

Second Quarter 2013 Results
2013 Guidance





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All information set forth in this presentation, 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 the 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 documents furnished to the Securities and Exchange Commission ("SEC").



Upcoming conferences

- 11/13/13 - Wells Fargo Securities Economics & Research Tech, Media & Telecom Conference.
- 12/9/13 - UBS 41st Annual Global Media and Communications Conference
- 1/7/14 - Citi's 24th Annual Global Internet, Media and Telecommunications conference



Seamless Transitions

- New U.S. Cellular President and CEO Kenneth R. Meyers
 - Identified through established succession planning process
 - Significant experience with U.S. Cellular and wireless industry
 - Strong leadership skills and strategic vision
- TDS CFO responsibilities will be fulfilled through existing bench of experienced executives
 - Douglas D. Shuma, Senior Vice President and Controller
 - Peter L. Sereda, Senior Vice President—Finance and Treasurer
 - Jane W. McCahon, Vice President—Corporate Relations and Corporate Secretary



Capital Allocation

- \$250 million stock repurchase program
- Balanced capital allocation strategy
 - Invest in the business – $\frac{3}{4}$ of available resources
 - Return value to shareholders - $\frac{1}{4}$ of available resources
- Will continue to monetize non-strategic assets
 - Towers
 - Spectrum

Significant items



Actions	1H 2013	2H 2013	2014
Sprint (Divestiture transaction)	<ul style="list-style-type: none"> Cash/Gain \$480 M/\$266 M Accelerated depreciation \$88 M Exit costs <ul style="list-style-type: none"> Employee costs \$3 M Contract termination and other costs \$20 M 	<ul style="list-style-type: none"> Accelerated depreciation \$75-90 M Network decommissioning costs- reimbursed up to \$200 M 	<ul style="list-style-type: none"> Accelerated depreciation \$7-12 M Network decommissioning costs- reimbursed up to \$200 M
NY1 & NY2 Deconsolidation	<ul style="list-style-type: none"> Deconsolidated in Q2 – Income now recorded in “Equity in earnings of unconsolidated entities” Gain \$18.5 M 	Same economic contribution	
Monetization of non-strategic assets	<ul style="list-style-type: none"> Sale agreement announced 	<ul style="list-style-type: none"> Cash/Gain Ongoing effort 	<ul style="list-style-type: none"> Ongoing effort



Strategic priorities for 2013

- Focus on execution to accelerate growth
 - Launch of new billing system
 - Expanded distribution
 - 4G LTE to reach 87% of customers by year-end
 - Expanded device line-up
 - Closing of divestiture transaction

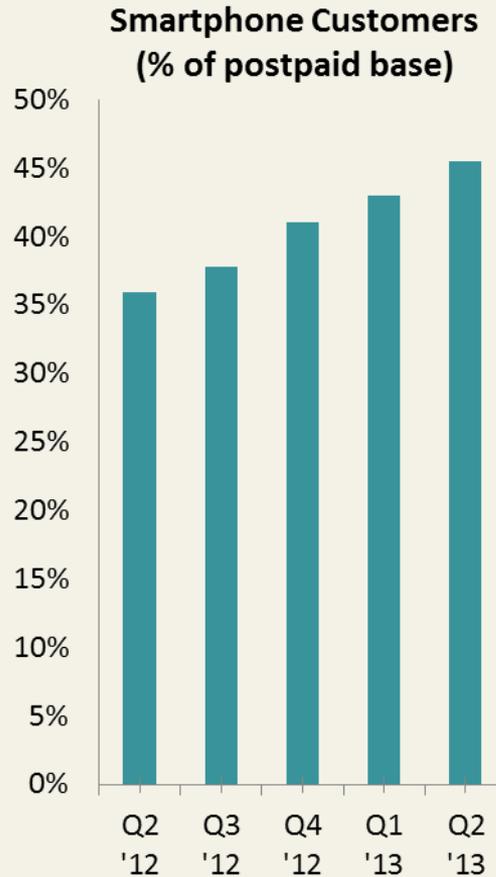
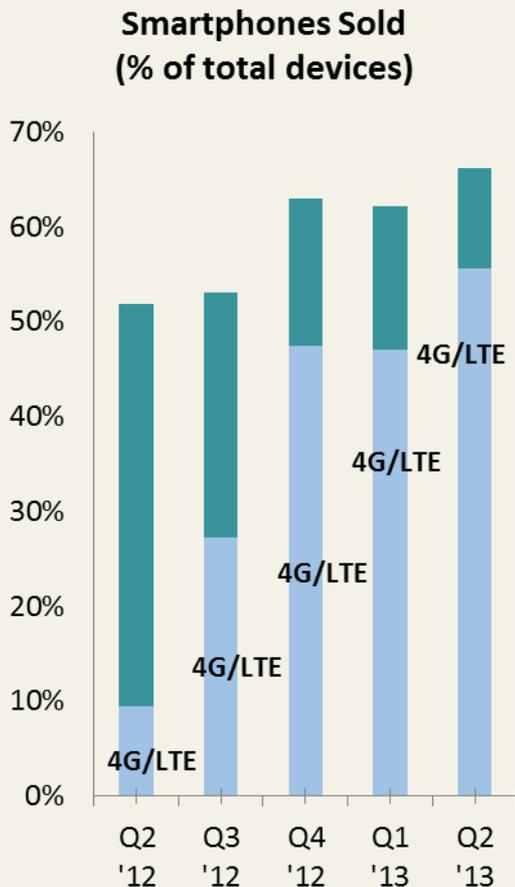
Core markets* – customer results

	Q2 '13	Q2 '12
Postpaid gross additions	165,000	167,000
Postpaid churn	1.6%	1.4%
Postpaid net losses	(53,000)	(30,000)
Prepaid net additions	8,000	23,000
Retail net losses	(45,000)	(7,000)
Total retail customers	4,793,000	4,784,000

* Excludes NY1 & NY2 in both periods

Core markets* -

Continued growth in smartphone penetration



*Excludes NY1 & NY2 for all periods

Core markets* – service revenues

(\$ in millions)	Q2 '13	Q2 '12
Service revenues	\$865.7	\$882.0
Retail service	762.5	759.6
Roaming	61.7	73.5
Other	41.5	48.9

*Excludes NY1 & NY2 for both periods

Total company – financial performance

(\$ in millions)	Q2 '13	Q2 '12
Service revenues	\$911.0	\$1,029.7
System operations expense	192.3	243.2
Loss on equipment	132.9	117.0
SG&A expenses	404.1	435.1
Operating income	219.1	84.2
Adjusted income before income taxes ⁽¹⁾	\$209.5	\$257.5

(1) Adjusted income before income taxes is a non-GAAP financial measure defined as Income before income taxes, adjusted for: Depreciation, amortization and accretion, net Gain or loss on sale of business and other exit costs (if any), net Gain or loss on investments (if any), and Interest expense. Non-GAAP reconciliation at end of presentation.

Impact of divestiture on Q2 operating income

	(\$ in millions)
Gain on sale of business	\$266
Accelerated depreciation, amortization and accretion	(50)
Contract termination and transaction costs	<u>(16)</u>
Total impact to operating income	\$200

Total company financial performance (cont.)

(\$ in millions, except per share amounts)	Q2 '13	Q2 '12
Total investment and other income	\$45.3	\$9.7
Net income attributable to U.S. Cellular shareholders	143.4	52.7
Diluted earnings per share attributable to U.S. Cellular shareholders	\$1.69	\$0.62
Cash flows from operating activities	\$225.0	\$155.3
Less: Cash used for additions to property, plant & equipment	172.1	221.1
Free cash flow ⁽¹⁾	\$52.8	(\$65.8)

(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. U.S. Cellular believes that free cash flow as reported by U.S. Cellular 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.

2013 guidance ⁽¹⁾

(as of 08/02/13)	Core Markets (2)	Divestiture Markets (2)(3)	Total Company (2)(3)
Service revenues	\$3,475 - \$3,575 M	\$140 M	\$3,615 - \$ 3,715 M
Adjusted income before income taxes (4)	\$560 - \$660 M	\$40 M	\$600 - \$700 M
Capital expenditures	\$730 M	\$5 M	\$735 M

Footnotes on following page

2013 guidance (cont.)

(1) These estimates are based on U.S. Cellular's 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 service 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 . 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 expected gains from pending spectrum license divestitures. New developments or changing conditions (such as, but not limited to, regulatory developments, customer net growth, customer demand for data services or possible acquisitions, dispositions or exchanges) could affect U.S. Cellular's plans and, therefore, its 2013 estimated results.

- (2) The U.S. Cellular Consolidated (Total Company) amounts represent GAAP financial measures and include the results of both the Core Markets and the Divestiture Markets. The amounts for the Core Markets and Divestiture Markets represent non-GAAP financial measures. Non-GAAP reconciliation at end of presentation.
- (3) These estimates reflect the Divestiture Transaction which closed on May 16, 2013.
- (4) Adjusted income before income taxes is a non-GAAP financial measure defined as Income before income taxes, adjusted for: Depreciation, amortization and accretion, net Gain or loss on sale of business and other exit costs (if any), net Gain or loss on investments (if any), and Interest expense. Non-GAAP reconciliation at end of presentation.





Q2 update

- TDS TV® – early results and expansion plans
- Excellent progress on broadband stimulus projects
- Hosted and Managed Services Platform
 - Full suite of products and services with an end-to-end solution to support middle market's IT needs

TDSTV®



Baja acquisition supports profitable growth



Why cable?

- Natural extension to existing businesses
- ARPU growth potential in bundling, high-margin data, add-on services
- Operating synergies
- Significant SMB commercial growth potential in underserved markets
- Provides high-capacity pipe into the home

Why Baja Broadband?

- Attractive competitive landscape and market demographics
- Strong potential to increase penetration vs. national averages
- Ability to leverage TDS Telecom customer service expertise to increase retention, customer lifetime value
- Upgraded network means lower future expenditures and maintenance

6/30/13	Industry Penetration	Baja Penetration
Video	41%	33%
Broadband	39%	27%
Voice	19%	8%

Baja revenue opportunities



- Consumer
 - Leverage marketing, product development and management
 - Improve video penetration from 33% to industry levels
 - Grow High Speed Data (HSD)
 - Market add-on services: Security Suite, On-Line backup, Remote Hands
- Commercial
 - Leverage expertise, knowledge, product sets and investments
 - Offer a robust offering leveraging existing portfolio and leading with *managedIP*
 - Offer on-net builds, Ethernet, SIP Trunking and HMS products
 - Target Small Office/Home Office (SOHO) market with HSD, Voice, Security Suite, Remote PC Support and Network Defender



Baja operational synergies



- SG&A savings
- Utilize TDS Telecom platform for delivering voice; reducing cost of goods sold
- Connect market to TDS 10 Gig network to leverage TDS Internet connectivity- improving reliability and redundancy
- Leverage TDS systems and transactional processes, like security and payment processing
- Purchasing economies of scale
- Optimize national video content acquisition for our ILEC IPTV and cable territories



TDS Telecom operating performance

(\$ in millions)	Q2 '13	Q2 '12	Change
ILEC	\$142.5	\$144.1	(1%)
CLEC	42.1	44.2	(5%)
HMS	<u>41.4</u>	<u>22.9</u>	81%
Total operating revenues ⁽¹⁾	\$223.5	\$208.5	7%
Expenses ⁽²⁾	163.0	149.0	9%
Adjusted income before income taxes ⁽³⁾	\$61.6	\$60.0	3%

(1) Reflects intercompany eliminations.

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

(3) Adjusted income before income taxes is a non-GAAP financial measure defined as Income before income taxes, adjusted for: Depreciation, amortization and accretion, net Gain or loss on sale of business and other exit costs (if any), net Gain or loss on investments (if any), and Interest expense. Non-GAAP reconciliation at end of presentation.



ILEC/CLEC operating performance

(in millions)	Q2 '13	Q2 '12	Change
Residential	\$72.9	\$74.4	(2%)
Commercial	59.3	59.1	---
Wholesale	<u>52.4</u>	<u>54.7</u>	(4%)
Total operating revenues	\$184.6	\$188.3	(2%)
Expenses ⁽¹⁾	125.9	129.9	(3%)
Adjusted income before income taxes ⁽²⁾	\$59.9	\$58.9	2%

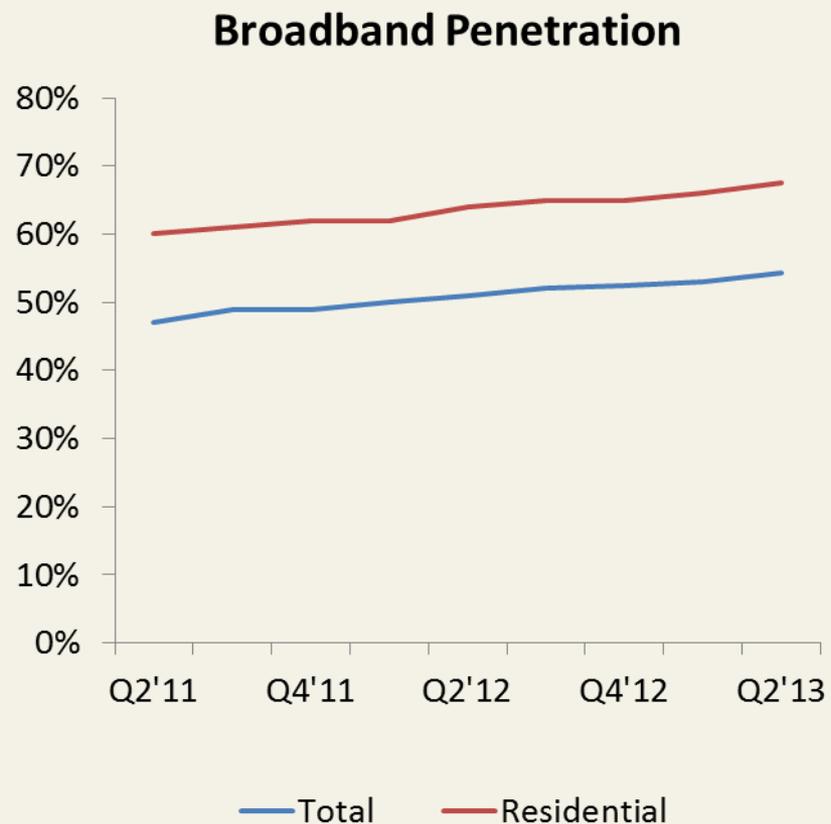
(1) Represents cost of products and services and selling, general and administrative expenses.

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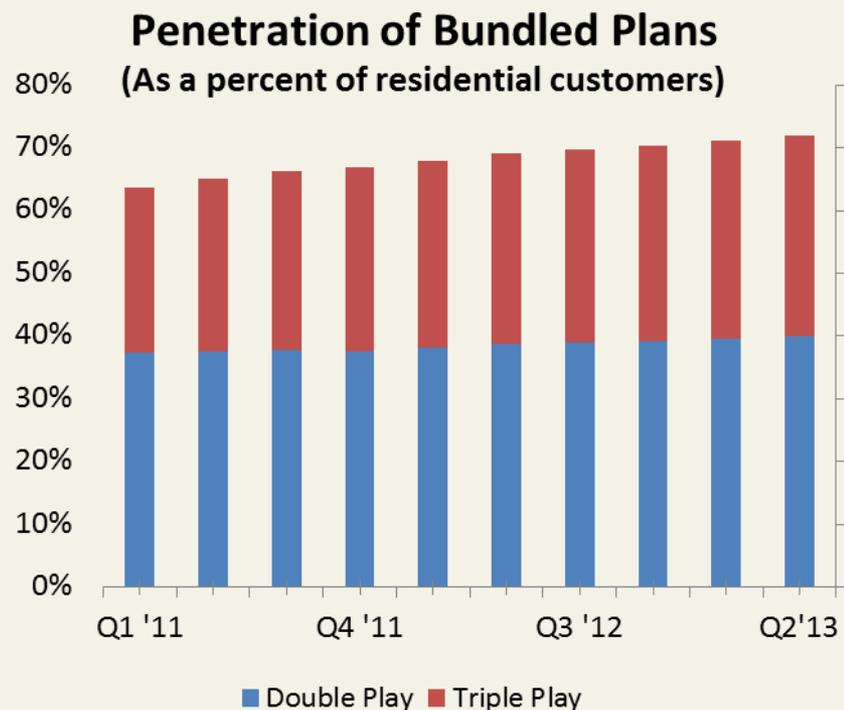
Growth in ILEC broadband speeds and penetration

Speeds	Penetration
=> 5 Mbps	75%
=> 10 Mbps	31%





Bundling reduces residential churn



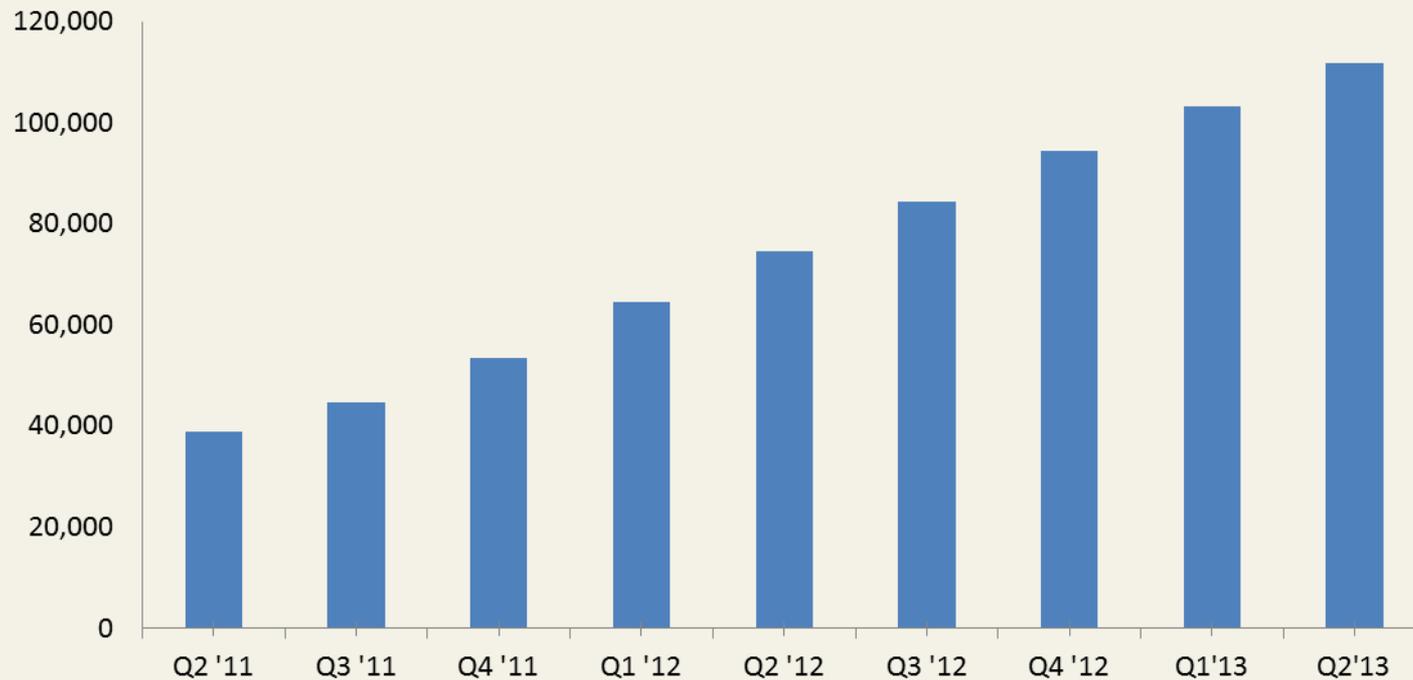
Churn

Bundle	Q2 '13	Q2 '12
Single Play	1.76%	1.72%
Double Play Broadband	1.38%	1.26%
Double Play Video	1.07%	0.99%
Triple Play	0.66%	0.54%

Customers with more than one service are less likely to churn



ILEC and CLEC *managed* IP connections increased 50%





Hosted and managed services operating performance

(in millions)	Q2 '13	Q2 '12	\$ Change
Operating revenues	\$41.4	\$22.9	\$18.5
Expenses ⁽¹⁾	39.5	21.7	17.8
Adjusted income before income taxes ⁽²⁾	\$1.8	\$1.1	\$ 0.7

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

(2) Adjusted income before income taxes is a non-GAAP financial measure defined as Income before income taxes, adjusted for: Depreciation, amortization and accretion, net Gain or loss on sale of business and other exit costs (if any), net Gain or loss on investments (if any), and Interest expense. Non-GAAP reconciliation at end of presentation.



2013 TDS Telecom guidance ⁽¹⁾

(as of 08/02/13)	2013 Estimates
Operating revenues	\$890 - \$930 million
Adjusted income before income taxes (2)	\$230 - \$260 million
Capital expenditures	\$165 million

- (1) These estimates are based on TDS' current plans which include the impacts of the acquisition of Baja Broadband, LLC and a multi-year deployment of IPTV. 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) Adjusted income before income taxes is a non-GAAP financial measure defined as Income before income taxes, adjusted for: Depreciation, amortization and accretion, net Gain or loss on sale of business and other exit costs (if any), net Gain or loss on investments (if any), and Interest expense. Non-GAAP reconciliation at end of presentation.

Appendix



Non-GAAP reconciliations for current 2013 estimated results

(\$ in millions)

	U.S. Cellular Core markets (3)	U.S. Cellular Divestiture markets (3)	U.S. Cellular Consolidated (3)	TDS Telecom	TDS (4)
Adjusted operating revenues (1)	\$3,475-\$3,575	\$140	\$3,615-\$3,715	\$890-\$930	\$4,550-\$4,690
Adjusted income before income taxes (2)	\$560-\$660	\$40	\$600-\$700	\$230-\$260	\$830-\$960
Capital expenditures	\$730	\$5	\$735	\$165	\$910
Income (loss) before income taxes	(\$10)-\$90	\$30	\$20-\$120	\$25-\$55	\$30-\$160
Depreciation, amortization and accretion expense	\$540	\$250	\$790	\$205	\$1,005
(Gain) loss on sale of business and other exit costs, net	---	(\$240)	(\$240)	---	(\$295)
(Gain) loss on investments	(\$20)	---	(\$20)	---	(\$15)
Interest expense	\$50	---	\$50	---	\$105
Adjusted income before income taxes (2)	<u>\$560-\$660</u>	<u>\$40</u>	<u>\$600-\$700</u>	<u>\$230-\$260</u>	<u>\$830-\$960</u>



Adjusted income before income taxes reconciliation – actual results

(\$ In millions)	Three Months Ended 06/30/13					Three Months Ended 06/30/12				
	U.S. Cellular Consolidated (3)	TDS Telecom ILEC/CLEC	TDS Telecom HMS	TDS Telecom Total	TDS (4)	U.S. Cellular Consolidated (3)	TDS Telecom ILEC/CLEC	TDS Telecom HMS	TDS Telecom Total	TDS (4)
Income before income taxes	264.4	17.5	(4.2)	13.3	311.0	93.7	16.4	(3.9)	12.6	91.7
Depreciation, amortization and accretion expense (5)	202.5	43.2	5.6	48.8	254.2	147.5	43.3	4.6	47.9	198.5
(Gain) loss on sale of business and other exit costs, net	(249.0)	---	---	---	(303.0)	---	---	---	---	---
(Gain) loss on investments	(18.5)	---	---	---	(14.5)	3.7	---	---	---	3.7
Interest expense	<u>10.2</u>	<u>(.8)</u>	<u>.4</u>	<u>(.4)</u>	<u>23.7</u>	<u>12.4</u>	<u>(.8)</u>	<u>.2</u>	<u>(.6)</u>	<u>23.1</u>
Adjusted income before income taxes (2)	209.5	59.9	1.7	61.6	271.4	257.5	58.9	1.1	60.0	317.1

- (1) 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.
- (2) Adjusted income before income taxes is a non-GAAP financial measure defined as Income before income taxes, adjusted for: Depreciation, amortization and accretion, net Gain or loss on sale of business and other exit costs (if any), net Gain or loss on investments (if any), and Interest expense. Adjusted income before income taxes excludes these items in order to show operating results on a more comparable basis from period to period. In the future, TDS may also exclude other items from adjusted income before income taxes if such items may 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.
- (3) 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.
- (4) 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.
- (5) The 2013 estimated amount for Depreciation, amortization and accretion expense in the U.S. Cellular Divestiture Markets includes approximately \$168 million of incremental accelerated depreciation, amortization and accretion resulting from the Divestiture Transaction. Actual results for the six months ended June 30, 2013 and the year ended December 31, 2012 include \$88 million and \$20 million, respectively, of incremental accelerated depreciation, amortization and accretion resulting from the Divestiture Transaction.

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