



As previously announced, TDS will hold a teleconference May 5, 2017, at 9:30 a.m. CDT. Listen to the call live via the Events & Presentations page of [investors.tdsinc.com](http://investors.tdsinc.com).

FOR IMMEDIATE RELEASE

## TDS reports first quarter 2017 results

CHICAGO, (May 5, 2017) — Telephone and Data Systems, Inc. (NYSE:TDS) reported total operating revenues of \$1,238 million for the first quarter of 2017, versus \$1,254 million for the same period one year ago. Net income attributable to TDS shareholders and related diluted earnings per share were \$37 million and \$0.33, respectively, for the first quarter of 2017, compared to \$8 million and \$0.07, respectively, in the same period one year ago.

“TDS businesses started the year by showing a solid first quarter,” said LeRoy T. Carlson Jr., TDS president and CEO. “U.S. Cellular maintained strong customer loyalty, continued network investments and generated a strong increase in profitability, while TDS Telecom grew both IPTV and broadband connections, increasing both revenue and profitability.

“U.S. Cellular drove exceptionally low levels of postpaid handset churn by providing customers with the network quality, service offerings and product portfolios they want. Our unlimited data plans are achieving rapid adoption and our recent launch of the Samsung Galaxy S8 is progressing well. U.S. Cellular continued enhancing its already high-quality network by investing in Voice over LTE (VoLTE) technology. We are very pleased with the low-band, 600 MHz spectrum we are purchasing at reasonable prices for the vast majority of our markets.

“TDS Telecom’s Wireline segment maintained its momentum in IPTV growth by adding new connections and by increasing average revenue per connection. Our Cable segment increased its broadband connections, generating higher residential revenue. Our hosted and managed services company, OneNeck IT Solutions, significantly increased equipment revenues.”

## 2017 Estimated Results

Current 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 May 5, 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

|                                          | U.S. Cellular          |             | TDS Telecom            |           | TDS <sup>(3)</sup>     |               |
|------------------------------------------|------------------------|-------------|------------------------|-----------|------------------------|---------------|
|                                          | Current                | Previous    | Current                | Previous  | Current                | Previous      |
| <b>(Dollars in millions)</b>             |                        |             |                        |           |                        |               |
| Total operating revenues <sup>(1)</sup>  | <b>\$3,800-\$4,000</b> | Unchanged   | <b>\$1,200-\$1,250</b> | Unchanged | <b>\$5,015-\$5,265</b> | Unchanged     |
| Operating cash flow <sup>(1)(2)(4)</sup> | <b>\$550-\$650</b>     | \$500-\$650 | <b>\$300-\$340</b>     | Unchanged | <b>\$855-\$995</b>     | \$805-\$995   |
| Adjusted EBITDA <sup>(2)</sup>           | <b>\$700-\$800</b>     | \$650-\$800 | <b>\$300-\$340</b>     | Unchanged | <b>\$1,005-\$1,145</b> | \$955-\$1,145 |
| Capital expenditures (Approximately)     | <b>\$500</b>           | Unchanged   | <b>\$225</b>           | Unchanged | <b>\$735</b>           | Unchanged     |

The following tables provide reconciliations of Net income to Operating cash flow and Adjusted EBITDA for 2017 estimated results, actual results for the three months ended March 31, 2017, 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.

## 2017 Estimated Results

|                                                           | U.S. Cellular     | TDS Telecom      | TDS <sup>(3)</sup> |
|-----------------------------------------------------------|-------------------|------------------|--------------------|
| <b>(Dollars in millions)</b>                              |                   |                  |                    |
| <b>Net income (loss) (GAAP)</b>                           | N/A               | N/A              | N/A                |
| Add back:                                                 |                   |                  |                    |
| Income tax expense (benefit)                              | N/A               | N/A              | N/A                |
| <b>Income (loss) before income taxes</b>                  |                   |                  |                    |
| <b>(GAAP)</b>                                             | <b>\$ (45)-55</b> | <b>\$ 80-120</b> | <b>\$ (25)-115</b> |
| Add back:                                                 |                   |                  |                    |
| Interest expense                                          | 110               | –                | 165                |
| Depreciation, amortization and accretion expense          | 630               | 220              | 860                |
| EBITDA (Non-GAAP)                                         | \$ 695-795        | \$ 300-340       | \$ 1,000-1,140     |
| Add back:                                                 |                   |                  |                    |
| (Gain) loss on sale of business and other exit costs, net | –                 | –                | –                  |
| (Gain) loss on license sales and exchanges, net           | (15)              | –                | (15)               |
| (Gain) loss on asset disposals, net                       | 20                | –                | 20                 |
| Adjusted EBITDA (Non-GAAP) <sup>(2)</sup>                 | \$ 700-800        | \$ 300-340       | \$ 1,005-1,145     |
| Deduct:                                                   |                   |                  |                    |
| Equity in earnings of unconsolidated entities             | 140               | –                | 140                |
| Interest and dividend income; other income <sup>(1)</sup> | 10                | –                | 10                 |
| Operating cash flow (Non-GAAP) <sup>(1)(2)(4)</sup>       | \$ 550-650        | \$ 300-340       | \$ 855-995         |

## Actual Results

|                                                            | Three Months Ended March 31, 2017 |                |                    | Year ended December 31, 2016 |                |                    |
|------------------------------------------------------------|-----------------------------------|----------------|--------------------|------------------------------|----------------|--------------------|
|                                                            | U.S.<br>Cellular                  | TDS<br>Telecom | TDS <sup>(3)</sup> | U.S.<br>Cellular             | TDS<br>Telecom | TDS <sup>(3)</sup> |
| <b>(Dollars in millions)</b>                               |                                   |                |                    |                              |                |                    |
| <b>Net income (GAAP)</b>                                   | \$ 28                             | \$ 18          | \$ 43              | \$ 49                        | \$ 42          | \$ 52              |
| Add back:                                                  |                                   |                |                    |                              |                |                    |
| Income tax expense                                         | 33                                | 11             | 34                 | 33                           | 25             | 40                 |
| <b>Income before income taxes (GAAP)</b>                   | \$ 61                             | \$ 29          | \$ 77              | \$ 82                        | \$ 67          | \$ 92              |
| Add back:                                                  |                                   |                |                    |                              |                |                    |
| Interest expense                                           | 28                                | 1              | 42                 | 113                          | 3              | 170                |
| Depreciation, amortization and accretion expense           | 153                               | 56             | 211                | 618                          | 224            | 850                |
| <b>EBITDA (Non-GAAP)</b>                                   | \$ 242                            | \$ 86          | \$ 330             | \$ 813                       | \$ 294         | \$ 1,112           |
| Add back:                                                  |                                   |                |                    |                              |                |                    |
| (Gain) loss on sale of business and other exit costs, net  | –                                 | –              | –                  | –                            | –              | (1)                |
| (Gain) loss on license sales and exchanges, net            | (17)                              | –              | (17)               | (19)                         | (1)            | (20)               |
| (Gain) loss on asset disposals, net                        | 4                                 | 1              | 4                  | 22                           | 4              | 27                 |
| <b>Adjusted EBITDA (Non-GAAP) <sup>(2)</sup></b>           | \$ 229                            | \$ 86          | \$ 317             | \$ 816                       | \$ 298         | \$ 1,118           |
| Deduct:                                                    |                                   |                |                    |                              |                |                    |
| Equity in earnings of unconsolidated entities              | 33                                | –              | 32                 | 140                          | –              | 140                |
| Interest and dividend income; other income <sup>(1)</sup>  | 3                                 | 1              | 4                  | 6                            | 3              | 11                 |
| Other, net                                                 | (1)                               | –              | 1                  | 1                            | –              | –                  |
| <b>Operating cash flow (Non-GAAP) <sup>(1)(2)(4)</sup></b> | \$ 194                            | \$ 85          | \$ 280             | \$ 669                       | \$ 295         | \$ 967             |

Note: Totals may not foot due to rounding differences.

- (1) Equipment installment plan interest income is reflected as a component of Service revenues consistent with an accounting policy change effective January 1, 2017. All prior period numbers have been recast to conform to this accounting change.
- (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 Net income 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 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 March 31, 2017, actual results can be found on the company's website at [investors.tdsinc.com](http://investors.tdsinc.com).

## Conference Call Information

TDS will hold a conference call on May 5, 2017 at 9:30 a.m. Central Time.

- Access the live call on the Events & Presentations page of [investors.tdsinc.com](http://investors.tdsinc.com) or at <https://www.webcaster4.com/Webcast/Page/1145/20933>.
- Access the call by phone at 877/407-8029 (US/Canada), no pass code required.

Before the call, certain financial and statistical information to be discussed during the call will be posted to [investors.tdsinc.com](http://investors.tdsinc.com). The call will be archived on the Events & Presentations page of [investors.tdsinc.com](http://investors.tdsinc.com).

## About TDS

Telephone and Data Systems, Inc. (TDS), a Fortune 500® company, provides wireless; cable and wireline broadband, TV and voice; and hosted and managed services to approximately 6 million customers nationwide through its businesses, U.S. Cellular, TDS Telecom, OneNeck IT Solutions, and BendBroadband. Founded in 1969 and headquartered in Chicago, TDS employed 10,300 people as of March 31, 2017.

Visit [www.tdsinc.com](http://www.tdsinc.com) for comprehensive financial information, including earnings releases, quarterly and annual filings, shareholder information and more.

## Contacts

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**Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995:** All information set forth in this news release, 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 TDS' business strategy; uncertainties in TDS' future cash flows and liquidity and access to the capital markets; the ability to make payments on TDS and U.S. Cellular 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 of TDS and U.S. Cellular 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 services and products offered by U.S. Cellular and TDS Telecom. Investors are encouraged to consider these and other risks and uncertainties that are discussed in the Form 8-K Current Report used by TDS to furnish this press release to the Securities and Exchange Commission, which are incorporated by reference herein.

For more information about TDS and its subsidiaries, visit:

TDS: [www.tdsinc.com](http://www.tdsinc.com)

U.S. Cellular: [www.uscellular.com](http://www.uscellular.com)

TDS Telecom: [www.tdstelecom.com](http://www.tdstelecom.com)

OneNeck IT Solutions: [www.oneneck.com](http://www.oneneck.com)

# United States Cellular Corporation

## Summary Operating Data (Unaudited)

| As of or for the Quarter Ended                           | 3/31/2017        | 12/31/2016       | 9/30/2016        | 6/30/2016        | 3/31/2016        |
|----------------------------------------------------------|------------------|------------------|------------------|------------------|------------------|
| <b>Retail Connections</b>                                |                  |                  |                  |                  |                  |
| <b>Postpaid</b>                                          |                  |                  |                  |                  |                  |
| Total at end of period                                   | 4,455,000        | 4,482,000        | 4,484,000        | 4,490,000        | 4,454,000        |
| Gross additions                                          | 146,000          | 187,000          | 174,000          | 197,000          | 215,000          |
| Feature phones                                           | 7,000            | 7,000            | 10,000           | 8,000            | 9,000            |
| Smartphones                                              | 88,000           | 109,000          | 105,000          | 107,000          | 124,000          |
| Connected devices                                        | 51,000           | 71,000           | 59,000           | 82,000           | 82,000           |
| Net additions (losses)                                   | (27,000)         | (2,000)          | (6,000)          | 36,000           | 45,000           |
| Feature phones                                           | (19,000)         | (21,000)         | (20,000)         | (21,000)         | (25,000)         |
| Smartphones                                              | (9,000)          | (4,000)          | (7,000)          | 8,000            | 20,000           |
| Connected devices                                        | 1,000            | 23,000           | 21,000           | 49,000           | 50,000           |
| ARPU <sup>(1)</sup>                                      | \$ 45.42         | \$ 45.19         | \$ 47.08         | \$ 47.37         | \$ 48.13         |
| ABPU (Non-GAAP) <sup>(2)</sup>                           | \$ 55.82         | \$ 55.43         | \$ 56.79         | \$ 56.09         | \$ 56.06         |
| ARPA <sup>(3)</sup>                                      | \$ 121.88        | \$ 120.67        | \$ 125.31        | \$ 124.91        | \$ 125.36        |
| ABPA (Non-GAAP) <sup>(4)</sup>                           | \$ 149.78        | \$ 148.02        | \$ 151.16        | \$ 147.90        | \$ 145.99        |
| Churn rate <sup>(5)</sup>                                | 1.29%            | 1.41%            | 1.34%            | 1.20%            | 1.28%            |
| Handsets                                                 | 1.08%            | 1.23%            | 1.22%            | 1.10%            | 1.18%            |
| Connected devices                                        | 2.55%            | 2.49%            | 2.04%            | 1.84%            | 2.01%            |
| <b>Prepaid</b>                                           |                  |                  |                  |                  |                  |
| Total at end of period                                   | 480,000          | 484,000          | 480,000          | 413,000          | 399,000          |
| Gross additions                                          | 78,000           | 83,000           | 132,000          | 73,000           | 75,000           |
| Net additions (losses)                                   | (4,000)          | 4,000            | 67,000           | 14,000           | 12,000           |
| ARPU <sup>(1)</sup>                                      | \$ 33.66         | \$ 33.25         | \$ 34.39         | \$ 34.58         | \$ 35.51         |
| Churn rate <sup>(5)</sup>                                | 5.69%            | 5.44%            | 4.84%            | 4.86%            | 5.37%            |
| <b>Total connections at end of period <sup>(6)</sup></b> | <b>4,996,000</b> | <b>5,031,000</b> | <b>5,030,000</b> | <b>4,973,000</b> | <b>4,926,000</b> |
| <b>Market penetration at end of period</b>               |                  |                  |                  |                  |                  |
| Consolidated operating population                        | 32,089,000       | 31,994,000       | 31,994,000       | 31,994,000       | 31,994,000       |
| Consolidated operating penetration <sup>(7)</sup>        | 16%              | 16%              | 16%              | 16%              | 15%              |
| <b>Capital expenditures (millions)</b>                   | <b>\$ 61</b>     | <b>\$ 171</b>    | <b>\$ 103</b>    | <b>\$ 93</b>     | <b>\$ 79</b>     |
| <b>Total cell sites in service</b>                       | <b>6,417</b>     | <b>6,415</b>     | <b>6,374</b>     | <b>6,324</b>     | <b>6,306</b>     |
| <b>Owned towers</b>                                      | <b>4,041</b>     | <b>4,040</b>     | <b>4,015</b>     | <b>3,988</b>     | <b>3,989</b>     |

- (1) Average Revenue Per User ("ARPU") - metric is calculated by dividing a revenue base by an average number of connections and by the number of months in the period. These revenue bases and connection populations are shown below:
  - Postpaid ARPU consists of total postpaid service revenues and postpaid connections.
  - Prepaid ARPU consists of total prepaid service revenues and prepaid connections.
- (2) Average Billings Per User ("ABPU") - non-GAAP metric is calculated by dividing total postpaid service revenues plus equipment installment plan billings by the average number of postpaid connections and by the number of months in the period. Refer to the end of this release for a reconciliation of this metric to its most comparable GAAP metric.
- (3) Average Revenue Per Account ("ARPA") - metric is calculated by dividing total postpaid service revenues by the average number of postpaid accounts and by the number of months in the period.
- (4) Average Billings Per Account ("ABPA") - non-GAAP metric is calculated by dividing total postpaid service revenues plus equipment installment plan billings by the average number of postpaid accounts and by the number of months in the period. Refer to the end of this release for a reconciliation of this metric to its most comparable GAAP metric.
- (5) Churn rate represents the percentage of the connections that disconnect service each month. These rates represent the average monthly churn rate for each respective period.
- (6) Includes reseller and other connections.
- (7) Market penetration is calculated by dividing the number of wireless connections at the end of the period by the total population of consolidated operating markets as estimated by Nielsen.

## TDS Telecom Summary Operating Data (Unaudited)

| Quarter Ended                                           | 3/31/2017      | 12/31/2016     | 9/30/2016      | 6/30/2016      | 3/31/2016      |
|---------------------------------------------------------|----------------|----------------|----------------|----------------|----------------|
| <b>TDS Telecom</b>                                      |                |                |                |                |                |
| <b>Wireline</b>                                         |                |                |                |                |                |
| <b>Residential connections</b>                          |                |                |                |                |                |
| Voice <sup>(1)</sup>                                    | 308,200        | 310,600        | 314,600        | 316,800        | 318,400        |
| Broadband <sup>(2)</sup>                                | 228,500        | 229,500        | 232,800        | 232,200        | 229,100        |
| IPTV <sup>(3)</sup>                                     | 45,200         | 45,300         | 43,600         | 41,200         | 38,300         |
| Wireline residential connections                        | 581,900        | 585,400        | 590,900        | 590,200        | 585,800        |
| Total residential revenue per connection <sup>(4)</sup> | \$ 45.17       | \$ 44.27       | \$ 44.25       | \$ 43.67       | \$ 43.28       |
| <b>Commercial connections</b>                           |                |                |                |                |                |
| Voice <sup>(1)</sup>                                    | 154,000        | 157,400        | 160,900        | 164,000        | 167,400        |
| Broadband <sup>(2)</sup>                                | 21,200         | 21,400         | 21,700         | 21,900         | 22,000         |
| managedIP <sup>(5)</sup>                                | 150,300        | 150,900        | 151,500        | 149,000        | 148,500        |
| Wireline commercial connections                         | 325,500        | 329,700        | 334,000        | 334,900        | 337,900        |
| <b>Total Wireline connections</b>                       | <b>907,400</b> | <b>915,200</b> | <b>924,900</b> | <b>925,100</b> | <b>923,700</b> |
| <b>Cable</b>                                            |                |                |                |                |                |
| <b>Cable Connections</b>                                |                |                |                |                |                |
| Broadband <sup>(6)</sup>                                | 137,800        | 133,700        | 130,200        | 125,700        | 121,700        |
| Video <sup>(7)</sup>                                    | 97,600         | 99,000         | 101,100        | 102,900        | 104,600        |
| Voice <sup>(8)</sup>                                    | 59,000         | 59,600         | 59,800         | 58,900         | 58,100         |
| Cable connections                                       | 294,300        | 292,400        | 291,000        | 287,600        | 284,400        |

Numbers may not foot due to rounding.

- (1) The individual circuits connecting a customer to Wireline's central office facilities.
- (2) The number of Wireline customers provided high-capacity data circuits via various technologies, including DSL and dedicated internet circuit technologies.
- (3) The number of Wireline customers provided video services using IP networking technology.
- (4) Total residential revenue per connection is calculated by dividing total Wireline residential revenue by the average number of Wireline residential connections and by the number of months in the period.
- (5) The number of telephone handsets, data lines and IP trunks providing communications using IP networking technology.
- (6) Billable number of lines into a building for high-speed data services.
- (7) Generally, a home or business receiving video programming counts as one video connection. In counting bulk residential or commercial connections, such as an apartment building or hotel, connections are counted based on the number of units/rooms within the building receiving service.
- (8) Billable number of lines into a building for voice services.

## TDS Telecom Capital Expenditures (millions)

| Quarter Ended | 3/31/2017    | 12/31/2016   | 9/30/2016    | 6/30/2016    | 3/31/2016    |
|---------------|--------------|--------------|--------------|--------------|--------------|
| Wireline      | \$ 17        | \$ 26        | \$ 27        | \$ 27        | \$ 27        |
| Cable         | 9            | 13           | 11           | 17           | 13           |
| HMS           | 6            | 5            | 2            | 2            | 2            |
|               | <u>\$ 33</u> | <u>\$ 45</u> | <u>\$ 40</u> | <u>\$ 46</u> | <u>\$ 42</u> |

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

Three Months Ended March 31,

|                                                                       | 2017           | 2016           | 2017 vs. 2016<br>Increase (Decrease) |                 |
|-----------------------------------------------------------------------|----------------|----------------|--------------------------------------|-----------------|
| (Dollars and shares in millions, except per share amounts)            |                |                |                                      |                 |
| <b>Operating revenues</b>                                             |                |                |                                      |                 |
| U.S. Cellular <sup>(1)</sup>                                          | \$ 936         | \$ 969         | \$ (33)                              | (3)%            |
| TDS Telecom                                                           | 299            | 281            | 17                                   | 6%              |
| All Other <sup>(2)</sup>                                              | 3              | 4              | (1)                                  | (8)%            |
|                                                                       | <u>1,238</u>   | <u>1,254</u>   | <u>(16)</u>                          | <u>(1)%</u>     |
| <b>Operating expenses</b>                                             |                |                |                                      |                 |
| U.S. Cellular                                                         |                |                |                                      |                 |
| Expenses excluding depreciation, amortization and accretion           | 742            | 801            | (59)                                 | (7)%            |
| Depreciation, amortization and accretion                              | 153            | 153            | –                                    | 1%              |
| (Gain) loss on asset disposals, net                                   | 4              | 5              | (1)                                  | (28)%           |
| (Gain) loss on license sales and exchanges, net                       | (17)           | –              | (17)                                 | N/M             |
|                                                                       | <u>882</u>     | <u>959</u>     | <u>(77)</u>                          | <u>(8)%</u>     |
| TDS Telecom                                                           |                |                |                                      |                 |
| Expenses excluding depreciation, amortization and accretion           | 213            | 205            | 8                                    | 4%              |
| Depreciation, amortization and accretion                              | 56             | 58             | (2)                                  | (4)%            |
| (Gain) loss on asset disposals, net                                   | 1              | 1              | –                                    | (27)%           |
|                                                                       | <u>270</u>     | <u>264</u>     | <u>6</u>                             | <u>2%</u>       |
| All Other <sup>(1)</sup>                                              |                |                |                                      |                 |
| Expenses excluding depreciation and amortization                      | 3              | 4              | (1)                                  | (42)%           |
| Depreciation and amortization                                         | 2              | 1              | 1                                    | (11)%           |
| (Gain) loss on asset disposals, net                                   | (1)            | –              | (1)                                  | 90%             |
|                                                                       | <u>4</u>       | <u>5</u>       | <u>(1)</u>                           | <u>(27)%</u>    |
| Total operating expenses                                              | <u>1,156</u>   | <u>1,228</u>   | <u>(72)</u>                          | <u>(6)%</u>     |
| <b>Operating income (loss)</b>                                        |                |                |                                      |                 |
| U.S. Cellular <sup>(1)</sup>                                          | 54             | 10             | 44                                   | >100%           |
| TDS Telecom                                                           | 29             | 17             | 12                                   | 70%             |
| All Other <sup>(2)</sup>                                              | (1)            | (1)            | –                                    | 97%             |
|                                                                       | <u>82</u>      | <u>26</u>      | <u>56</u>                            | <u>&gt;100%</u> |
| <b>Investment and other income (expense)</b>                          |                |                |                                      |                 |
| Equity in earnings of unconsolidated entities                         | 32             | 35             | (3)                                  | (8)%            |
| Interest and dividend income <sup>(1)</sup>                           | 4              | 3              | 1                                    | 63%             |
| Interest expense                                                      | (42)           | (41)           | (1)                                  | (1)%            |
| Other, net                                                            | 1              | –              | 1                                    | >100%           |
| Total investment and other income <sup>(1)</sup>                      | (5)            | (3)            | (2)                                  | (33)%           |
| <b>Income before income taxes</b>                                     | <u>77</u>      | <u>23</u>      | <u>54</u>                            | <u>&gt;100%</u> |
| Income tax expense                                                    | 34             | 13             | 21                                   | >100%           |
| <b>Net income</b>                                                     | <u>43</u>      | <u>10</u>      | <u>33</u>                            | <u>&gt;100%</u> |
| Less: Net income attributable to noncontrolling interests, net of tax | 6              | 2              | 4                                    | >100%           |
| <b>Net income attributable to TDS shareholders</b>                    | <u>37</u>      | <u>8</u>       | <u>29</u>                            | <u>&gt;100%</u> |
| TDS Preferred dividend requirement                                    | –              | –              | –                                    | –               |
| <b>Net income available to common shareholders</b>                    | <u>\$ 37</u>   | <u>\$ 8</u>    | <u>\$ 29</u>                         | <u>&gt;100%</u> |
| <b>Basic weighted average shares outstanding</b>                      | <u>110</u>     | <u>109</u>     | <u>1</u>                             | <u>1%</u>       |
| <b>Basic earnings per share attributable to TDS shareholders</b>      | <u>\$ 0.34</u> | <u>\$ 0.07</u> | <u>\$ 0.26</u>                       | <u>&gt;100%</u> |
| <b>Diluted weighted average shares outstanding</b>                    | <u>112</u>     | <u>110</u>     | <u>2</u>                             | <u>1%</u>       |
| <b>Diluted earnings per share attributable to TDS shareholders</b>    | <u>\$ 0.33</u> | <u>\$ 0.07</u> | <u>\$ 0.26</u>                       | <u>&gt;100%</u> |

N/M – Percentage change not meaningful

(1) Equipment installment plan interest income is reflected as a component of Service revenues consistent with an accounting policy change effective January 1, 2017. All prior period numbers have been recast to conform to this accounting change.

(2) Consists of TDS corporate, intercompany eliminations and all other business operations not included in the U.S. Cellular and TDS Telecom segments.

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

|                                                                                              | Three Months Ended<br>March 31, |          |
|----------------------------------------------------------------------------------------------|---------------------------------|----------|
|                                                                                              | 2017                            | 2016     |
| (Dollars in millions)                                                                        |                                 |          |
| <b>Cash flows from operating activities</b>                                                  |                                 |          |
| Net income                                                                                   | \$ 43                           | \$ 10    |
| Add (deduct) adjustments to reconcile net income to net cash flows from operating activities |                                 |          |
| Depreciation, amortization and accretion                                                     | 211                             | 212      |
| Bad debts expense                                                                            | 24                              | 19       |
| Stock-based compensation expense                                                             | 11                              | 9        |
| Deferred income taxes, net                                                                   | (1)                             | 5        |
| Equity in earnings of unconsolidated entities                                                | (32)                            | (35)     |
| Distributions from unconsolidated entities                                                   | 11                              | 14       |
| (Gain) loss on asset disposals, net                                                          | 4                               | 6        |
| (Gain) loss on license sales and exchanges, net                                              | (17)                            | —        |
| Noncash interest expense                                                                     | 1                               | 1        |
| Changes in assets and liabilities from operations                                            |                                 |          |
| Accounts receivable                                                                          | 28                              | 20       |
| Equipment installment plans receivable                                                       | (44)                            | (41)     |
| Inventory                                                                                    | —                               | (1)      |
| Accounts payable                                                                             | (75)                            | 39       |
| Customer deposits and deferred revenues                                                      | (12)                            | (6)      |
| Accrued taxes                                                                                | 33                              | 63       |
| Accrued interest                                                                             | 9                               | 9        |
| Other assets and liabilities                                                                 | (57)                            | (78)     |
| Net cash provided by operating activities                                                    | 137                             | 246      |
| <b>Cash flows from investing activities</b>                                                  |                                 |          |
| Cash paid for additions to property, plant and equipment                                     | (127)                           | (159)    |
| Cash paid for acquisitions and licenses                                                      | (14)                            | —        |
| Cash received from divestitures and exchanges                                                | 16                              | 2        |
| Net cash used in investing activities                                                        | (125)                           | (157)    |
| <b>Cash flows from financing activities</b>                                                  |                                 |          |
| Repayment of long-term debt                                                                  | (3)                             | (3)      |
| TDS Common Shares reissued for benefit plans, net of tax payments                            | 1                               | —        |
| U.S. Cellular Common Shares reissued for benefit plans, net of tax payments                  | 3                               | 1        |
| Repurchase of TDS Common Shares                                                              | —                               | (3)      |
| Repurchase of U.S. Cellular Common Shares                                                    | —                               | (2)      |
| Dividends paid to TDS shareholders                                                           | (17)                            | (16)     |
| Other financing activities                                                                   | —                               | 3        |
| Net cash used in financing activities                                                        | (16)                            | (20)     |
| <b>Net increase (decrease) in cash and cash equivalents</b>                                  | (4)                             | 69       |
| <b>Cash and cash equivalents</b>                                                             |                                 |          |
| Beginning of period                                                                          | 900                             | 985      |
| End of period                                                                                | \$ 896                          | \$ 1,054 |



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

**ASSETS**

|                                                    | March 31,<br>2017 | December 31,<br>2016 |
|----------------------------------------------------|-------------------|----------------------|
| (Dollars in millions)                              |                   |                      |
| <b>Current assets</b>                              |                   |                      |
| Cash and cash equivalents                          | \$ 896            | \$ 900               |
| Accounts receivable from customers and others, net | 829               | 851                  |
| Inventory, net                                     | 151               | 151                  |
| Prepaid expenses                                   | 116               | 115                  |
| Income taxes receivable                            | 3                 | 10                   |
| Other current assets                               | 30                | 32                   |
| Total current assets                               | 2,025             | 2,059                |
| <b>Assets held for sale</b>                        | 5                 | 8                    |
| <b>Licenses</b>                                    | 1,904             | 1,895                |
| <b>Goodwill</b>                                    | 770               | 766                  |
| <b>Franchise rights</b>                            | 244               | 244                  |
| <b>Other intangible assets, net</b>                | 31                | 33                   |
| <b>Investments in unconsolidated entities</b>      | 472               | 451                  |
| <b>Other investments</b>                           | -                 | 1                    |
| <b>Property, plant and equipment, net</b>          | 3,449             | 3,555                |
| <b>Other assets and deferred charges</b>           | 449               | 434                  |
| <b>Total assets</b>                                | \$ 9,349          | \$ 9,446             |

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

**LIABILITIES AND EQUITY**

|                                                            | March 31,<br>2017 | December 31,<br>2016 |
|------------------------------------------------------------|-------------------|----------------------|
| (Dollars and shares in millions, except per share amounts) |                   |                      |
| <b>Current liabilities</b>                                 |                   |                      |
| Current portion of long-term debt                          | \$ 12             | \$ 12                |
| Accounts payable                                           | 260               | 365                  |
| Customer deposits and deferred revenues                    | 217               | 229                  |
| Accrued interest                                           | 20                | 11                   |
| Accrued taxes                                              | 67                | 44                   |
| Accrued compensation                                       | 77                | 127                  |
| Other current liabilities                                  | 85                | 99                   |
| Total current liabilities                                  | 738               | 887                  |
| <b>Deferred liabilities and credits</b>                    |                   |                      |
| Deferred income tax liability, net                         | 921               | 922                  |
| Other deferred liabilities and credits                     | 467               | 453                  |
| <b>Long-term debt, net</b>                                 | 2,431             | 2,433                |
| <b>Noncontrolling interests with redemption features</b>   | 1                 | 1                    |
| <b>Equity</b>                                              |                   |                      |
| TDS shareholders' equity                                   |                   |                      |
| Series A Common and Common Shares, par value \$.01         | 1                 | 1                    |
| Capital in excess of par value                             | 2,394             | 2,386                |
| Treasury shares, at cost                                   | (693)             | (698)                |
| Accumulated other comprehensive income                     | -                 | 1                    |
| Retained earnings                                          | 2,473             | 2,454                |
| Total TDS shareholders' equity                             | 4,175             | 4,144                |
| Preferred shares                                           | 1                 | 1                    |
| Noncontrolling interests                                   | 615               | 605                  |
| Total equity                                               | 4,791             | 4,750                |
| <b>Total liabilities and equity</b>                        | <b>\$ 9,349</b>   | <b>\$ 9,446</b>      |

## Balance Sheet Highlights (Unaudited)

|                                                | March 31, 2017   |                 |                |                              |                     |
|------------------------------------------------|------------------|-----------------|----------------|------------------------------|---------------------|
|                                                | U.S.<br>Cellular | TDS<br>Telecom  | TDS<br>& Other | Intercompany<br>Eliminations | TDS<br>Consolidated |
| (Dollars in millions)                          |                  |                 |                |                              |                     |
| Cash and cash equivalents                      | \$ 572           | \$ 21           | \$ 303         | \$ –                         | \$ 896              |
| Affiliated cash investments                    | –                | 472             | –              | (472)                        | –                   |
|                                                | <u>\$ 572</u>    | <u>\$ 493</u>   | <u>\$ 303</u>  | <u>\$ (472)</u>              | <u>\$ 896</u>       |
| Licenses, goodwill and other intangible assets | \$ 2,265         | \$ 823          | \$ (139)       | \$ –                         | \$ 2,949            |
| Investment in unconsolidated entities          | 434              | 4               | 40             | (6)                          | 472                 |
|                                                | <u>\$ 2,699</u>  | <u>\$ 827</u>   | <u>\$ (99)</u> | <u>\$ (6)</u>                | <u>\$ 3,421</u>     |
| Property, plant and equipment, net             | <u>\$ 2,377</u>  | <u>\$ 1,047</u> | <u>\$ 26</u>   | <u>\$ (1)</u>                | <u>\$ 3,449</u>     |
| Long-term debt:                                |                  |                 |                |                              |                     |
| Current portion                                | \$ 11            | \$ –            | \$ 1           | \$ –                         | \$ 12               |
| Non-current portion                            | 1,616            | 2               | 813            | –                            | 2,431               |
|                                                | <u>\$ 1,627</u>  | <u>\$ 2</u>     | <u>\$ 814</u>  | <u>\$ –</u>                  | <u>\$ 2,443</u>     |

# TDS Telecom Highlights (Unaudited)

Three Months Ended March 31,

|                                                             | Three Months Ended March 31, |               |                                      |                 |
|-------------------------------------------------------------|------------------------------|---------------|--------------------------------------|-----------------|
|                                                             | 2017                         | 2016          | 2017 vs. 2016<br>Increase (Decrease) |                 |
| (Dollars in millions)                                       |                              |               |                                      |                 |
| <b>Wireline</b>                                             |                              |               |                                      |                 |
| <b>Operating revenues</b>                                   |                              |               |                                      |                 |
| Residential                                                 | \$ 79                        | \$ 76         | \$ 3                                 | 4%              |
| Commercial                                                  | 51                           | 54            | (3)                                  | (6)%            |
| Wholesale                                                   | 49                           | 43            | 6                                    | 15%             |
| Total service revenues                                      | 179                          | 173           | 6                                    | 4%              |
| Equipment sales                                             | —                            | —             | —                                    | (37)%           |
|                                                             | 179                          | 173           | 6                                    | 3%              |
| <b>Operating expenses</b>                                   |                              |               |                                      |                 |
| Cost of services                                            | 63                           | 62            | 1                                    | 2%              |
| Cost of equipment sold                                      | 1                            | 1             | —                                    | 6%              |
| Selling, general and administrative expenses                | 48                           | 48            | (1)                                  | (2)%            |
| Expenses excluding depreciation, amortization and accretion | 111                          | 111           | —                                    | -               |
| Depreciation, amortization and accretion                    | 39                           | 42            | (3)                                  | (6)%            |
|                                                             | 150                          | 153           | (2)                                  | (2)%            |
| <b>Operating income</b>                                     | <b>\$ 29</b>                 | <b>\$ 20</b>  | <b>\$ 8</b>                          | <b>41%</b>      |
| <b>Cable</b>                                                |                              |               |                                      |                 |
| <b>Operating revenues</b>                                   |                              |               |                                      |                 |
| Residential                                                 | \$ 41                        | \$ 35         | \$ 5                                 | 15%             |
| Commercial                                                  | 9                            | 10            | (1)                                  | (8)%            |
|                                                             | 49                           | 45            | 4                                    | 10%             |
| <b>Operating expenses</b>                                   |                              |               |                                      |                 |
| Cost of services                                            | 24                           | 22            | 2                                    | 8%              |
| Selling, general and administrative expenses                | 13                           | 12            | —                                    | 3%              |
| Expenses excluding depreciation, amortization and accretion | 36                           | 34            | 2                                    | 6%              |
| Depreciation, amortization and accretion                    | 10                           | 9             | 1                                    | 10%             |
| (Gain) loss on asset disposals, net                         | —                            | 1             | —                                    | (23)%           |
|                                                             | 47                           | 44            | 3                                    | 6%              |
| <b>Operating income</b>                                     | <b>\$ 2</b>                  | <b>\$ 1</b>   | <b>\$ 2</b>                          | <b>&gt;100%</b> |
| <b>HMS</b>                                                  |                              |               |                                      |                 |
| <b>Operating revenues</b>                                   |                              |               |                                      |                 |
| Service revenues                                            | \$ 29                        | \$ 29         | \$ —                                 | (1)%            |
| Equipment sales                                             | 43                           | 35            | 7                                    | 21%             |
|                                                             | 71                           | 64            | 7                                    | 11%             |
| <b>Operating expenses</b>                                   |                              |               |                                      |                 |
| Cost of services                                            | 20                           | 21            | (1)                                  | (3)%            |
| Cost of equipment sold                                      | 36                           | 29            | 6                                    | 21%             |
| Selling, general and administrative expenses                | 11                           | 11            | —                                    | 1%              |
| Expenses excluding depreciation, amortization and accretion | 67                           | 61            | 6                                    | 9%              |
| Depreciation, amortization and accretion                    | 7                            | 7             | —                                    | (6)%            |
|                                                             | 74                           | 68            | 5                                    | 8%              |
| <b>Operating loss</b>                                       | <b>\$ (2)</b>                | <b>\$ (4)</b> | <b>\$ 2</b>                          | <b>43%</b>      |
| Intercompany revenues                                       | \$ (1)                       | \$ (1)        | \$ —                                 | (2)%            |
| Intercompany expenses                                       | (1)                          | (1)           | —                                    | (2)%            |
| <b>Total TDS Telecom operating income</b>                   | <b>\$ 29</b>                 | <b>\$ 17</b>  | <b>\$ 12</b>                         | <b>70%</b>      |

Numbers may not foot due to rounding.

# Telephone and Data Systems, Inc.

## Financial Measures and Reconciliations

### Free Cash Flow

|                                                                | Three Months Ended<br>March 31, |               |
|----------------------------------------------------------------|---------------------------------|---------------|
|                                                                | 2017                            | 2016          |
| (Dollars in millions)                                          |                                 |               |
| <b>Cash flows from operating activities (GAAP)</b>             | <b>\$ 137</b>                   | <b>\$ 246</b> |
| Less: Cash paid for additions to property, plant and equipment | <b>127</b>                      | <b>159</b>    |
| <b>Free cash flow <sup>(1)</sup></b>                           | <b>\$ 10</b>                    | <b>\$ 87</b>  |

(1) Management uses Free cash flow as a liquidity measure and it is defined as Cash flows from operating activities less Cash paid for additions to property, plant and equipment. Free cash flow is a non-GAAP financial measure which TDS believes may be useful to investors and other users of its financial information in evaluating liquidity, specifically, the amount of cash generated by business operations, after Cash paid for additions to property, plant and equipment.

### Postpaid ABPU and Postpaid ABPA

U.S. Cellular presents Postpaid ABPU and Postpaid ABPA to reflect the revenue shift from Service revenues to Equipment and product sales resulting from the increased adoption of equipment installment plans. Postpaid ABPU and Postpaid ABPA, as previously defined, are non-GAAP financial measures which U.S. Cellular believes are useful to investors and other users of its financial information in showing trends in both service and equipment and product sales revenues received from customers.

| For the Quarter Ended                       | 3/31/2017        | 12/31/2016       | 9/30/2016        | 6/30/2016        | 3/31/2016        |
|---------------------------------------------|------------------|------------------|------------------|------------------|------------------|
| (Dollars and connection counts in millions) |                  |                  |                  |                  |                  |
| <u>Calculation of Postpaid ARPU</u>         |                  |                  |                  |                  |                  |
| Postpaid service revenues                   | \$ 608           | \$ 607           | \$ 635           | \$ 636           | \$ 639           |
| Average number of postpaid connections      | 4.46             | 4.48             | 4.49             | 4.48             | 4.43             |
| Number of months in period                  | 3                | 3                | 3                | 3                | 3                |
| <b>Postpaid ARPU (GAAP metric)</b>          | <b>\$ 45.42</b>  | <b>\$ 45.19</b>  | <b>\$ 47.08</b>  | <b>\$ 47.37</b>  | <b>\$ 48.13</b>  |
| <u>Calculation of Postpaid ABPU</u>         |                  |                  |                  |                  |                  |
| Postpaid service revenues                   | \$ 608           | \$ 607           | \$ 635           | \$ 636           | \$ 639           |
| Equipment installment plan billings         | 139              | 138              | 131              | 118              | 105              |
| Total billings to postpaid connections      | \$ 747           | \$ 745           | \$ 766           | \$ 754           | \$ 744           |
| Average number of postpaid connections      | 4.46             | 4.48             | 4.49             | 4.48             | 4.43             |
| Number of months in period                  | 3                | 3                | 3                | 3                | 3                |
| <b>Postpaid ABPU (Non-GAAP metric)</b>      | <b>\$ 55.82</b>  | <b>\$ 55.43</b>  | <b>\$ 56.79</b>  | <b>\$ 56.09</b>  | <b>\$ 56.06</b>  |
| <u>Calculation of Postpaid ARPA</u>         |                  |                  |                  |                  |                  |
| Postpaid service revenues                   | \$ 608           | \$ 607           | \$ 635           | \$ 636           | \$ 639           |
| Average number of postpaid accounts         | 1.66             | 1.68             | 1.69             | 1.70             | 1.70             |
| Number of months in period                  | 3                | 3                | 3                | 3                | 3                |
| <b>Postpaid ARPA (GAAP metric)</b>          | <b>\$ 121.88</b> | <b>\$ 120.67</b> | <b>\$ 125.31</b> | <b>\$ 124.91</b> | <b>\$ 125.36</b> |
| <u>Calculation of Postpaid ABPA</u>         |                  |                  |                  |                  |                  |
| Postpaid service revenues                   | \$ 608           | \$ 607           | \$ 635           | \$ 636           | \$ 639           |
| Equipment installment plan billings         | 139              | 138              | 131              | 118              | 105              |
| Total billings to postpaid accounts         | \$ 747           | \$ 745           | \$ 766           | \$ 754           | \$ 744           |
| Average number of postpaid accounts         | 1.66             | 1.68             | 1.69             | 1.70             | 1.70             |
| Number of months in period                  | 3                | 3                | 3                | 3                | 3                |
| <b>Postpaid ABPA (Non-GAAP metric)</b>      | <b>\$ 149.78</b> | <b>\$ 148.02</b> | <b>\$ 151.16</b> | <b>\$ 147.90</b> | <b>\$ 145.99</b> |