ 208	\$ 197	6 %

(1), (2) - See slide 25 for explanations

Adjusted EBITDA



(\$ in millions)	Q3'19	Q3'18	% Change
Adjusted OIBDA ⁽²⁾	\$ 208	\$ 197	6%
Equity in earnings of unconsolidated entities	44	42	5%
Interest and dividend income	4	4	4%
Adjusted EBITDA ⁽²⁾	\$ 256	\$ 243	5%

(2) - See slide 25 for explanation

2019 guidance *

(\$ in millions) As of Oct. 31, 2019	2018 Actual	2019 Previous Estimates	2019 Current Estimates
Total operating revenues	\$3,967	\$3,900-\$4,100	\$3,950-\$4,050
Adjusted OIBDA ⁽²⁾	\$790	\$725-\$875	\$750-\$850
Adjusted EBITDA ⁽²⁾	\$963	\$900-\$1,050	\$925-\$1,025
Capital expenditures	\$515	\$625-\$725	Unchanged

* There can be no assurance that final results will not differ materially from estimated results.

(2) - See slide 25 for explanation



Executing on 2019 strategic priorities



Q3 2019 Highlights

1. Launched a third out-of-territory fiber market
2. Agreement to purchase another cable company - Continuum
3. Enabled DOCSIS 3.1 in one of our key cable markets - Bend

2019 Priorities

- Intense focus on increasing broadband penetration
- Attractive bundles to lower churn
- Deploy Cloud TV platform - TDS TV+

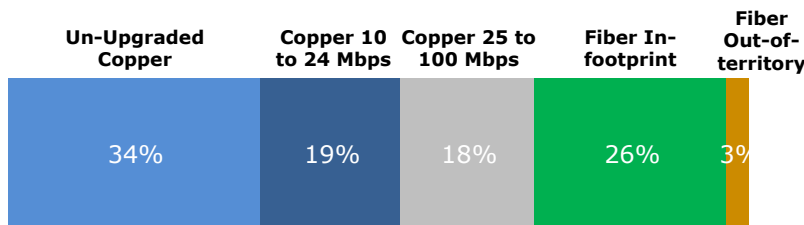
Wireline

- Execute fiber program both in and out of the current ILEC footprint
- Rural Broadband Deployment
 - A-CAM
 - State Broadband Grants
- Cost management

Cable

- Increase ARPU
- Continue to evaluate potential acquisitions

Service Addresses at September 30, 2019
(786,700)



TDS Telecom operating performance



(\$ in millions)	Q3'19	Q3'18	% Change
Wireline	\$ 169	\$ 177	(4)%
Cable	62	58	8 %
Total operating revenues *	231	234	(1)%
Cash expenses ⁽¹⁾	162	157	3 %
Adjusted EBITDA ⁽²⁾	73	80	(9)%
Capital expenditures	\$ 81	\$ 54	50 %

* Includes intercompany eliminations

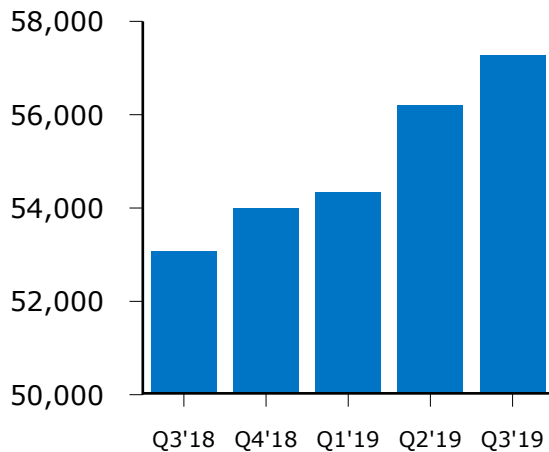
(1), (2) - See slide 25 for explanations

Third quarter Wireline highlights

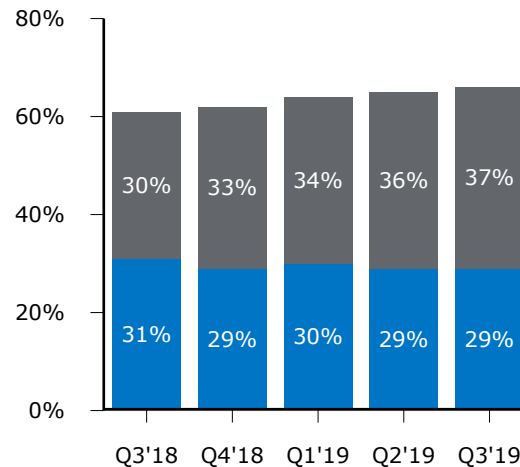


- Growth in residential video and broadband driving an increase in residential revenue per connection
 - Demand for higher speeds is strong
- Growth from fiber investments and A-CAM support helps to offset legacy revenue declines

Video Connections

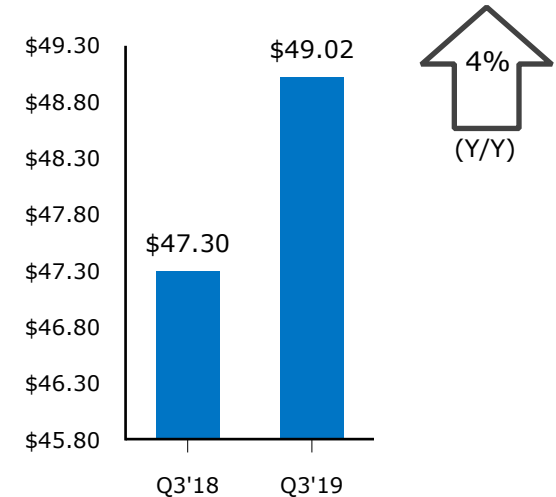


ILEC Broadband Take Rate



■ 10 MB to 50 MB
■ 50 MB or higher

Residential Revenue Per Connection



Third quarter fiber program update



- Investing over \$150 million in 2019 to deploy fiber in attractive markets
- Q3 Fiber-to-the-Home to 29% of Service Addresses (SA)
- Driving residential revenue growth

In ILEC Footprint

- Investing \$50 million in 2019 for 40,000 SA
 - Edge-out in current ILEC fiber markets
 - Additional ILEC fiber overbuilds in new markets

Out-of-Territory

- Trial market (Sun Prairie, WI) completed in 2018 (~10,000 SA)
- Investing \$100 million 2019
 - Launching 6 Southern WI markets (~20,000 SA)
 - Launching growing markets in mid-central WI and Idaho later this year (~80,000 SA)

Wireline operating performance



(\$ in millions)	Q3'19	Q3'18	% Change
Residential	\$ 83	\$ 81	3 %
Commercial	41	46	(9)%
Wholesale	45	50	(11)%
Total operating revenues	169	177	(4)%
Cash expenses ⁽¹⁾	120	118	2 %
Adjusted EBITDA ⁽²⁾	52	61	(16)%
Capital expenditures	\$ 61	\$ 41	50 %

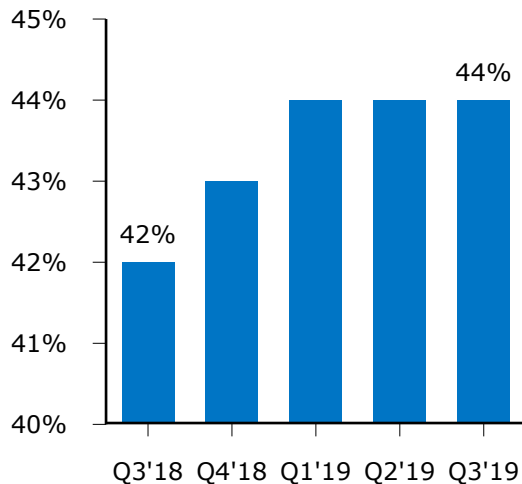
(1), (2) - See slide 25 for explanations

Third quarter Cable highlights

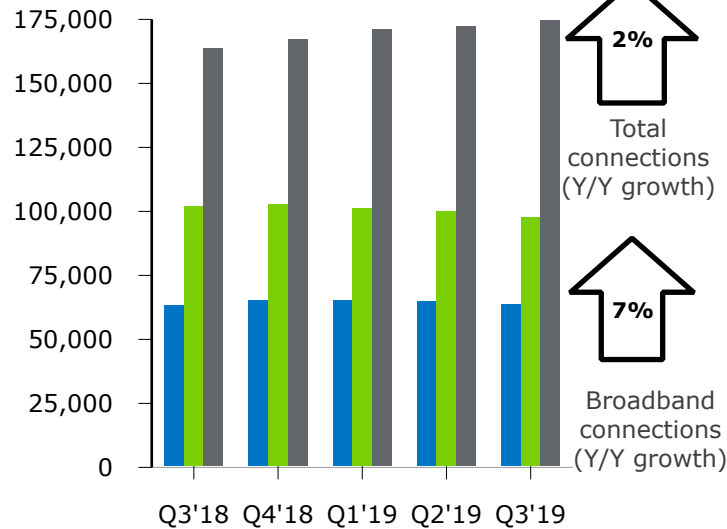


- Broadband connections increase 7%
- Revenues increase 8%
- Adjusted EBITDA increases 14%

Steady Growth in Broadband Penetration

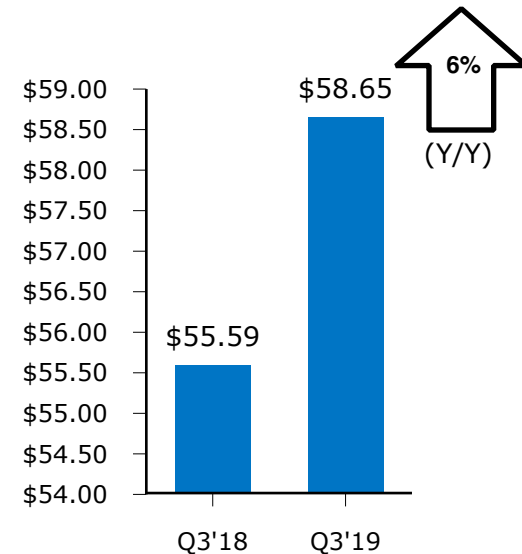


Connections



■ Voice ■ Video
■ Broadband

Residential Revenue Per Connection



Cable operating performance



(\$ in millions)	Q3'19	Q3'18	% Change
Residential	\$ 52	\$ 47	9%
Commercial	10	10	1%
Total operating revenues	62	58	8%
Cash expenses ⁽¹⁾	42	40	5%
Adjusted EBITDA ⁽²⁾	21	18	14%
Capital expenditures	\$ 20	\$ 13	49%

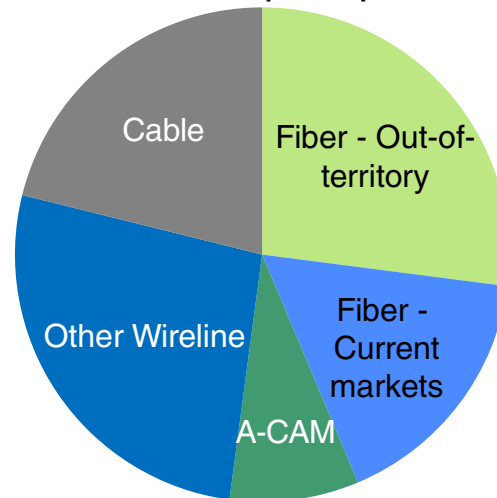
(1), (2) - See slide 25 for explanations

2019 TDS Telecom guidance*



(\$ in millions) As of Oct. 31, 2019	2018 Actual	2019 Previous Estimates	2019 Current Estimates
Total operating revenues	\$927	\$900-\$950	Unchanged
Adjusted OIBDA ⁽²⁾	\$303	\$280-\$310	Unchanged
Adjusted EBITDA ⁽²⁾	\$313	\$290-\$320	Unchanged
Capital expenditures	\$232	\$300-\$350	Unchanged

2019 Estimated Capital Expenditures



(2) - See slide 25 for explanation

* There can be no assurance that final results will not differ materially from estimated results.



Appendix

Adjusted OIBDA and Adjusted EBITDA Reconciliation^{*}

	Three Months Ended September 30, 2019					Three Months Ended September 30, 2018				
(\$ in millions)	U.S. Cellular	Wireline	Cable	Total TDS Telecom	TDS ⁽³⁾	U.S. Cellular	Wireline	Cable	Total TDS Telecom	TDS ⁽³⁾
Net income (GAAP)	\$24	N/A	N/A	\$18	\$23	\$37	N/A	N/A	\$36	\$53
Add back:										
Income tax expense (benefit)	15	N/A	N/A	5	15	14	N/A	N/A	(5)	5
Income before income taxes (GAAP)	39	20	4	24	38	51	31	—	31	58
Add back:										
Interest expense	29	(1)	—	(1)	42	29	(1)	—	(1)	43
Depreciation, amortization and accretion expense	181	33	17	50	237	160	35	17	53	220
EBITDA ⁽²⁾ (non-GAAP)	249	52	21	72	317	240	65	18	83	321
Add back:										
(Gain) loss on asset disposals, net	5	—	—	—	6	3	(4)	1	(3)	—
(Gain) loss on license sales and exchanges, net	2	—	—	—	2	—	—	—	—	—
Adjusted EBITDA ⁽²⁾ (non-GAAP)	256	52	21	73	325	243	61	18	80	321
Deduct:										
Equity in earnings of unconsolidated entities	44	—	—	—	44	42	—	—	—	42
Interest and dividend income	4	3	—	3	7	4	2	—	2	6
Other, net	—	—	—	—	—	—	1	—	1	2
Adjusted OIBDA ⁽²⁾ (non-GAAP)	\$208	\$49	\$20	\$69	\$274	\$197	\$59	\$18	\$77	\$271

* Numbers may not foot due to rounding

(2), (3) - See slide 25 for explanations

Adjusted OIBDA and Adjusted EBITDA Reconciliation – 2019 Estimated and 2018 Full Year

In providing 2019 estimated results, TDS has not completed the below reconciliation to net income because it does not provide guidance for income taxes. TDS believes that the impact of income taxes cannot be reasonably predicted; therefore, the company is unable to provide such guidance.

	2019 Estimated Results			Actual Results Year ended December 31, 2018		
	U.S. Cellular	TDS Telecom	TDS ⁽³⁾	U.S. Cellular	TDS Telecom	TDS ⁽³⁾
(Dollars in millions)						
Net income (GAAP)	N/A	N/A	N/A	\$164	\$89	\$175
Add back:						
Income tax expense	N/A	N/A	N/A	51	16	46
Income before income taxes (GAAP)	\$80-\$180	\$85-\$115	\$70-\$200	\$215	\$105	\$221
Add back:						
Interest expense	115	—	175	116	(2)	172
Depreciation, amortization and accretion	710	205	945	640	212	883
EBITDA ⁽²⁾ (non-GAAP)	\$905-\$1,005	\$290-\$320	\$1,190-\$1,320	\$971	\$315	\$1,276
Add back:						
(Gain) loss on asset disposals, net	20	—	20	10	(2)	9
(Gain) loss on license sales and exchanges, net	—	—	—	(18)	—	(18)
Adjusted EBITDA ⁽²⁾ (non-GAAP)	\$925-\$1,025	\$290-\$320	\$1,210-\$1,340	\$963	\$313	\$1,267
Deduct:						
Equity in earnings of unconsolidated entities	160	—	160	159	—	160
Interest and dividend income	15	10	25	15	8	26
Other, net	—	—	—	(1)	2	2
Adjusted OIBDA ⁽²⁾ (non-GAAP)	\$750-\$850	\$280-\$310	\$1,025-\$1,155	\$790	\$303	\$1,079

(2), (3) - See slide 25 for explanations

- 1) Total cash expenses represent total operating expenses as shown in the Consolidated Statement of Operations Highlights in the TDS and U.S. Cellular SEC Forms 8-K, less depreciation, amortization and accretion and gain/losses.
- 2) EBITDA, Adjusted EBITDA and Adjusted OIBDA are defined as net income adjusted for the items set forth in the reconciliation on slides 23 and 24. EBITDA, Adjusted EBITDA and Adjusted OIBDA 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 and U.S. Cellular do not intend to imply that any such items set forth in the reconciliations on slides 23 and 24 are non-recurring, infrequent or unusual; such items may occur in the future. Management uses Adjusted EBITDA and Adjusted OIBDA as measurements of profitability, and therefore reconciliations to Net income are deemed appropriate. Management believes Adjusted EBITDA and Adjusted OIBDA are useful measures of TDS' and U.S. Cellular's 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' and U.S. Cellular's 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 Adjusted OIBDA 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 tables on slide 23 and 24 reconciles EBITDA, Adjusted EBITDA and Adjusted OIBDA flow to the corresponding GAAP measure, Net income or Income (loss) before income taxes. Additional information and reconciliations related to Non-GAAP financial measures for September 30, 2019, can be found on TDS' and U.S. Cellular's website at investors.tdsinc.com or investors.uscellular.com.
- 3) The TDS column includes U.S. Cellular, TDS Telecom and also the impacts of consolidating eliminations, corporate operations and non-reportable segments.