



Third Quarter 2015 Results

October 30, 2015

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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 any pending acquisition and divestiture transactions, 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; 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; 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 ("SEC").

Upcoming conferences

- 11/10/15 - 2015 Wells Fargo Technology, Media & Telecom Conference - New York
- 1/6/16 - Citi's 26th Annual Global Internet, Media and Telecommunications Conference - Las Vegas



Third quarter highlights

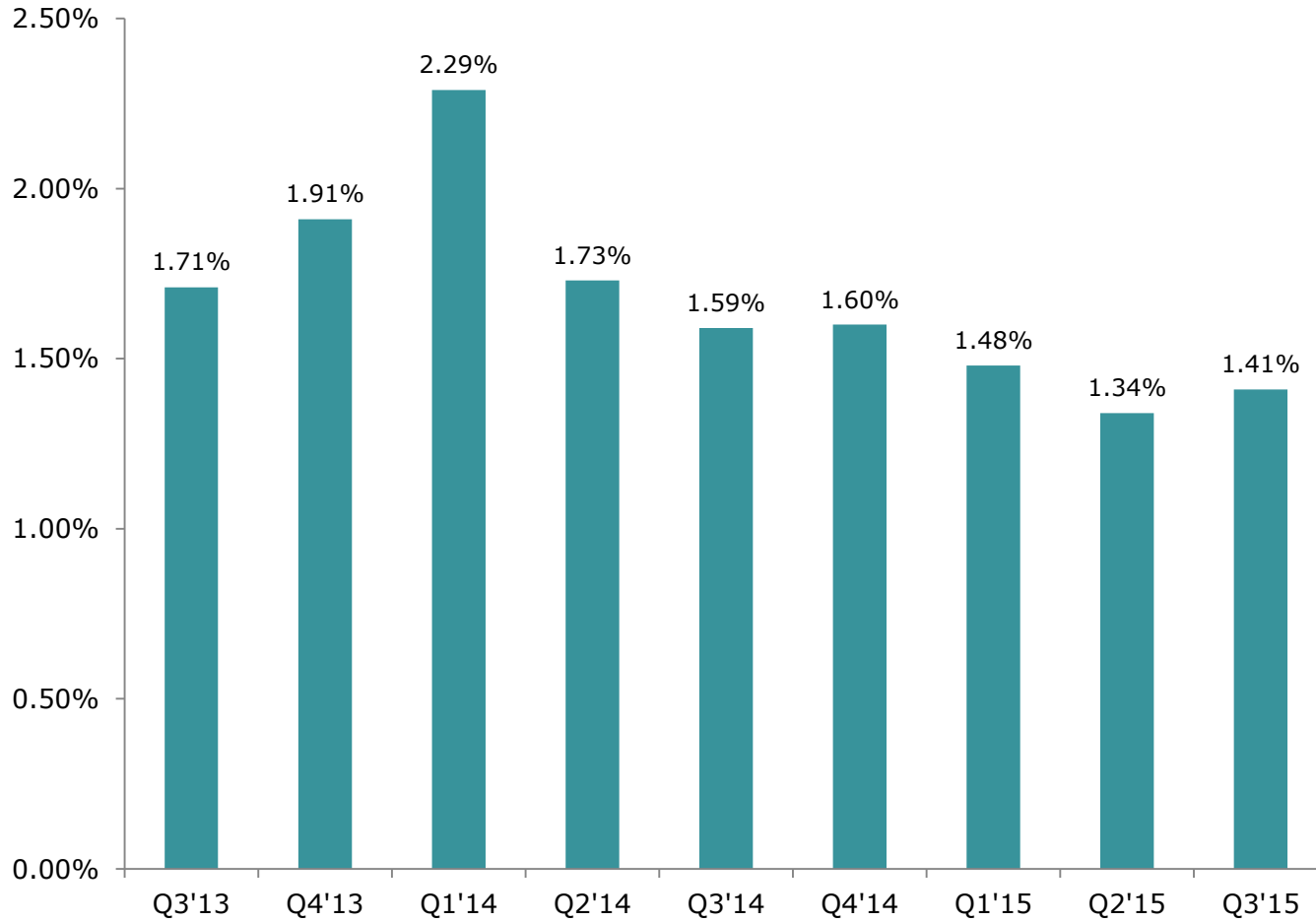
- Completion of 4G LTE network, covering 99% of our customer base; 83% of our data traffic is on this network
- Service revenue of \$58 million from termination of rewards points program
- Postpaid churn of 1.41% reflecting improved levels of customer satisfaction; 74% of postpaid customers under contract
- Continued adoption of data-centric devices driving strong growth in data usage
- Steady acceptance of Equipment Installment Plans helping to manage subsidy expense
- Ongoing cost management initiatives drive lower SG&A expenses
- Strong growth in Operating Cash Flow and Adjusted EBITDA; increase in guidance for those measures

Customer results

	Q3 '15	Q3 '14
Postpaid gross additions	200,000	251,000
Postpaid churn	1.41%	1.59%
Postpaid net additions	17,000	52,000
Prepaid net additions (losses)	12,000	(2,000)
Retail net additions	29,000	50,000
Total retail customers	4,721,000	4,550,000

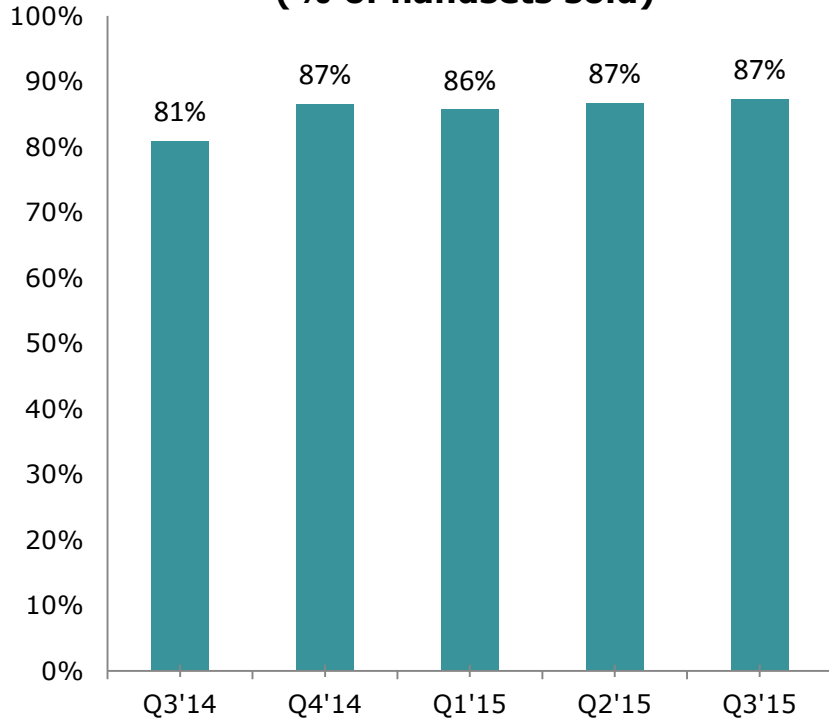
	Basic Phones	Smartphones	Connected Devices
Postpaid gross additions	14,000	119,000	67,000
Postpaid net additions	(28,000)	6,000	39,000

Postpaid churn rate

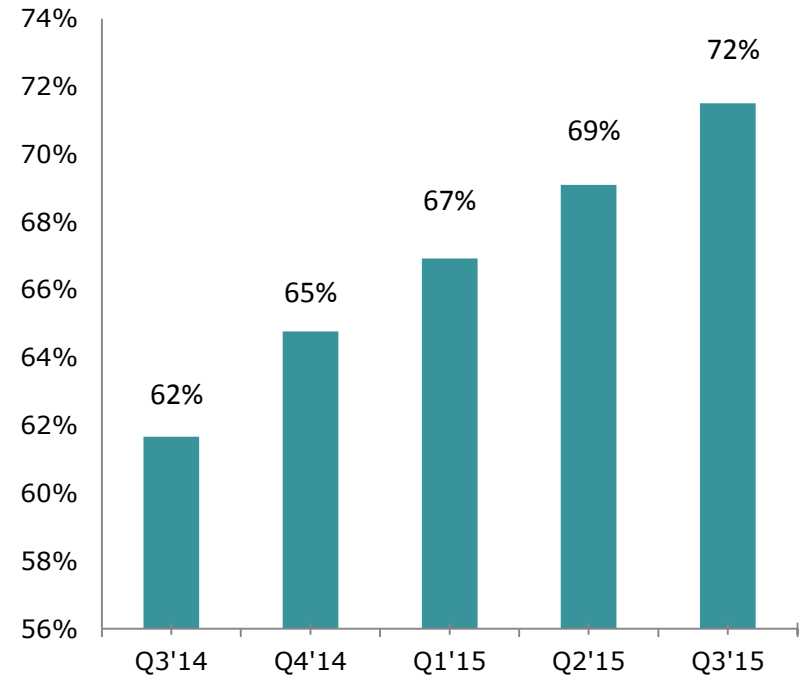


Smartphone sales and penetration

**Smartphone Sales
(% of handsets sold)**

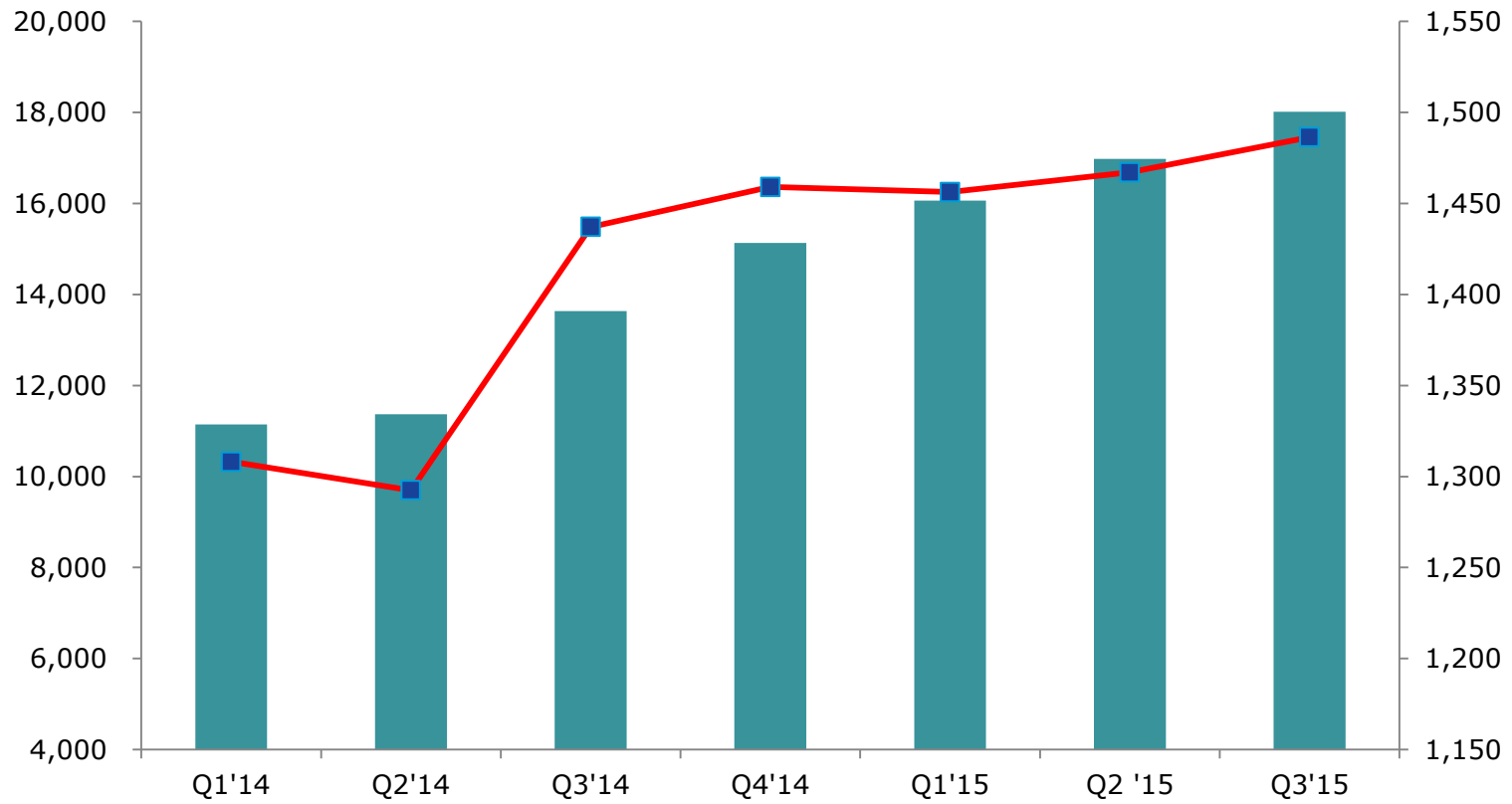


**Smartphone Penetration
(% of postpaid handsets)**



Data usage (In MB)

(In Millions)



■ Total System Usage (Millions)
 ■ Ave Usage per Data Subscriber

Postpaid revenue

	Q3'15	Q3'14	Change	% Change
Average Revenue Per User				
As reported	\$58.12	\$56.37	\$1.75	3%
Less: Impact of Rewards points expiration	(4.48)	--		
Adjusted	53.64	56.37	(2.73)	(5%)
Add: EIP billings	5.86	1.24		
Adjusted ARPU plus EIP billings	\$59.50	\$57.61	\$1.89	3%
Average Revenue Per Account				
As Reported	\$147.00	\$132.99	\$14.01	11%
Less: Impact of Rewards points expiration	(11.34)			
Adjusted	135.66	132.99	2.67	2%
Add: EIP billings	14.82	2.93		
Adjusted ARPU plus EIP billings	\$150.48	\$135.92	\$14.56	11%

Total operating revenues

(\$ in millions)	Q3 '15 (As reported)	Q3'15 ⁽¹⁾ (Excluding rewards impact)	Q3 '14	% Change (Excluding rewards impact)
Service revenues	\$896	\$838	\$851	(2%)
Retail service	797	739	744	(1%)
Roaming	59	59	67	(11%)
Tower rentals ⁽²⁾	13	13	14	(10%)
Other	27	27	26	3%
Equipment sales revenues	173	173	149	16%
Total operating revenues	\$1,069	\$1,011	\$1,000	1%

(1) Excludes \$58 million related to termination of the rewards points program

(2) On a comparable basis excluding divested towers, tower rentals increased 8%

Operating cash flow and income



(\$ in millions)	Q3 '15 (As reported)	Q3'15 ⁽¹⁾ (Excluding rewards impact)	Q3 '14	% Change (Excluding rewards impact)
Total operating revenues	\$1,069	\$1,011	\$1,000	1%
System operations expense	199	199	199	0%
Cost of equipment sold	287	287	308	(7%)
SG&A expenses	375	375	398	(6%)
Total cash expenses	861	861	905	(5%)
Operating cash flow ⁽²⁾	208	150	95	58%
Depreciation, amortization and accretion	152	152	149	2%
Operating income (excluding gains, losses) ⁽²⁾	\$56	(\$2)	(\$54)	>100%

(1) Excludes \$58 million related to termination of the rewards points program

(2) Operating cash flow and operating income (excluding gains, losses) are non-GAAP financial measures that are defined in the non-GAAP reconciliation at the end of the presentation

Adjusted EBITDA

(\$ in millions)	Q3 '15 (As reported)	Q3'15 ⁽¹⁾ (Excluding rewards impact)	Q3 '14	% Change ⁽¹⁾ (Excluding rewards impact)
Operating cash flow ⁽¹⁾⁽²⁾	\$208	\$150	\$95	58%
Equity in earnings of unconsolidated entities	40	40	36	10%
Interest and dividend income	9	9	4	>100%
Adjusted EBITDA ⁽¹⁾	\$257	\$199	\$135	47%

(1) Excludes \$58 million related to termination of the rewards points program

(2) 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

2015 guidance⁽¹⁾

(as of 10/30/15) (in millions)	2015 Estimates (Current)	2015 Estimates (Previous)	2014 Actual
Total operating revenues	Approx. \$4,000	\$4,000 - \$4,100	\$3,893
Operating cash flow ⁽²⁾	\$540 - \$620	\$440 - \$540	\$338
Adjusted EBITDA ⁽²⁾	\$710 - \$790	\$600 - \$700	\$480
Capital expenditures	Approx. \$600	Unchanged	\$558

(1) There can be no assurance that final results will not differ materially from estimated results.

(2) 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.





2015 strategic priorities

- Wireline
 - Continue targeted fiber deployment; increase broadband and IPTV penetration in existing markets
- Cable
 - Increase residential and commercial broadband customer connections and ARPUs
 - Leverage wireline capabilities to create additional synergies
 - Continue to evaluate potential acquisitions
- Hosted and Managed Services
 - Focus on growth of recurring service revenues
 - Continue to focus on selling across entire portfolio

TDS Telecom operating performance



(\$ in millions)	Q3 '15	Q3 '14	% Change
Wireline	\$175	\$178	(2%)
Cable	44	29	54%
HMS	<u>82</u>	<u>68</u>	21%
Total operating revenues ⁽¹⁾	299	273	10%
Expenses ⁽¹⁾⁽²⁾	224	199	12%
Adjusted EBITDA ⁽³⁾	\$76	\$75	2%

(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.



Wireline operating performance

(\$ in millions)	Q3 '15	Q3 '14	% Change
Residential	\$76	\$74	2%
Commercial	55	57	(4%)
Wholesale	<u>44</u>	<u>47</u>	(5%)
Total service revenues	175	178	(2%)
Expenses ⁽¹⁾	114	112	2%
Adjusted EBITDA ⁽²⁾	\$61	\$67	(9%)

(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.

Broadband speeds, IPTV and *managedIP* contributing revenue growth



ILEC Residential Customers by Broadband Speeds

	9/30/15	9/30/14
> 5 Mb	85%	82%
> 10 Mb	45%	39%
> 25 Mb	14%	9%

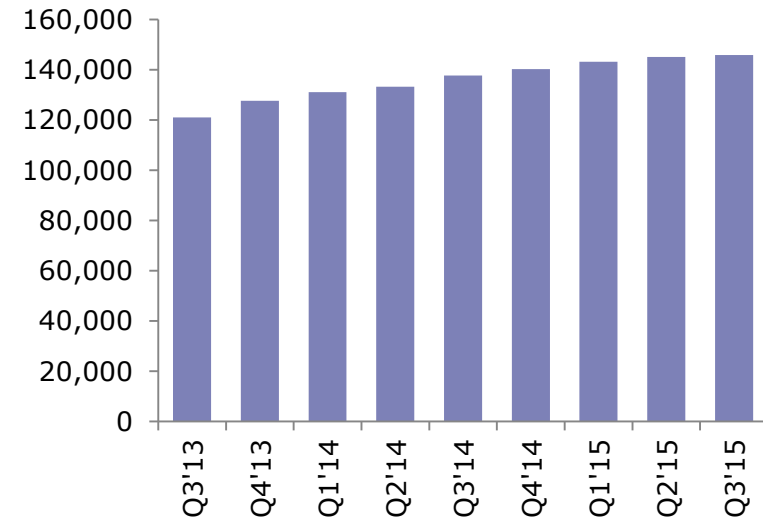
IPTV Connections

	9/30/15	9/30/14
IPTV	30,300	20,700

Wireline Residential Average Revenue Per Connection

9/30/15	9/30/14
\$42.83	\$41.47

managedIP Connections



Wireline Commercial ARPU per Connection

9/30/15	9/30/14
\$52.83	\$52.42



Cable snapshot

Connections

	9/30/15	9/30/14
Video	108,300	109,100
Broadband	114,600	106,400
Voice	<u>54,000</u>	<u>41,800</u>
Total cable connections	276,900	257,300

Operating Performance

(\$ in millions)	Q3 '15	Q3 '14	% Change
Total operating revenues	\$44	\$29	54%
Expenses ⁽¹⁾	34	23	50%
Adjusted EBITDA ⁽²⁾	\$10	\$6	68%

Penetration

	Industry 12/31/14	TDS Cable 9/30/15
Video	40%	33%
Broadband	42%	35%
Voice	22%	16%

(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.

Hosted and Managed Services operating performance



(\$ in millions)	Q3 '15	Q3 '14	% Change
Service revenues	\$30	\$28	9%
Equipment revenues	<u>51</u>	<u>40</u>	29%
Total operating revenues	82	68	21%
Expenses ⁽¹⁾	77	66	16%
Adjusted EBITDA ⁽²⁾	\$5	\$1	>100%

(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.

2015 TDS Telecom guidance⁽¹⁾

Unchanged from previous estimates



(as of 10/30/15) (\$ in millions)	2015 Estimates (Current)	2014 Actual
Total operating revenues	\$1,130 - \$1,180	\$1,088
Operating cash flow ⁽²⁾	\$280 - \$310	\$296
Adjusted EBITDA ⁽²⁾	\$280 - \$310	\$298
Capital expenditures	Approx. \$220	\$208

(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 at the end of the presentation.

Appendix

Operating Cash Flow and Adjusted EBITDA Reconciliation – Q3 2015 and Q3 2014 Actual Results



	Actual Results						Actual Results					
	Three months ended Sept. 30, 2015						Three months ended Sept. 30, 2014					
	U.S. Cellular	Wireline	Cable	HMS	Total TDS Telecom	TDS (2)	U.S. Cellular	Wireline	Cable	HMS	Total TDS Telecom	TDS (2)
(Dollars in millions)												
Net income (loss) (GAAP)	65	N/A	N/A	N/A	9	62	(24)	N/A	N/A	N/A	(60)	(121)
Add back:												
Income tax expense (benefit)	41	N/A	N/A	N/A	8	45	(1)	N/A	N/A	N/A	(3)	9
Income (loss) before income taxes (GAAP)	106	19	1	(2)	17	108	(25)	28	(1)	(90)	(63)	(112)
Add back:												
Interest expense	21	-	-	1	-	35	14	(1)	-	-	-	27
Depreciation, amortization and accretion expense	152	41	9	7	57	211	149	41	6	7	54	206
EBITDA	279	60	10	5	74	354	137	69	5	(83)	(9)	121
Add back:												
Loss on impairment of assets	-	-	-	-	-	-	-	-	-	84	84	84
(Gain) loss on assets disposals, net	3	2	-	-	2	5	8	1	1	-	1	9
(Gain) loss on sale of business and other exit costs, net	(1)	-	-	-	-	(1)	(10)	(2)	-	-	(2)	(5)
(Gain) loss on license sales and exchanges, net	(24)	-	-	-	-	(24)	-	-	-	-	-	-
Adjusted EBITDA (3)	257	61	10	5	76	334	135	67	6	1	75	209
Deduct:												
Equity in earnings of unconsolidated entities	(40)	-	-	-	-	(40)	(36)	-	-	-	-	(36)
Interest and dividend income	(9)	(1)	-	-	(1)	(10)	(4)	(1)	-	-	(1)	(5)
Operating cash flow (3)(4)	208	61	10	5	76	285	95	67	6	2	74	169
Deduct:												
Depreciation, amortization and accretion expense	(152)						(149)					
Operating income (excluding gains, losses)	<u>56</u>						<u>(54)</u>					

Operating Cash Flow and Adjusted EBITDA Reconciliation



	2015 Estimated Results (1)			Actual Results Year ended December 31, 2014		
	U.S. Cellular	TDS Telecom	TDS	U.S. Cellular	TDS Telecom	TDS (2)
(Dollars in millions)						
Net income (loss) (GAAP)	N/A	N/A	N/A	(\$47)	(\$24)	(\$147)
Add back:						
Income tax expense (benefit)	N/A	N/A	N/A	(\$12)	\$18	(\$5)
Income (loss) before income taxes (GAAP)	\$275-\$355	\$45-\$75	\$275-\$385	(\$59)	(\$7)	(\$153)
Add back:						
Interest expense	\$80	—	\$140	\$57	(\$1)	\$111
Depreciation, amortization and accretion expense	\$600	\$235	\$845	\$606	\$220	\$837
EBITDA	\$955-\$1,035	\$280-\$310	\$1,260-\$1,370	\$605	\$212	\$796
Add back:						
Loss on impairment of assets	—	—	—	—	\$84	\$88
(Gain) loss on asset disposals, net	\$15	\$5	\$20	\$21	\$5	\$27
(Gain) loss on sale of business and other exit costs, net	(\$115)	(\$5)	(\$135)	(\$33)	(\$2)	(\$16)
(Gain) loss on license sales and exchanges, net	(\$145)	—	(\$145)	(\$113)	—	(\$113)
Adjusted EBITDA (3)	\$710-\$790	\$280-\$310	\$1,000-\$1,110	\$480	\$298	\$781
Deduct:						
Equity in earnings of unconsolidated entities	(\$135)	—	(\$135)	(\$130)	—	(\$132)
Interest and dividend income	(\$35)	—	(\$40)	(\$12)	(\$2)	(\$17)
Operating cash flow (3)(4)	\$540-\$620	\$280-\$310	\$825-\$935	\$338	\$296	\$632

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- (1) In providing 2015 Estimated Results, TDS has not completed the above 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.
 - (2) 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.
 - (3) Operating cash flow is defined as net income, adjusted for the items set forth in the reconciliation above. 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 income (loss) (excluding gains and losses), is defined as net income, adjusted for the items set forth in the reconciliation above. Operating cash flow, Adjusted EBITDA and Operating income (loss) (excluding gains and losses) exclude these items in order to show operating results on a more comparable basis from period to period. From time to time, TDS may exclude other items from Operating cash flow and/or Adjusted EBITDA and/or Operating income (loss) (excluding gains and losses) if such items help reflect operating results on a more comparable basis. TDS does not intend to imply that any such items that are excluded are non-recurring, infrequent or unusual; such items may occur in the future. Operating cash flow, Adjusted EBITDA and Operating income (loss) (excluding gains and losses) 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 the company's operating performance or as alternatives to cash flows from operating activities, determined in accordance with GAAP, as indicators of cash flows or as measures of liquidity. TDS believes Operating cash flow, Adjusted EBITDA and Operating income (loss) (excluding gains and losses) are useful measures of TDS' operating results before significant recurring non-cash charges, gains and losses, and other items as indicated above.
 - (4) A reconciliation of Operating cash flow (Non-GAAP) and Operating income (excluding gains and losses) (Non-GAAP) to operating income (GAAP) for Sept. 30, 2015 actual results can be found on the company's website at investors.tdsinc.com.

