

Telephone and Data Systems, Inc.
Consolidated Statement of Operations Highlights
(Unaudited)

	Three Months Ended March 31,	
	2016	2015
(Dollars in thousands)		
Operating revenues		
Service Revenues	1,000,334	1,073,091
Equipment Sales	242,452	178,502
Total Revenue	1,242,786	1,251,593
Operating expenses		
Cost of services	287,609	293,647
Cost of Goods Sold	291,471	271,981
Selling, General & Administrative	429,979	438,040
Total Depreciation, Amortization and Accretion	212,422	206,575
(Gain) Loss on Property Disposals	6,010	5,377
Total G/L on Sale of Business	(167)	(123,783)
(Gain) Loss on Sale of Intangibles	-	(122,873)
Total Operating Expense	1,227,324	968,964
Operating Income	15,462	282,629
Total Equity Income	35,166	34,641
Interest and Dividend Income	13,851	8,385
Interest expense	(41,859)	(33,830)
Other, net	6	(4)
Total investment and other income	7,164	9,192
Income before Income Taxes	22,626	291,821
Income Tax Expense/(Benefit)	12,596	116,020
Net Income	10,030	175,801
Net income attributable to noncontrolling interests	1,939	30,061
Net Income Attributable to Company	8,091	145,740
Preferred Dividend Requirement	12	12
Net Income Attributable to Common	\$8,079	\$145,728

Telephone and Data Systems, Inc.
Consolidated Statement of Cash Flows
(Unaudited)

Three Months Ended March 31,

	2016	2015
(Dollars in thousands)		
Cash flows from operating activities		
Net income (loss)	10,030	175,801
Add (deduct) adjustments to reconcile net income (loss) to cash flows from operating activities		
Depreciation and amortization	212,422	206,575
Bad debt expense	19,359	29,849
Stock Based Compensation	9,040	8,096
Deferred taxes, net	4,706	(47,466)
Investment income	(35,166)	(34,641)
Distributions from Partnerships	14,467	12,988
Gain/Loss on property disposals	6,010	5,377
Gain/Loss on assets held for sale	(167)	(123,783)
Gain/Loss on intangible assets	-	(122,873)
Noncash interest expense	711	670
Other operating activities	(113)	-
Changes in assets and liabilities from operations		
Change in Accounts receivable	19,533	21,240
Change in EIP receivable	(41,163)	(36,498)
Change in inventory	(1,371)	95,395
Change in Accounts payable	39,377	(13,592)
Change in unearned revenue	(5,858)	13,319
Change in Accrued taxes	62,714	251,510
Change in Accrued interest	8,663	9,460
Other assets and liabilities	(77,658)	(96,121)
Cash Flows from Operations	<u>245,536</u>	<u>355,306</u>
Cash flows from investing activities		
Capital Expenditures	(158,921)	(166,461)
Acquisitions, excluding cash acquired	-	(280,710)
Divestures and exchanges	1,974	274,131
Other investing activities	(207)	2,765
Cash Flows from Investing	<u>(157,154)</u>	<u>(170,275)</u>
Cash flows from financing activities		
Repayment of long-term debt	(3,023)	(247)
TDS Common Shares reissued for benefit plans, net of tax	28	213
U.S. Cellular Common Shares reissued for benefit plans, net of tax	1,222	487
Stock repurchases-TDS	(2,520)	-
Stock repurchases-USM	(1,629)	(2,302)
Dividends paid-TDS	(16,128)	(15,232)
Revolving credit agreement costs	(381)	(3,018)

Capital distributions to minority partners	(127)	(225)
Other financing activities	3,192	(1,488)
Cash Flows from Financing	(19,366)	(21,812)
Change in Cash	69,016	163,219
Cash, beginning of period	984,643	471,901
Cash, end of period	1,053,660	635,120

Telephone and Data Systems, Inc.
Consolidated Balance Sheet
(Unaudited)
Assets

	March 31, 2016	December 31, 2015
(Dollars in thousands)		
Current Assets		
Cash and cash equivalents	1,053,660	984,643
Accounts receivable		
Account Receivable - Customer	699,779	705,313
Other, less allowances	92,451	97,543
Materials & Supplies	159,593	158,222
Prepaid Expenses	130,318	112,235
Prepaid Taxes	5,310	70,094
Other current assets	31,934	30,293
Total Current Assets	2,173,045	2,158,343
 Assets Held for Sale	 26,782	 -
 Investments		
Licenses	1,817,566	1,844,348
Goodwill	765,792	765,792
Franchise Costs	244,180	244,180
Other intangible assets, net	42,984	46,525
Investment in partners	423,311	401,720
Other investments	573	616
Total Investments	3,294,406	3,303,181
 Property, plant and equipment		
Total Plant	11,580,589	11,520,061
Total Accumulated Depreciation	(7,902,040)	(7,755,584)
Net Plant	3,678,549	3,764,477
 Total Other Assets	 210,138	 196,461
 Total Assets	 \$9,382,920	 \$9,422,462

Telephone and Data Systems, Inc.
Consolidated Balance Sheet
(Unaudited)
Liabilities and Equity

	March 31, 2016	December 31, 2015
(Dollars in thousands)		
Current liabilities		
Current Portion Long-Term Debt	14,141	14,306
Accounts Payable	354,719	348,737
Customer deposits and deferred revenues	282,552	288,412
Accrued interest	20,625	11,962
Accrued Taxes	35,653	40,569
Accrued Compensation	75,164	113,375
Other current liabilities	106,866	127,023
Total Current Liabilities	889,720	944,384
Deferred Tax Liability-Noncurrent	904,578	900,054
Other deferred liabilities and credits	442,057	432,949
Total Long-Term Debt	2,437,233	2,439,827
Commitments and contingencies		
Noncontrolling Interest - Temp	1,770	1,097
Equity		
Series A Common and Common Shares	1,328	1,328
Additional Paid-in Capital	2,371,117	2,363,558
Treasury Stock	(726,037)	(727,182)
Accumulated OCI	77	355
Total Retain Earnings	2,479,454	2,487,491
Total Shareholders' Equity	4,125,939	4,125,550
Preferred shares	824	824
Noncontrolling Interest	580,799	577,777
Total Common Equity	4,707,562	4,704,151
Total Equity & Liabilities	\$9,382,920	\$9,422,462