



Excellence in Communications Services

**TELEPHONE AND  
DATA SYSTEMS™**

30 North LaSalle Street, Suite 4000, Chicago, IL 60602  
Office: 312-630-1900 • Fax: 312-630-9299

**As previously announced, TDS will hold a teleconference Nov. 1, 2013 at 9:30 a.m. CDT. Interested parties may listen to the call live by accessing the Investor Relations page of [www.teldta.com](http://www.teldta.com).**

Contact: Jane W. McCahon, Vice President, Corporate Relations and Corporate Secretary  
(312) 592-5379; [jane.mccahon@teldta.com](mailto:jane.mccahon@teldta.com)

Julie D. Mathews, Manager, Investor Relations  
(312) 592-5341; [julie.mathews@teldta.com](mailto:julie.mathews@teldta.com)

**FOR RELEASE: IMMEDIATE**

### **TDS REPORTS THIRD QUARTER 2013 RESULTS**

**CHICAGO – Nov. 1, 2013** – Telephone and Data Systems, Inc. [NYSE:TDS] reported operating revenues of \$1,181.0 million for the third quarter of 2013, versus \$1,370.1 million for the comparable period one year ago. Net income (loss) attributable to TDS shareholders and related diluted earnings (loss) per share were \$(9.5) million and \$(0.09) respectively, for the third quarter of 2013, compared to \$29.1 million and \$0.26, respectively, in the comparable period one year ago.

“All of our businesses continued to make progress on their strategic priorities throughout the quarter,” said LeRoy T. Carlson, Jr., TDS president and CEO. “At U.S. Cellular, we introduced shared data plans, prepared for the upcoming launch of Apple devices, and implemented an important new billing system. TDS Telecom completed the acquisition of Baja Broadband in August, and acquired IT solutions provider MSN Communications in early October.

“U.S. Cellular is close to its goal of bringing 4G LTE access to nearly 90 percent of its customers in 2013, to support growth in smartphone penetration and increased data use. We expect that the addition of the Apple iPhone 5s and 5c to our device portfolio in early November, together with shared data plans we launched in October, will help build our customer base and reduce churn. We are disappointed about, and regret, the significant impact of the billing system implementation on our customer service levels for a period of time. We have resolved most of these issues, and we expect the billing system to provide outstanding benefits going forward. U.S. Cellular has been successful in its sales of non-strategic spectrum, with deals signed or closed generating pre-tax cash proceeds of over \$400 million.

“In addition to completing the recent cable and HMS acquisitions, TDS Telecom had continued growth in residential IPTV and commercial *managed*IP connections. A combination of revenue growth and cost reductions helped to improve TDS Telecom’s profitability in the quarter.”

### **2013 ESTIMATES**

Estimates of full-year 2013 results for U.S. Cellular, TDS Telecom and TDS are shown below. Such estimates represent management’s view as of the date of filing TDS’ Form 10-Q for the quarter ended September 30, 2013. 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.

**2013 Estimated Results (1)**

	U.S. Cellular (2)		TDS Telecom		TDS (2)(6)	
	Previous	Current	Previous	Current	Previous	Current
	<b>(Dollars in millions)</b>					
Adjusted operating revenues (3)	\$3,615-\$3,715	\$3,590-\$3,640	\$890-\$930	\$920-\$960	\$4,550-\$4,690	\$4,555-\$4,645
Adjusted income before income taxes (4)	\$600-\$700	Unchanged	\$230-\$260	Unchanged	\$830-\$960	Unchanged
Capital expenditures	\$735	Unchanged	\$165	Unchanged	\$910	Unchanged

(1) These estimates are based on TDS' current plans, which include an expansion of the multi-year deployment of 4G LTE technology; such expansion includes deployment on 700 MHz in additional markets as well as deployment on the 850 MHz band to provide additional capacity for future growth in data usage, enable potential future 4G LTE roaming, and support the sale of Apple products. The financial impacts of selling Apple products in 2013 consist of the following:

- Increased Adjusted operating revenues resulting from net incremental customers added and retained as a result of offering Apple products;
- Decreased Adjusted income before income taxes as a result of net increases in costs, primarily loss on equipment sales as a result of offering Apple products; and
- Increased Capital expenditures related to the deployment on the 850 MHz band to provide additional capacity for future growth in data usage, which includes capacity required to accommodate Apple products.

These estimates also reflect the impacts of the deconsolidation of certain partnerships as of April 2013 at U.S. Cellular. These estimates do not include (i) the reported gain on sale of business and other exit costs, net (ii) the reported gain on investments, or (iii) the actual or expected gains from spectrum license divestitures. In addition, the estimates reflect the impacts of the acquisition of Baja Broadband, LLC as of August 1, 2013 and MSN Communications, Inc. as of October 4, 2013, and of a multi-year deployment of IPTV at TDS Telecom. New developments or changing conditions (such as, but not limited to, regulatory developments, customer net growth, customer demand for data services, costs to deploy, agreements for content or franchises, or possible acquisitions, dispositions or exchanges) could affect TDS' plans and, therefore, its 2013 estimated results.

(2) These estimates reflect U.S. Cellular's consolidated results for 2013. Estimated results reflecting U.S. Cellular's Divestiture Markets and Core Markets are shown in the table below:

	2013 Estimated Results					
	U.S. Cellular Core Markets (5)		U.S. Cellular Divestiture Markets (5)		U.S. Cellular Consolidated (5)	
	Previous	Current	Previous	Current	Previous	Current
<b>(Dollars in millions)</b>						
Adjusted operating revenues (3)	\$3,475-\$3,575	\$3,450-\$3,500	\$140	Unchanged	\$3,615-\$3,715	\$3,590-\$3,640
Adjusted income before income taxes (4)	\$560-\$660	Unchanged	\$40	Unchanged	\$600-\$700	Unchanged
Capital expenditures	\$730	Unchanged	\$5	Unchanged	\$735	Unchanged

These estimates reflect the Divestiture Transaction which closed on May 16, 2013.

- (3) Adjusted operating revenues is a non-GAAP financial measure defined as Operating revenues excluding U.S. Cellular Equipment sales revenues. U.S. Cellular Equipment sales revenues are excluded from Adjusted operating revenues since U.S. Cellular equipment is generally sold at a net loss, and such net loss that results from U.S. Cellular Equipment sales revenues less U.S. Cellular Cost of equipment sold is viewed as a cost of earning service revenues for purposes of assessing business results. For purposes of developing this guidance, TDS does not calculate an estimate of U.S. Cellular Equipment sales revenues. TDS believes this measure provides useful information to investors regarding TDS' results of operations. Adjusted operating revenues is not a measure of financial performance under GAAP and should not be considered as an alternative to Operating revenues as an indicator of the Company's operating performance.
- (4) Adjusted income before income taxes is a non-GAAP financial measure defined as Income before income taxes, adjusted for the items set forth in the reconciliation below. Adjusted income before income taxes excludes these items in order to show operating results on a more comparable basis from period to period. In addition, TDS may also 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 amounts that are excluded are non-recurring, infrequent or unusual; such amounts may occur in the future. Adjusted income before income taxes is not a measure of financial performance under 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 following tables provide a reconciliation of Income (loss) before income taxes to Adjusted income before income taxes for 2013 Estimated Results, nine months ended September 30, 2013 actual results, and 2012 actual results:

	<b>2013 Current Estimated Results</b>				
	<b>U.S. Cellular Core Markets (5)</b>	<b>U.S. Cellular Divestiture Markets (2)(5)</b>	<b>U.S. Cellular Consolidated (5)</b>	<b>TDS Telecom</b>	<b>TDS (6)</b>
<b>(Dollars in millions)</b>					
Income (loss) before income taxes	\$315-\$415	\$35	\$350-\$450	\$25-\$55	\$360-\$490
Depreciation, amortization and accretion expense (7)	\$540	\$250	\$790	\$205	\$1,005
(Gain) loss on sale of business and other exit costs, net	—	(\$245)	(\$245)	—	(\$300)
(Gain) loss from spectrum license divestitures	(\$325)	—	(\$325)	—	(\$325)
(Gain) loss on investments	(\$20)	—	(\$20)	—	(\$15)
Interest expense	\$50	—	\$50	—	\$105
Adjusted income before income taxes	<u>\$560-\$660</u>	<u>\$40</u>	<u>\$600-\$700</u>	<u>\$230-\$260</u>	<u>\$830-\$960</u>

**Actual Results**

	Nine Months Ended September 30, 2013			Year Ended December 31, 2012		
	U.S. Cellular Consolidated (5)	TDS Telecom	TDS (6)	U.S. Cellular Consolidated (5)	TDS Telecom	TDS (6)
<b>(Dollars in millions)</b>						
Income before income taxes	\$ 266	\$ 36	\$ 304	\$ 205	\$ 45	196
Depreciation, amortization and accretion expense (7)	593	150	752	609	193	814
(Gain) loss on sale of business and other exit costs, net	(244)	—	(298)	21	—	21
(Gain) loss from spectrum license divestitures	—	—	—	—	—	—
(Gain) loss on investments	(18)	(1)	(15)	4	—	4
Interest expense	33	(2)	74	42	(1)	87
Adjusted income before income taxes	\$ 630	\$ 183	\$ 817	\$ 881	\$ 237	1,122

- (5) The U.S. Cellular Consolidated amounts represent GAAP financial measures and include the results of both the Core Markets and the Divestiture Markets. The amounts for Core Markets and Divestiture Markets represent non-GAAP financial measures. TDS believes that the amounts for the Core Markets and Divestiture 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.
- (6) 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.
- (7) The 2013 estimated amount for Depreciation, amortization and accretion expense in the U.S. Cellular Divestiture Markets includes approximately \$171 million of incremental accelerated depreciation, amortization and accretion resulting from the Divestiture Transaction. Actual results for the nine months ended September 30, 2013 and the year ended December 31, 2012 include \$134 million and \$20 million, respectively, of incremental accelerated depreciation, amortization and accretion resulting from the Divestiture Transaction.

**Stock repurchase summary**

TDS began repurchasing under its \$250 million repurchase authorization on Aug. 5, 2013. The following represents the third quarter repurchases of TDS Common Shares.

Repurchase Period	# Shares	Cost (in millions)
2013 (third quarter)	204,548	\$5.8

**Conference Call Information**

TDS will hold a conference call on Nov. 1, 2013 at 9:30 a.m. CDT.

- Access the live call on the Investor Relations page of [www.teldta.com](http://www.teldta.com) or at <http://www.videonewswire.com/event.asp?id=96657>.
- 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 the Investor Relations page of [www.teldta.com](http://www.teldta.com). The call will be archived on the Conference Calls page of [www.teldta.com](http://www.teldta.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 business units, U.S. Cellular, TDS Telecom, TDS Hosted & Managed Services and Baja Broadband. Founded in 1969 and headquartered in Chicago, TDS employed 10,600 people as of Sept. 30, 2013.

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

*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: impacts of any pending acquisition and divestiture transactions, including, but not limited to, the ability to obtain regulatory approvals, successfully complete the transaction and the financial impacts of such transaction; the ability of the company to successfully manage and grow its markets; the overall economy; competition; the access to and pricing of unbundled network elements; the ability to obtain or maintain roaming arrangements with other carriers on acceptable terms; the state and federal telecommunications regulatory environment; the value of assets and investments; adverse changes in the ratings afforded TDS and U.S. Cellular debt securities by accredited ratings organizations; industry consolidation; advances in telecommunications technology; uncertainty of access to the capital markets; pending and future litigation; changes in income tax rates, laws, regulations or rulings; acquisitions/divestitures of properties and/or licenses; changes in customer growth rates, average monthly revenue per user, churn rates, roaming revenue and terms, the availability of handset devices, or the mix of products and services offered by U.S. Cellular and TDS Telecom. Investors are encouraged to consider these and other risks and uncertainties that are discussed in the Form 8-K Current Report used by TDS to furnish this press release to the Securities and Exchange Commission ("SEC"), which are incorporated by reference herein.

For more information about TDS and its subsidiaries, visit:

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

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

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

**United States Cellular Corporation**  
**Total Markets Summary Operating Data (Unaudited)**

Quarter Ended	9/30/2013	6/30/2013	3/31/2013	12/31/2012	9/30/2012
<b>Retail Customers</b>					
<b>Postpaid</b>					
Total at end of period	4,343,000	4,412,000	5,060,000	5,134,000	5,175,000
Gross additions	165,000	165,000	191,000	241,000	230,000
Net additions (losses)	(60,000)	(120,000)	(74,000)	(41,000)	(38,000)
ARPU (1)	\$ 54.64	\$ 54.18	\$ 54.85	\$ 54.56	\$ 54.34
Churn rate (2)	1.7%	2.0%	1.7%	1.8%	1.7%
Smartphone penetration (3) (4)	47.1%	45.5%	43.5%	41.8%	38.6%
<b>Prepaid</b>					
Total at end of period	370,000	381,000	446,000	423,000	386,000
Gross additions	65,000	77,000	104,000	107,000	120,000
Net additions (losses)	(11,000)	(7,000)	23,000	37,000	57,000
ARPU (1)	\$ 28.72	\$ 31.69	\$ 33.31	\$ 33.56	\$ 32.97
Churn rate (2)	6.8%	6.8%	6.2%	5.8%	5.9%
<b>Total customers at end of period</b>	<b>4,875,000</b>	<b>4,968,000</b>	<b>5,736,000</b>	<b>5,798,000</b>	<b>5,808,000</b>
<b>Billed ARPU (1)</b>	<b>\$ 50.92</b>	<b>\$ 50.60</b>	<b>\$ 51.13</b>	<b>\$ 50.94</b>	<b>\$ 50.83</b>
<b>Service revenue ARPU (1)</b>	<b>\$ 58.36</b>	<b>\$ 57.45</b>	<b>\$ 57.63</b>	<b>\$ 58.00</b>	<b>\$ 59.57</b>
<b>Smartphones sold as a percent of total devices sold</b>	<b>65.2%</b>	<b>66.0%</b>	<b>61.7%</b>	<b>62.9%</b>	<b>53.0%</b>
<b>Total population</b>					
Consolidated markets (5)	84,025,000	84,025,000	93,943,000	93,244,000	92,996,000
Consolidated operating markets (5)	31,822,000	31,822,000	47,440,000	46,966,000	46,966,000
<b>Market penetration at end of period</b>					
Consolidated markets (6)	5.8%	5.9%	6.1%	6.2%	6.2%
Consolidated operating markets (6)	15.3%	15.6%	12.1%	12.3%	12.4%
<b>Capital expenditures (000s)</b>	<b>\$ 242,500</b>	<b>\$ 168,500</b>	<b>\$ 118,400</b>	<b>\$ 253,100</b>	<b>\$ 199,100</b>
<b>Total cell sites in service</b>	<b>7,687</b>	<b>7,748</b>	<b>8,027</b>	<b>8,028</b>	<b>7,984</b>
<b>Owned towers in service</b>	<b>4,422</b>	<b>4,411</b>	<b>4,411</b>	<b>4,408</b>	<b>4,377</b>

**United States Cellular Corporation**  
**Core Markets Summary Operating Data (Unaudited)**  
**Excludes NY1 & NY2**

Quarter Ended	9/30/2013	6/30/2013	3/31/2013	12/31/2012	9/30/2012
<b>Retail Customers</b>					
<b>Postpaid</b>					
Total at end of period	4,343,000	4,412,000	4,463,000	4,496,000	4,515,000
Gross additions	165,000	165,000	176,000	208,000	196,000
Net additions (losses)	(60,000)	(53,000)	(33,000)	(19,000)	(23,000)
ARPU (1)	\$ 54.64	\$ 54.44	\$ 54.21	\$ 53.91	\$ 53.67
Churn rate (2)	1.7%	1.6%	1.6%	1.7%	1.6%
Smartphone penetration (3) (4)	47.1%	45.5%	43.0%	41.1%	37.8%
<b>Prepaid</b>					
Total at end of period	370,000	381,000	373,000	342,000	305,000
Gross additions	65,000	76,000	91,000	87,000	99,000
Net additions (losses)	(11,000)	8,000	31,000	37,000	59,000
ARPU (1)	\$ 28.72	\$ 31.65	\$ 32.92	\$ 33.21	\$ 32.97
Churn rate (2)	6.8%	6.0%	5.6%	5.1%	4.8%
<b>Total customers at end of period</b>	<b>4,875,000</b>	<b>4,968,000</b>	<b>5,005,000</b>	<b>5,022,000</b>	<b>5,012,000</b>
<b>Billed ARPU (1)</b>	<b>\$ 50.92</b>	<b>\$ 50.98</b>	<b>\$ 50.93</b>	<b>\$ 50.71</b>	<b>\$ 50.59</b>
<b>Service revenue ARPU (1)</b>	<b>\$ 58.36</b>	<b>\$ 57.88</b>	<b>\$ 57.14</b>	<b>\$ 57.67</b>	<b>\$ 59.34</b>
<b>Smartphones sold as a percent of total devices sold</b>	<b>65.2%</b>	<b>66.1%</b>	<b>62.1%</b>	<b>62.9%</b>	<b>53.0%</b>
<b>Total population</b>					
Consolidated markets (5)	84,025,000	84,025,000	84,025,000	83,384,000	82,595,000
Consolidated operating markets (5)	31,822,000	31,822,000	31,822,000	31,445,000	31,110,000
<b>Market penetration at end of period</b>					
Consolidated markets (6)	5.8%	5.9%	6.0%	6.0%	6.1%
Consolidated operating markets (6)	15.3%	15.6%	15.7%	16.0%	16.1%
<b>Capital expenditures (000s)</b>	<b>\$ 239,300</b>	<b>\$ 171,200</b>	<b>\$ 113,300</b>	<b>\$ 241,400</b>	<b>\$ 184,100</b>
<b>Total cell sites in service</b>	<b>6,127</b>	<b>6,113</b>	<b>6,113</b>	<b>6,130</b>	<b>6,089</b>
<b>Owned towers in service</b>	<b>3,859</b>	<b>3,844</b>	<b>3,846</b>	<b>3,847</b>	<b>3,818</b>

- (1) ARPU metrics are calculated by dividing a revenue base by an average number of customers by the number of months in the period. These revenue bases and customer populations are shown below:
- a. Postpaid ARPU consists of total postpaid service revenues and postpaid customers.
  - b. Prepaid ARPU consists of total prepaid service revenues and prepaid customers.
  - c. Billed ARPU consists of total postpaid, prepaid, and reseller service revenues and postpaid, prepaid and reseller customers.
  - d. Service revenue ARPU consists of total retail service revenues, inbound roaming and other service revenues and postpaid, prepaid and reseller customers.
- (2) Churn metrics represent the percentage of the postpaid or prepaid customers that disconnect service each month. These metrics represent the average monthly postpaid or prepaid churn rate for each respective period.
- (3) Smartphones represent wireless devices which run on an Android™, BlackBerry® or Windows Mobile® operating system, excluding tablets.
- (4) Smartphone penetration is calculated by dividing postpaid smartphone customers by total postpaid customers.
- (5) Used only to calculate market penetration of consolidated and core markets and consolidated and core operating markets, respectively. See footnote (6) below.
- (6) Market penetration is calculated by dividing the number of wireless customers at the end of the period by the total population of consolidated and core markets and consolidated and core operating markets, respectively, as estimated by Claritas®.

**TDS Telecom**  
**Summary Operating Data (Unaudited)**

Quarter Ended	9/30/2013	6/30/2013	3/31/2013	12/31/2012	9/30/2012
<b>TDS Telecom</b>					
<b>Wireline Connections:</b>					
<b>Residential</b>					
Voice	358,200	364,000	368,600	374,700	382,000
Broadband	229,500	231,700	229,500	229,900	232,000
IPTV	12,200	10,500	9,000	7,900	6,700
Wireline residential connections	<u>599,900</u>	<u>606,200</u>	<u>607,100</u>	<u>612,500</u>	<u>620,700</u>
<b>Commercial</b>					
Voice	223,800	229,100	235,600	243,100	250,100
Broadband	27,600	28,300	28,800	29,600	30,500
<i>managedIP</i>	121,000	112,000	103,400	94,600	84,500
Wireline commercial connections	<u>372,400</u>	<u>369,400</u>	<u>367,800</u>	<u>367,300</u>	<u>365,100</u>
<b>Total Wireline connections</b>	<u>972,300</u>	<u>975,600</u>	<u>974,900</u>	<u>979,800</u>	<u>985,800</u>
<b>Cable Connections:</b>					
Video	70,300	—	—	—	—
Broadband	59,800	—	—	—	—
Voice	16,800	—	—	—	—
Cable connections	<u>146,900</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Total Wireline and Cable Customer Connections</b>	<u>1,119,200</u>	<u>975,600</u>	<u>974,900</u>	<u>979,800</u>	<u>985,800</u>

**TDS Telecom**  
**Capital Expenditures (000s)**

Quarter Ended	9/30/2013	6/30/2013	3/31/2013	12/31/2012	9/30/2012
Wireline	\$ 32,800	\$ 33,300	\$ 27,900	\$ 49,500	\$ 39,100
Cable	1,400	—	—	—	—
HMS	2,400	2,300	2,600	2,300	4,400
	<u>\$ 36,600</u>	<u>\$ 35,600</u>	<u>\$ 30,500</u>	<u>\$ 51,800</u>	<u>\$ 43,500</u>



**Telephone and Data Systems, Inc.**  
**Consolidated Statement of Operations Highlights**  
**Three Months Ended September 30,**  
(Unaudited, dollars and shares in thousands, except per share amounts)

			<b>Increase/ (Decrease)</b>	
	<b>2013</b>	<b>2012</b>	<b>Amount</b>	<b>Percent</b>
<b>Operating revenues</b>				
U.S. Cellular	\$ 939,236	\$ 1,140,357	\$ (201,121)	(18%)
TDS Telecom	234,543	220,417	14,126	6%
All Other (1)	7,201	9,334	(2,133)	(23%)
	<u>1,180,980</u>	<u>1,370,108</u>	<u>(189,128)</u>	<u>(14%)</u>
<b>Operating expenses</b>				
U.S. Cellular				
Expenses excluding depreciation, amortization and accretion	781,291	935,800	(154,509)	(17%)
Depreciation, amortization and accretion	200,985	145,151	55,834	38%
Loss on asset disposals, net	1,701	11,262	(9,561)	(85%)
(Gain) loss on sale of business and other exit costs, net	(1,534)	65	(1,599)	>(100%)
	<u>982,443</u>	<u>1,092,278</u>	<u>(109,835)</u>	<u>(10%)</u>
TDS Telecom				
Expenses excluding depreciation, amortization and accretion	170,650	161,515	9,135	6%
Depreciation, amortization and accretion	51,305	48,251	3,054	6%
Loss on asset disposals, net	436	351	85	24%
	<u>222,391</u>	<u>210,117</u>	<u>12,274</u>	<u>6%</u>
All Other (1)				
Expenses excluding depreciation and amortization	6,208	9,361	(3,153)	(34%)
Depreciation and amortization	3,005	2,817	188	7%
Loss on asset disposals, net	18	29	(11)	(38%)
	<u>9,231</u>	<u>12,207</u>	<u>(2,976)</u>	<u>(24%)</u>
Total operating expenses	<u>1,214,065</u>	<u>1,314,602</u>	<u>(100,537)</u>	<u>(8%)</u>
<b>Operating income (loss)</b>				
U.S. Cellular	(43,207)	48,079	(91,286)	>(100%)
TDS Telecom	12,152	10,300	1,852	18%
All Other (1)	(2,030)	(2,873)	843	29%
	<u>(33,085)</u>	<u>55,506</u>	<u>(88,591)</u>	<u>&gt;(100%)</u>
<b>Investment and other income (expense)</b>				
Equity in earnings of unconsolidated entities	37,609	25,015	12,594	50%
Interest and dividend income	2,507	2,359	148	6%
Interest expense	(24,961)	(20,497)	(4,464)	(22%)
Other, net	145	217	(72)	(33%)
Total investment and other income	<u>15,300</u>	<u>7,094</u>	<u>8,206</u>	<u>&gt;100%</u>
<b>Income (loss) before income taxes</b>	<u>(17,785)</u>	<u>62,600</u>	<u>(80,385)</u>	<u>&gt;(100%)</u>
Income tax expense (benefit)	(6,731)	22,442	(29,173)	>(100%)
<b>Net income (loss)</b>	<u>(11,054)</u>	<u>40,158</u>	<u>(51,212)</u>	<u>&gt;(100%)</u>
Less: Net income (loss) attributable to noncontrolling interests, net of tax	(1,542)	11,041	(12,583)	>(100%)
<b>Net income (loss) attributable to TDS shareholders</b>	<u>(9,512)</u>	<u>29,117</u>	<u>(38,629)</u>	<u>&gt;(100%)</u>
Preferred dividend requirement	(12)	(12)	—	—
<b>Net income (loss) available to common shareholders</b>	<u>\$ (9,524)</u>	<u>\$ 29,105</u>	<u>\$ (38,629)</u>	<u>&gt;(100%)</u>
<b>Basic weighted average shares outstanding</b>	108,571	108,819	(248)	—
<b>Basic earnings (loss) per share attributable to TDS shareholders</b>	\$ (0.09)	\$ 0.27	\$ (0.36)	>(100%)
<b>Diluted weighted average shares outstanding</b>	108,571	109,246	(675)	—
<b>Diluted earnings (loss) per share attributable to TDS shareholders</b>	\$ (0.09)	\$ 0.26	\$ (0.35)	>(100%)

(1) Consists of Non-Reportable Segment, corporate operations and intercompany eliminations between U.S. Cellular, TDS Telecom, the Non-Reportable Segment and corporate operations.

N/M – Percentage change not meaningful

**Telephone and Data Systems, Inc.**  
**Consolidated Statement of Operations Highlights**  
**Nine Months Ended September 30,**  
(Unaudited, dollars and shares in thousands, except per share amounts)

	2013	2012	Increase/ (Decrease)	
			Amount	Percent
<b>Operating revenues</b>				
U.S. Cellular	\$ 3,016,112	\$ 3,336,878	\$ (320,766)	(10%)
TDS Telecom	675,064	633,011	42,053	7%
All Other (1)	26,543	29,179	(2,636)	(9%)
	<u>3,717,719</u>	<u>3,999,068</u>	<u>(281,349)</u>	<u>(7%)</u>
<b>Operating expenses</b>				
U.S. Cellular				
Expenses excluding depreciation, amortization and accretion	2,472,825	2,668,224	(195,399)	(7%)
Depreciation, amortization and accretion	593,410	439,391	154,019	35%
Loss on asset disposals, net	16,153	15,967	186	1%
(Gain) loss on sale of business and other exit costs, net	(243,627)	(4,148)	(239,479)	>100%
	<u>2,838,761</u>	<u>3,119,434</u>	<u>(280,673)</u>	<u>(9%)</u>
TDS Telecom				
Expenses excluding depreciation, amortization and accretion	493,090	453,918	39,172	9%
Depreciation, amortization and accretion	149,552	143,639	5,913	4%
(Gain) loss on asset disposals, net	(53)	738	(791)	>(100%)
(Gain) loss on sale of business and other exit costs, net	—	39	(39)	N/M
	<u>642,589</u>	<u>598,334</u>	<u>44,255</u>	<u>7%</u>
All Other (1)				
Expenses excluding depreciation and amortization	25,480	31,418	(5,938)	(19%)
Depreciation and amortization	8,613	9,132	(519)	(6%)
Loss on impairment of assets	—	515	(515)	N/M
(Gain) loss on asset disposals, net	(10)	11	(21)	>(100%)
(Gain) loss on sale of business and other exit costs, net	(54,010)	—	(54,010)	N/M
	<u>(19,927)</u>	<u>41,076</u>	<u>(61,003)</u>	<u>&gt;(100%)</u>
Total operating expenses	<u>3,461,423</u>	<u>3,758,844</u>	<u>(297,421)</u>	<u>(8%)</u>
<b>Operating income (loss)</b>				
U.S. Cellular	177,351	217,444	(40,093)	(18%)
TDS Telecom	32,475	34,677	(2,202)	(6%)
All Other (1)	46,470	(11,897)	58,367	>(100%)
	<u>256,296</u>	<u>240,224</u>	<u>16,072</u>	<u>7%</u>
<b>Investment and other income (expense)</b>				
Equity in earnings of unconsolidated entities	100,303	73,796	26,507	36%
Interest and dividend income	6,685	6,894	(209)	(3%)
Gain (loss) on investments	14,518	(3,728)	18,246	>(100%)
Interest expense	(73,208)	(68,100)	(5,108)	(8%)
Other, net	(206)	196	(402)	>(100%)
Total investment and other income	<u>48,092</u>	<u>9,058</u>	<u>39,034</u>	<u>&gt;100%</u>
<b>Income before income taxes</b>	304,388	249,282	55,106	22%
Income tax expense	130,056	85,619	44,437	52%
<b>Net income</b>	174,332	163,663	10,669	7%
Less: Net income attributable to noncontrolling interests, net of tax	26,348	39,955	(13,607)	(34%)
<b>Net income attributable to TDS shareholders</b>	147,984	123,708	24,276	20%
Preferred dividend requirement	(37)	(37)	—	—
<b>Net income available to common shareholders</b>	<u>\$ 147,947</u>	<u>\$ 123,671</u>	<u>\$ 24,276</u>	<u>20%</u>
<b>Basic weighted average shares outstanding</b>	108,405	108,735	(330)	—
<b>Basic earnings per share attributable to TDS shareholders</b>	\$ 1.36	\$ 1.14	\$ 0.22	19%
<b>Diluted weighted average shares outstanding</b>	108,993	109,018	(25)	—
<b>Diluted earnings per share attributable to TDS shareholders</b>	\$ 1.35	\$ 1.13	\$ 0.22	19%

(1) Consists of Non-Reportable Segment, corporate operations and intercompany eliminations between U.S. Cellular, TDS Telecom, the Non-Reportable Segment and corporate operations. TDS recognized an incremental \$53.5 million upon closing of the Divestiture Transaction as a result of lower asset basis in assets disposed.

N/M – Percentage change not meaningful

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

**ASSETS**

	September 30, 2013	December 31, 2012
<b>Current assets</b>		
Cash and cash equivalents	\$ 711,089	\$ 740,481
Short-term investments	45,162	115,700
Accounts receivable from customers and others	686,811	574,328
Inventory	149,489	160,692
Net deferred income tax asset	62,479	43,411
Prepaid expenses	94,989	86,385
Income taxes receivable	1,909	9,625
Other current assets	36,011	32,815
	<u>1,787,939</u>	<u>1,763,437</u>
<b>Assets held for sale</b>	78,413	163,242
<b>Investments</b>		
Licenses	1,420,541	1,480,039
Goodwill	821,155	797,194
Franchise rights	123,668	—
Other intangible assets, net	59,841	58,522
Investments in unconsolidated entities	345,411	179,921
Long-term investments	40,099	50,305
Other investments	689	824
	<u>2,811,404</u>	<u>2,566,805</u>
<b>Property, plant and equipment, net</b>		
U.S. Cellular	2,874,593	3,022,588
TDS Telecom	969,318	934,188
Other	37,924	40,490
	<u>3,881,835</u>	<u>3,997,266</u>
<b>Other assets and deferred charges</b>	140,109	133,150
<b>Total assets</b>	<u>\$ 8,699,700</u>	<u>\$ 8,623,900</u>

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

**LIABILITIES AND EQUITY**

	September 30, 2013	December 31, 2012
<b>Current liabilities</b>		
Current portion of long-term debt	\$ 1,806	\$ 1,233
Accounts payable	398,867	377,291
Customer deposits and deferred revenues	244,526	222,345
Accrued interest	15,799	6,565
Accrued taxes	107,183	48,237
Accrued compensation	97,266	134,932
Other current liabilities	142,851	134,005
	<u>1,008,298</u>	<u>924,608</u>
<b>Liabilities held for sale</b>	471	19,594
<b>Deferred liabilities and credits</b>		
Net deferred income tax liability	851,396	862,580
Other deferred liabilities and credits	445,596	438,727
<b>Long-term debt</b>	1,721,085	1,721,571
<b>Noncontrolling interests with redemption features</b>	540	493
<b>Equity</b>		
TDS shareholders' equity		
Series A Common and Common Shares, par value \$.01	1,327	1,327
Capital in excess of par value	2,301,983	2,304,122
Treasury shares, at cost	(727,577)	(750,099)
Accumulated other comprehensive loss	(8,656)	(8,132)
Retained earnings	2,555,765	2,464,318
Total TDS shareholders' equity	4,122,842	4,011,536
Preferred shares	825	825
Noncontrolling interests	548,647	643,966
Total equity	4,672,314	4,656,327
<b>Total liabilities and equity</b>	<u>\$ 8,699,700</u>	<u>\$ 8,623,900</u>

**Balance Sheet Highlights**  
**September 30, 2013**  
(Unaudited, dollars in thousands)

	U.S. Cellular	TDS Telecom	TDS Corporate & Other	Intercompany Eliminations	TDS Consolidated
Cash and cash equivalents	\$ 183,101	\$ 91,200	\$ 436,788	\$ —	\$ 711,089
Affiliated cash investments	—	428,258	—	(428,258)	—
Short-term investments	45,162	—	—	—	45,162
	<u>\$ 228,263</u>	<u>\$ 519,458</u>	<u>\$ 436,788</u>	<u>\$ (428,258)</u>	<u>\$ 756,251</u>
Licenses, goodwill and other intangible assets	\$ 1,785,248	\$ 769,748	\$ (129,791)	\$ —	\$ 2,425,205
Investment in unconsolidated entities	309,481	3,809	39,491	(7,370)	345,411
Long-term and other investments	40,099	689	—	—	40,788
	<u>\$ 2,134,828</u>	<u>\$ 774,246</u>	<u>\$ (90,300)</u>	<u>\$ (7,370)</u>	<u>\$ 2,811,404</u>
Property, plant and equipment, net	<u>\$ 2,874,593</u>	<u>\$ 969,318</u>	<u>\$ 37,924</u>	<u>\$ —</u>	<u>\$ 3,881,835</u>
Long-term debt:					
Current portion	\$ 102	\$ 98	\$ 1,606	\$ —	\$ 1,806
Non-current portion	878,939	1,470	840,676	—	1,721,085
	<u>\$ 879,041</u>	<u>\$ 1,568</u>	<u>\$ 842,282</u>	<u>\$ —</u>	<u>\$ 1,722,891</u>

**Telephone and Data Systems, Inc.**  
**Schedule of Cash and Cash Equivalents and Investments**  
(Unaudited, dollars in thousands)

The following table presents TDS' cash and cash equivalents and investments at September 30, 2013 and December 31, 2012.

	<u>September 30,</u> <u>2013</u>	<u>December 31,</u> <u>2012</u>
<b>Cash and cash equivalents</b>	\$ 711,089	\$ 740,481
<b>Amounts included in short-term investments (1) (2)</b>		
U.S. Treasury Notes	45,162	115,700
<b>Amounts included in long-term investments (1) (3)</b>		
U.S. Treasury Notes	40,099	50,305
<b>Total cash and cash equivalents and investments</b>	<u>\$ 796,350</u>	<u>\$ 906,486</u>

- (1) Designated as held-to-maturity investments and are recorded at amortized cost in the Consolidated Balance Sheet.  
(2) Maturities are less than twelve months from the respective balance sheet dates.  
(3) At September 30, 2013, maturities range between 14 and 15 months.

**Telephone and Data Systems, Inc.**  
**Consolidated Statement of Cash Flows**  
**Nine Months Ended September 30,**

(Unaudited, dollars in thousands)

	2013	2012
<b>Cash flows from operating activities</b>		
Net income	\$ 174,332	\$ 163,663
Add (deduct) adjustments to reconcile net income to net cash flows from operating activities		
Depreciation, amortization and accretion	751,575	592,162
Bad debts expense	56,693	56,597
Stock-based compensation expense	21,867	31,724
Deferred income taxes, net	(30,748)	52,169
Equity in earnings of unconsolidated entities	(100,303)	(73,796)
Distributions from unconsolidated entities	51,879	45,558
Loss on impairment of assets	—	515
Loss on asset disposals, net	16,090	16,716
(Gain) loss on sale of business and other exit costs, net	(297,637)	(4,109)
(Gain) loss on investments	(14,518)	3,728
Noncash interest expense	1,498	2,555
Other operating activities	575	1,650
Changes in assets and liabilities from operations		
Accounts receivable	(216,700)	(69,478)
Inventory	11,114	(70,918)
Accounts payable	33,312	(37,728)
Customer deposits and deferred revenues	21,883	28,323
Accrued taxes	41,838	107,502
Accrued interest	9,451	9,488
Other assets and liabilities	(94,301)	(95,785)
	<u>437,900</u>	<u>760,536</u>
<b>Cash flows from investing activities</b>		
Cash used for additions to property, plant and equipment	(631,370)	(730,897)
Cash paid for acquisitions and licenses	(280,383)	(97,523)
Cash received from divestitures	484,300	50,182
Cash paid for investments	—	(45,000)
Cash received for investments	80,000	143,444
Other investing activities	13,860	(13,121)
	<u>(333,593)</u>	<u>(692,915)</u>
<b>Cash flows from financing activities</b>		
Repayment of long-term debt	(1,196)	(2,435)
Issuance of long-term debt	—	358
TDS Common Shares and Special Common Shares reissued for benefit plans, net of tax payments	7,537	(23)
U.S. Cellular Common Shares reissued for benefit plans, net of tax payments	2,840	(2,299)
Repurchase of TDS Common Shares	(5,813)	—
Repurchase of U.S. Cellular Common Shares	(18,544)	—
Dividends paid to TDS shareholders	(41,430)	(39,930)
U.S. Cellular dividends paid to noncontrolling public shareholders	(75,235)	—
Payment of debt issuance costs	(23)	—
Distributions to noncontrolling interests	(3,447)	(1,491)
Other financing activities	1,612	4,208
	<u>(133,699)</u>	<u>(41,612)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(29,392)</b>	<b>26,009</b>
<b>Cash and cash equivalents</b>		
Beginning of period	740,481	563,275
End of period	<u>\$ 711,089</u>	<u>\$ 589,284</u>

**TDS Telecom Highlights**  
**Three Months Ended September 30,**

(Unaudited, dollars in thousands)

	2013	2012	Increase (Decrease)	
			Amount	Percent
<b>Wireline</b>				
<b>Operating revenues</b>				
Residential	\$ 74,257	\$ 74,434	\$ (177)	—
Commercial	57,787	57,493	294	1%
Wholesale	49,756	52,139	(2,383)	(5%)
	<u>181,800</u>	<u>184,066</u>	<u>(2,266)</u>	<u>(1%)</u>
<b>Operating expenses</b>				
Cost of services and products	68,249	67,740	509	—
Selling, general and administrative expenses	53,254	57,619	(4,365)	(8%)
Depreciation, amortization and accretion	42,136	42,800	(664)	(2%)
Loss on asset disposals and exchanges, net	426	345	81	23%
	<u>164,065</u>	<u>168,504</u>	<u>(4,439)</u>	<u>(3%)</u>
<b>Operating income</b>	<u>\$ 17,735</u>	<u>\$ 15,562</u>	<u>\$ 2,173</u>	<u>14%</u>
<b>Cable</b>				
<b>Operating revenues</b>				
Residential	\$ 11,642	\$ —	\$ 11,642	N/M
Commercial	2,720	—	2,720	N/M
	<u>14,362</u>	<u>—</u>	<u>14,362</u>	<u>N/M</u>
<b>Operating expenses</b>				
Cost of services and products	6,727	—	6,727	N/M
Selling, general and administrative expenses	5,184	—	5,184	N/M
Depreciation, amortization and accretion	2,914	—	2,914	N/M
	<u>14,825</u>	<u>—</u>	<u>14,825</u>	<u>N/M</u>
<b>Operating loss</b>	<u>\$ (463)</u>	<u>\$ —</u>	<u>\$ (463)</u>	<u>N/M</u>
<b>HMS</b>				
<b>Operating revenues</b>	<u>\$ 38,727</u>	<u>\$ 36,428</u>	<u>\$ 2,299</u>	<u>6%</u>
<b>Operating expenses</b>				
Cost of services and products	27,518	25,332	2,186	9%
Selling, general and administrative expenses	10,064	10,901	(837)	(8%)
Depreciation, amortization and accretion	6,255	5,451	804	15%
Loss on asset disposals and exchanges, net	10	6	4	67%
	<u>43,847</u>	<u>41,690</u>	<u>2,157</u>	<u>5%</u>
<b>Operating loss</b>	<u>\$ (5,120)</u>	<u>\$ (5,262)</u>	<u>\$ 142</u>	<u>3%</u>
Intercompany revenues	\$ (346)	\$ (77)	\$ (269)	>(100)%
Intercompany expenses	<u>(346)</u>	<u>(77)</u>	<u>(269)</u>	<u>&gt;(100)%</u>
<b>Total TDS Telecom operating income</b>	<u>\$ 12,152</u>	<u>\$ 10,300</u>	<u>\$ 1,852</u>	<u>18%</u>

Previously, TDS Telecom had reported Results of Operations for its incumbent local exchange carrier (“ILEC”), its competitive local exchange carrier (“CLEC”) and Hosted and Managed Services (“HMS”) segments. As a result of recent acquisitions and changes in TDS’ strategy, operations and internal reporting, TDS has reevaluated and changed its operating segments during the quarter ended September 30, 2013, which resulted in the following reportable segments: Wireline, Cable and HMS. The Wireline segment consists of the former ILEC and CLEC segments. The Cable segment consists of Baja Broadband, LLC, which was acquired in August 2013. Periods presented for comparative purposes have been re-presented to conform to the revised presentation.



**TDS Telecom Highlights**  
**Nine Months Ended September 30,**  
(Unaudited, dollars in thousands)

	2013	2012	Increase (Decrease)	
			Amount	Percent
<b>Wireline</b>				
<b>Operating revenues</b>				
Residential	\$ 220,172	\$ 223,041	\$ (2,869)	—
Commercial	173,702	172,299	1,403	—
Wholesale	151,694	160,977	(9,283)	(6%)
	<u>545,568</u>	<u>556,317</u>	<u>(10,749)</u>	<u>(2%)</u>
<b>Operating expenses</b>				
Cost of services and products	202,521	205,088	(2,567)	(1%)
Selling, general and administrative expenses	167,326	174,534	(7,208)	(4%)
Depreciation, amortization and accretion	129,352	129,367	(15)	—
(Gain) loss on asset disposals and exchanges, net	(176)	672	(848)	>(100)%
	<u>499,023</u>	<u>509,661</u>	<u>(10,638)</u>	<u>(2%)</u>
<b>Operating income</b>	<b>\$ 46,545</b>	<b>\$ 46,656</b>	<b>\$ (111)</b>	<b>—</b>
<b>Cable</b>				
<b>Operating revenues</b>				
Residential	\$ 11,642	\$ —	\$ 11,642	N/M
Commercial	2,720	—	2,720	N/M
	<u>14,362</u>	<u>—</u>	<u>14,362</u>	<u>N/M</u>
<b>Operating expenses</b>				
Cost of services and products	6,727	—	6,727	N/M
Selling, general and administrative expenses	5,184	—	5,184	N/M
Depreciation, amortization and accretion	2,914	—	2,914	N/M
	<u>14,825</u>	<u>—</u>	<u>14,825</u>	<u>N/M</u>
<b>Operating loss</b>	<b>\$ (463)</b>	<b>\$ —</b>	<b>\$ (463)</b>	<b>N/M</b>
<b>HMS</b>				
<b>Operating revenues</b>	<b>\$ 115,665</b>	<b>\$ 76,862</b>	<b>\$ 38,803</b>	<b>50%</b>
<b>Operating expenses</b>				
Cost of services and products	82,517	50,196	32,321	64%
Selling, general and administrative expenses	29,346	24,268	5,078	21%
Depreciation, amortization and accretion	17,286	14,272	3,014	21%
Loss on asset disposals and exchanges, net	123	105	18	17%
	<u>129,272</u>	<u>88,841</u>	<u>40,431</u>	<u>46%</u>
<b>Operating loss</b>	<b>\$ (13,607)</b>	<b>\$ (11,979)</b>	<b>\$ (1,628)</b>	<b>(14%)</b>
Intercompany revenues	\$ (531)	\$ (168)	\$ (363)	>(100)%
Intercompany expenses	(531)	(168)	(363)	>(100)%
<b>Total TDS Telecom operating income</b>	<b>\$ 32,475</b>	<b>\$ 34,677</b>	<b>\$ (2,202)</b>	<b>(6%)</b>

Previously, TDS Telecom had reported Results of Operations for its incumbent local exchange carrier (“ILEC”), its competitive local exchange carrier (“CLEC”) and Hosted and Managed Services (“HMS”) segments. As a result of recent acquisitions and changes in TDS’ strategy, operations and internal reporting, TDS has reevaluated and changed its operating segments during the quarter ended September 30, 2013, which resulted in the following reportable segments: Wireline, Cable and HMS. The Wireline segment consists of the former ILEC and CLEC segments. The Cable segment consists of Baja Broadband, LLC, which was acquired in August 2013. Periods presented for comparative purposes have been re-presented to conform to the revised presentation.

**Telephone and Data Systems, Inc.**  
**Financial Measures and Reconciliations**  
(Unaudited, dollars in thousands)

<b>TDS Consolidated</b>				
	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
<b>Cash flows from operating activities</b>	\$ (83,592)	\$ 253,626	\$ 437,900	\$ 760,536
Deduct:				
<b>Cash used for additions to property, plant and equipment</b>	247,089	229,686	631,370	730,897
<b>Free cash flow (1)</b>	\$ (330,681)	\$ 23,940	\$ (193,470)	\$ 29,639

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