



Second Quarter 2016 Results

August 5, 2016

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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: 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 overall economy; 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; pending and future litigation; changes in income tax rates, laws, regulations or rulings; changes in customer growth rates, average monthly revenue per user, churn rates, roaming revenue and terms, the availability of wireless devices, or the mix of products and services offered by 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.



Second quarter highlights

- Higher gross additions; postpaid up 3%
- Continued churn improvements; postpaid down to 1.20%
- Net postpaid additions of 36,000 vs. 17,000
- Update on 4G LTE roaming
- Grow revenues through customer growth, smartphone adoption and data monetization
 - Smartphone penetration up to 77% vs. 69% in 2015
 - Strong EIP adoption (69% take rate) drives equipment revenue growth
- Longer upgrade cycle
 - 8% upgrade rate

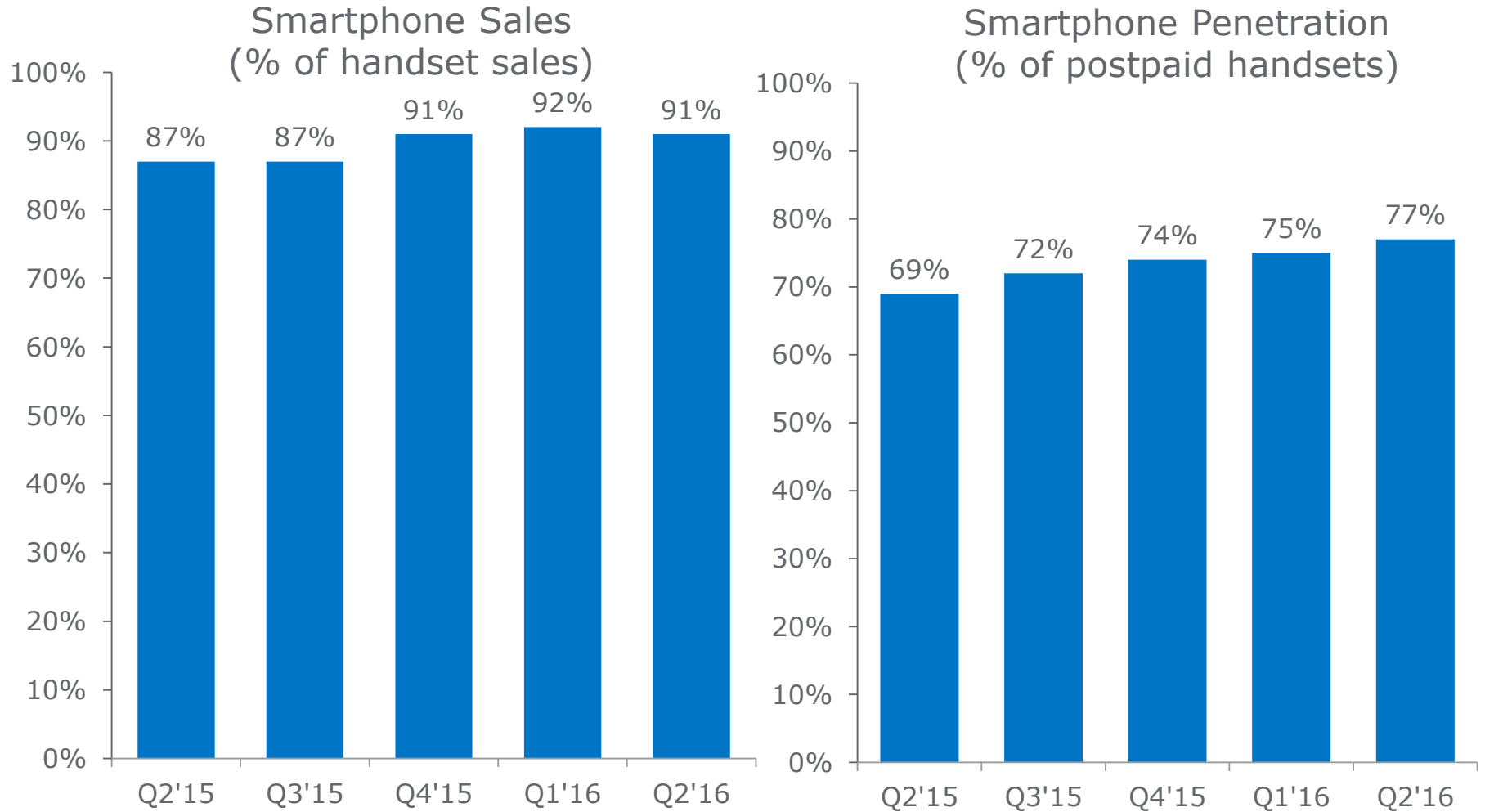
Customer results



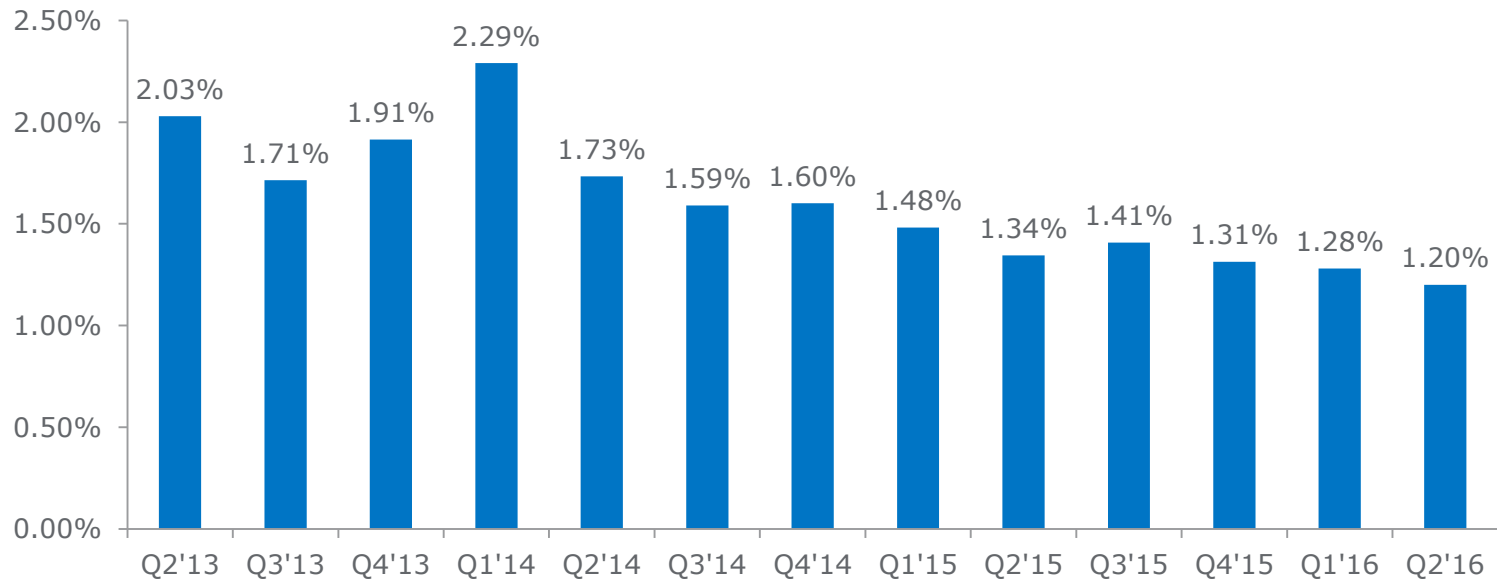
	Q2 '16	Q2 '15
Postpaid gross additions	197,000	191,000
Postpaid churn	1.20%	1.34%
Postpaid net additions	36,000	17,000
Prepaid net additions	14,000	8,000
Retail net additions	50,000	25,000
Total retail connections	4,903,000	4,692,000

	Smartphones	Feature Phones	Connected Devices
Postpaid gross additions	107,000	8,000	82,000
Postpaid net additions (losses)	8,000	(21,000)	49,000

Smartphone sales and penetration



Postpaid churn rate



	Q2'16	Q2'15
Handset churn	1.10%	1.26%
Connected Device churn	1.84%	2.13%

Total operating revenues



(\$ in millions)	Q2'16	Q2'15	% Change
Service revenues	\$762	\$824	(8%)
Retail service	680	734	(8%)
Roaming	38	49	(23%)
Tower rentals	14	13	9%
Other	30	28	10%
Equipment sales revenues	218	152	44%
Total operating revenues	\$980	\$976	---

Postpaid average revenue



	Q2'16	Q2'15	% Change
Average Revenue Per User	\$47.37	\$53.62	(12%)
Add: EIP billings	8.72	4.44	96%
Average Billings Per User ⁽¹⁾	\$56.09	\$58.06	(3%)
Average Revenue Per Account	\$124.91	\$133.85	(7%)
Add: EIP billings	22.99	11.09	>100%
Average Billings Per Account ⁽¹⁾	\$147.90	\$144.94	2%
Average Postpaid Connections Per Account	2.64	2.50	6%
EIP Sales Take Rate	69%	44%	25%

(1) ABPU and ABPA are non-GAAP financial measures that are defined in the non-GAAP reconciliation at the end of the presentation

Operating cash flow



(\$ in millions)	Q2'16	Q2'15	% Change
Total operating revenues	\$980	\$976	--
System operations expense	193	196	(2%)
Cost of equipment sold	262	254	3%
SG&A expenses	357	364	(1%)
Total cash expenses	812	814	--
Operating cash flow ⁽¹⁾	\$168	\$162	3%
Retail net additions	50,000	25,000	100%

(1) Operating cash flow is a non-GAAP financial measure that is defined in the non-GAAP reconciliation at the end of the presentation

Adjusted EBITDA



(\$ in millions)	Q2'16	Q2'15	% Change
Operating cash flow ⁽¹⁾	\$168	\$162	3%
Equity in earnings of unconsolidated entities	37	36	4%
Interest and dividend income	14	9	52%
Other, net	(1)	--	10%
Adjusted EBITDA ⁽¹⁾	\$218	\$207	5%

(1) Operating cash flow and Adjusted EBITDA are non-GAAP financial measures that are defined in the non-GAAP reconciliation at the end of the presentation

2016 guidance (1)

Unchanged from previous estimates



(\$ in millions)	2016 Estimates (Current)	2015 As Reported (2)	2015 (Excluding rewards impact) (3)
Total operating revenues (3)	\$3,900 - \$4,100	\$3,997	\$3,939
Operating cash flow (3)(4)	\$525 - \$650	\$675	\$617
Adjusted EBITDA (3)(4)	\$725 - \$850	\$852	\$794
Capital expenditures	Approx. \$500	\$533	\$533

- (1) There can be no assurance that final results will not differ materially from estimated results.
- (2) Includes \$58 million of operating revenues related to termination of the rewards program.
- (3) Total operating revenues, Operating cash flow and Adjusted EBITDA (Excluding rewards impact), are non-GAAP financial measures and represent Total operating revenues, Operating cash flow and Adjusted EBITDA, respectively, less the \$58 million impact of the termination of the rewards program in 2015. U.S. Cellular believes that such measures are useful to show the impact of the termination of the rewards program on such measures.
- (4) Operating cash flow and Adjusted EBITDA are non-GAAP financial measures that are defined in the non-GAAP reconciliation in the appendix.



TDS Telecom operating performance



(\$ in millions)	Q2'16	Q2'15	% Change
Wireline	\$175	\$176	--
Cable	45	45	2%
HMS	<u>80</u>	<u>76</u>	6%
Total operating revenues ⁽¹⁾	300	295	2%
Expenses ⁽¹⁾⁽²⁾	221	216	2%
Adjusted EBITDA ⁽³⁾	\$ 80	\$ 79	--

(1) Reflects intercompany eliminations

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

(3) Adjusted EBITDA is a non-GAAP financial measure that is defined in the non-GAAP reconciliation at the end of the presentation.

Second quarter Wireline highlights



Wireline Strategy:

- Fiber Strategy in most attractive markets (~25% IPTV-capable service addresses)
 - Complete targeted fiber deployment
 - Increase broadband and IPTV connections
 - Capital intensity declines as program completes
- Strategy in lower density markets
 - Deploy copper bonding to ~30% of service addresses to provide up to 50Mbps
 - Evaluating the USF Reform Order funding options in areas with no competition (~ up to 30% of service addresses)

	Q2'15	Q3'15	Q4'15	Q1'16	Q2'16	% Change (Y/Y)
IPTV connections	27,900	30,300	34,400	38,300	41,200	48%
Residential revenue per connection	\$42.10	\$42.83	\$41.24*	\$43.28	\$43.67	4%
<i>managed</i> IP connections	145,100	145,900	147,100	148,500	149,000	3%

	Q2'15	Q3'15	Q4'15	Q1'16	Q2'16
Take rate % at 10 MB or higher	44%	45%	47%	49%	50%
Take rate % at 25 MB or higher	13%	14%	16%	18%	19%

*Includes discrete items which reduced ARPU by \$1.91

Wireline operating performance



(\$ in millions)	Q2'16	Q2'15	% Change
Residential	\$ 77	\$ 74	4%
Commercial	53	55	(4%)
Wholesale	<u>44</u>	<u>46</u>	(3%)
Total service revenues	175	175	--
Expenses ⁽¹⁾	113	112	1%
Adjusted EBITDA ⁽²⁾	\$ 63	\$ 64	(2%)

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

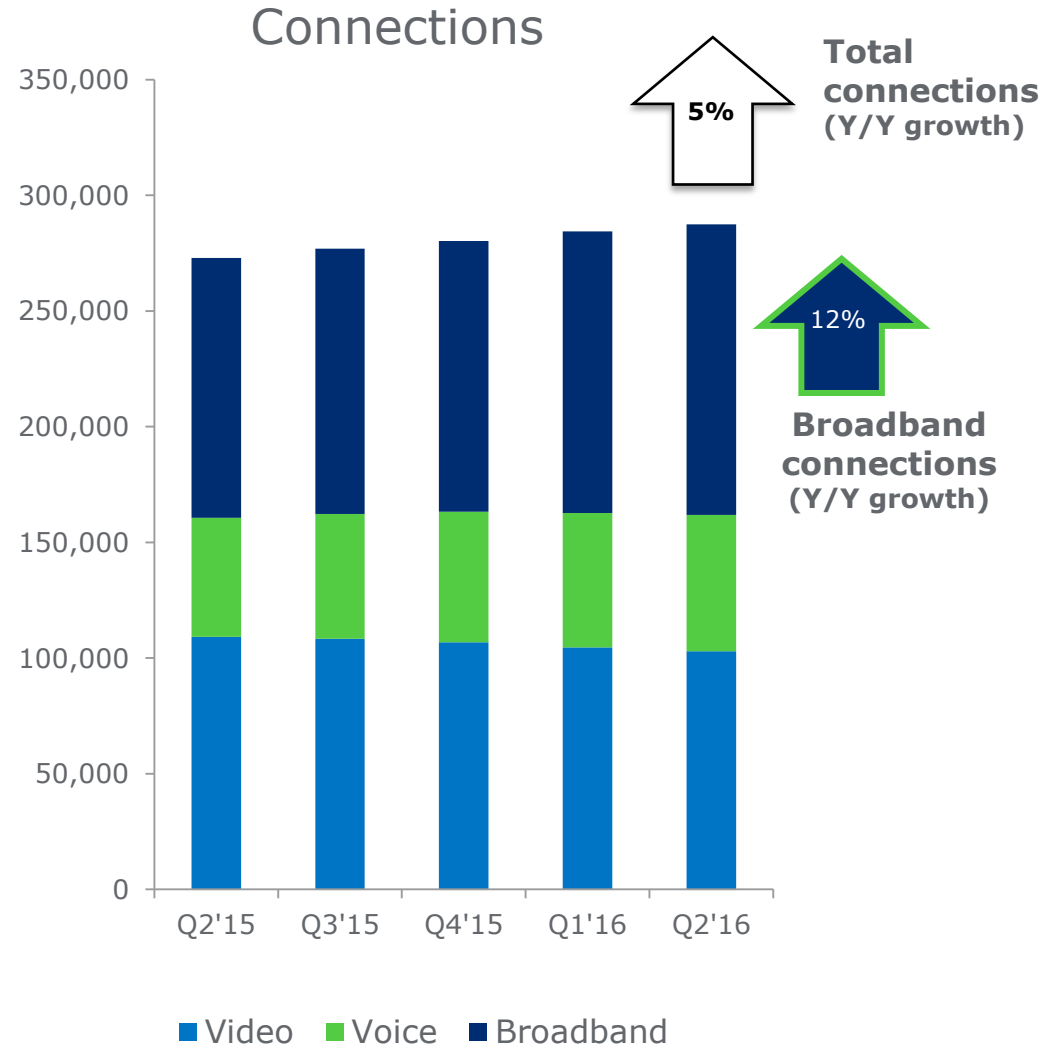
(2) Adjusted EBITDA is a non-GAAP financial measure that is defined in the non-GAAP reconciliation at the end of the presentation.

Second quarter Cable highlights



- Cable Strategy

- Increase residential and commercial broadband customer connections
- Leverage Wireline capabilities to create additional synergies
 - Internet connectivity, voice service and support systems connected to wireline's multi-gig network which enhances reliability and redundancy
 - Cable selling *managedIP* product
 - Leveraging finance, HR, legal, procurement
- Continue to evaluate potential acquisitions



Cable operating performance



(\$ in millions)	Q2'16	Q2'15	% Change
Residential	\$36	\$35	3%
Commercial	<u>9</u>	<u>10</u>	(3%)
Total operating revenues	45	45	2%
Expenses ⁽¹⁾	36	34	7%
Adjusted EBITDA ⁽²⁾	\$10	\$11	(13%)

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

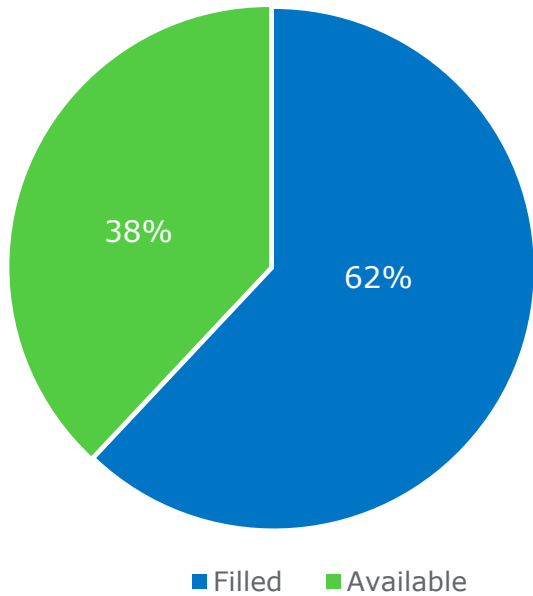
(2) Adjusted EBITDA is a non-GAAP financial measure that is defined in the non-GAAP reconciliation at the end of the presentation.

Second quarter HMS highlights

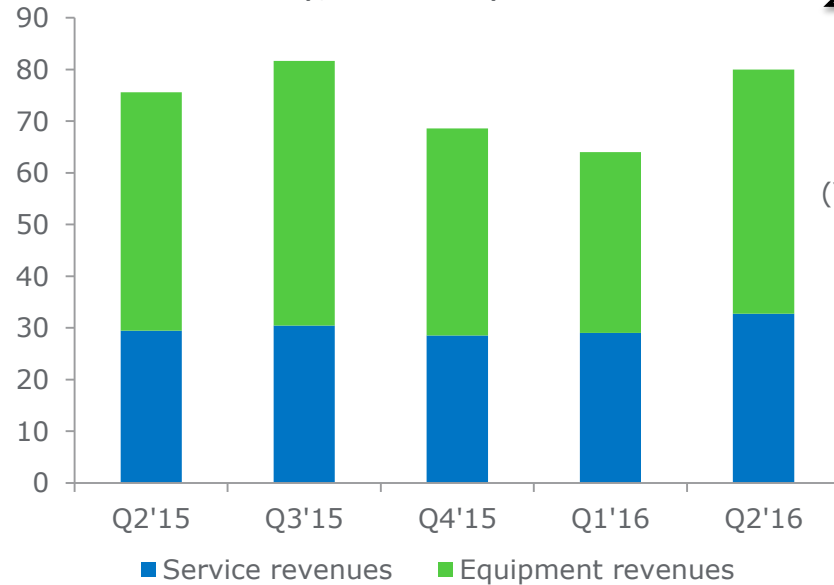


- HMS Strategy
 - Focus on growth of recurring service revenues
 - Sell across entire portfolio
 - Utilize new data center capacity

Rentable data center space



Operating Revenues (\$ in millions)



↑
6%
Total revenues
(Y/Y growth)

Hosted and Managed Services operating performance



(\$ in millions)	Q2'16	Q2'15	% Change
Service revenues	\$33	\$29	11%
Equipment sales	<u>47</u>	<u>46</u>	3%
Total operating revenues	80	76	6%
Expenses ⁽¹⁾	73	71	2%
Adjusted EBITDA ⁽²⁾	\$7	\$4	75%

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

(2) Adjusted EBITDA is a non-GAAP financial measure that is defined in the non-GAAP reconciliation at the end of the presentation.

2016 TDS Telecom guidance (1)

Unchanged from previous estimates



(\$ in millions)	2016 Estimates (Current)	2015 Actual
Total operating revenues	\$1,130 - \$1,180	\$1,158
Operating cash flow (2)	\$270 - \$310	\$304
Adjusted EBITDA (2)	\$270 - \$310	\$306
Capital expenditures	Approx. \$180	\$219

- (1) There can be no assurance that final results will not differ materially from such estimated results.
- (2) Operating cash flow and Adjusted EBITDA are non-GAAP financial measures that are defined in the non-GAAP reconciliation in the appendix.

Appendix

Operating Cash Flow and Adjusted EBITDA Reconciliation – Q2 2016 and Q2 2015

In providing 2016 and 2015 Estimated Results, TDS has not completed the below reconciliation to net income because it does not provide guidance for income taxes. TDS believes that the impact of income taxes cannot be reasonably predicted; therefore, the company is unable to provide such guidance.

Three months ended June 30, 2016

Three months ended June 30, 2015

(\$ in millions)	Three months ended June 30, 2016						Three months ended June 30, 2015					
	U.S. Cellular	Wireline	Cable	HMS	Total TDS Telecom	TDS (1)	U.S. Cellular	Wireline	Cable	HMS	Total TDS Telecom	TDS (1)
Net income (loss) (GAAP)	\$27	N/A	N/A	N/A	\$15	\$32	\$20	N/A	N/A	N/A	\$16	\$26
Add back:												
Income tax expense (benefit)	13	N/A	N/A	N/A	10	18	13	N/A	N/A	N/A	11	18
Income (loss) before income taxes (GAAP)	\$40	25	--	(1)	25	\$50	\$33	25	4	(3)	27	\$44
Add back:												
Interest expense	28	--	--	1	1	43	20	--	--	--	--	34
Depreciation, amortization and accretion expense	154	37	9	7	54	210	151	41	9	7	57	211
EBITDA	\$222	62	9	7	79	\$303	\$204	66	13	4	83	\$289
Add back:												
(Gain) loss on assets disposals, net	5	1	--	--	1	6	5	1	(2)	--	(1)	5
(Gain) loss on sale of business and other exit costs, net	---	--	--	--	--	--	(2)	(3)	--	--	(3)	(6)
(Gain) loss on license sales and exchanges, net	(9)	--	--	--	--	(9)	--	--	--	--	--	--
Adjusted EBITDA (2)	\$218	63	10	7	80	\$300	\$207	64	11	4	79	\$288
Deduct:												
Equity in earnings of unconsolidated entities	37	--	--	--	--	36	36	--	--	--	--	35
Interest and dividend income	14	1	--	--	1	15	9	1	--	--	1	10
Other, net	(1)	--	--	--	--	1	---	--	--	--	--	1
Operating cash flow (2) (3)	\$168	62	10	7	79	\$248	\$162	64	11	4	79	\$242

Operating Cash Flow and Adjusted EBITDA Reconciliation – 2016 Estimated

	2016 Estimated Results			Actual Results Year ended December 31, 2015		
	U.S. Cellular	TDS Telecom	TDS(1)	U.S. Cellular	TDS Telecom	TDS (1)
(Dollars in millions)						
Net income (loss) (GAAP)	N/A	N/A	N/A	\$247	\$46	\$263
Add back:						
Income tax expense (benefit)	N/A	N/A	N/A	156	35	172
Income (loss) before income taxes (GAAP)	\$(5)-\$120	40-80	\$(25)-\$140	\$404	81	\$435
Add back:						
Interest expense	110	—	165	86	1	142
Depreciation, amortization and accretion	610	230	850	606	228	844
EBITDA	\$715-\$840	270-310	\$990-\$1,155	\$1,096	310	\$1,421
Add back:						
(Gain) loss on sale of business and other exit costs, net	—	—	—	(114)	(10)	(136)
(Gain) loss on license sales and exchanges (4)	(10)	—	(10)	(147)	—	(147)
(Gain) loss on assets disposals, net	20	—	20	16	6	22
Adjusted EBITDA (2)	\$725-\$850	270-310	\$1,000-\$1,165	\$852	306	\$1,160
Deduct:						
Equity in earnings of unconsolidated entities	140	—	140	140	—	140
Interest and dividend income	60	—	60	37	2	39
Operating cash flow (2)(3)	\$525-\$650	270-310	\$800-\$965	\$675	304	\$981

Postpaid ABPU ⁽⁵⁾ and Postpaid ABPA ⁽⁵⁾

Three months ended June 30,

(dollars and connection counts in millions)

2016 **2015**

Calculation of Postpaid ARPU

Postpaid service revenues	\$636	\$694
Average number of postpaid connections	4.48	4.31
Number of months in period	3	3
Postpaid ARPU (GAAP metric)	\$47.37	\$53.62

Calculation of Postpaid ABPU ⁽⁵⁾

Postpaid service revenues	\$636	\$694
Equipment installment plan billings	118	58
Total billings to postpaid connections	\$754	\$752
Average number of postpaid connections	4.48	4.31
Number of months in period	3	3
Postpaid ABPU (Non-GAAP metric) ⁽⁵⁾	\$56.09	\$58.06

Calculation of Postpaid ARPA

Postpaid service revenues	\$636	\$694
Average number of postpaid accounts	1.70	1.73
Number of months in period	3	3
Postpaid ARPA (GAAP metric)	\$124.91	\$133.85

Calculation of Postpaid ABPA ⁽⁵⁾

Postpaid service revenues	\$636	\$694
Equipment installment plan billings	118	58
Total billings to postpaid accounts	\$754	\$752
Average number of postpaid accounts	1.70	1.73
Number of months in period	3	3
Postpaid ABPA (Non-GAAP metric) ⁽⁵⁾	\$147.90	\$144.94

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- (1) 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.
 - (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, 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 applicable GAAP income measures are deemed most 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, 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 (loss) before income taxes.
 - (3) A reconciliation of Operating cash flow (Non-GAAP) and Operating income (excluding gains and losses) (Non-GAAP) to operating income (GAAP) for June 30, 2016 actual results can be found on the company's website at investors.tdsinc.com.
 - (4) In 2016, U.S. Cellular entered into multiple agreements to exchange licenses. Agreements are subject to regulatory approval and other customary closing conditions, and are expected to close in the second half of 2016. Upon closing of the transactions, U.S. Cellular expects to record a gain. In June 2016 the first license closing occurred and U.S. Cellular recorded a gain of \$9 million. For the remainder of the licenses a reasonable estimate of the gains is unavailable at the time of this filing.
 - (5) 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 revenues received from customers.