

TELEPHONE & DATA SYSTEMS INC /DE/  
 Form DEFA14A  
 May 02, 2014

|  |   |
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| <b>UNITED STATES</b>   |   |
| <b>SECURITIES AND EXCHANGE COMMISSION</b>  |   |
| <b>Washington, D.C. 20549</b>  |   |
| <b>SCHEDULE 14A</b>  |   |
| Proxy Statement Pursuant to Section 14(a) of<br>the Securities Exchange Act of 1934 (Amendment No. ) |   |
| Filed by the Registrant <input checked="" type="checkbox"/>  |   |
| Filed by a Party other than the Registrant <input type="checkbox"/>                                  |   |
| Check the appropriate box:   |   |
| <input type="checkbox"/>   | Preliminary Proxy Statement   |
| <input type="checkbox"/>   | <b>Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))</b>  |
| <input type="checkbox"/>   | Definitive Proxy Statement  |
| <input checked="" type="checkbox"/>  | Definitive Additional Materials   |
| <input type="checkbox"/>   | Soliciting Material Pursuant to §240.14a-12   |
| <b>Telephone and Data Systems, Inc.</b>  |   |
| <b>(Name of Registrant as Specified In Its Charter)</b>  |   |
| <b>(Name of Person(s) Filing Proxy Statement, If other than the Registrant)</b>                      |   |
| Payment of Filing Fee (Check the appropriate box):   |   |
| <input checked="" type="checkbox"/>  | No fee required.  |
| <input type="checkbox"/>   | Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.  |
|  | (1) Title of each class of securities to which transaction applies:   |
|  | (2) Aggregate number of securities to which transaction applies:  |
|  | (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):   |
|  | (4) Proposed maximum aggregate value of transaction:  |
|  | (5) Total fee paid:   |
| <input type="checkbox"/>   | Fee paid previously with preliminary materials.   |
| <input type="checkbox"/>   | Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing. |
|  | (1) Amount Previously Paid:   |

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|--|--|-----|---|
|  |  | (2) | Form, Schedule or Registration Statement No.: |
|  |  | (3) | Filing Party:                                 |
|  |  | (4) | Date Filed:                                   |

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EXPLANATORY NOTE

The purpose of this Schedule 14A is to file a press release issued by Telephone and Data Systems, Inc. (“TDS”) on May 2, 2014 relating to earnings for the first quarter of 2014.

**IMPORTANT INFORMATION: TDS and its directors, executive officers and other members of its management and employees may be deemed to be participants in the solicitation of proxies from the shareholders of TDS in connection with the TDS 2014 annual meeting of shareholders. Information regarding TDS directors and executive officers and other participants that may be soliciting proxies on behalf of the TDS board of directors and their respective interests in TDS by security holdings or otherwise is set forth in TDS’s definitive proxy statement relating to its 2014 annual meeting, as filed with the Securities and Exchange Commission (“SEC”) on April 18, 2014. The 2014 proxy statement, other solicitation material and other reports that TDS files with the SEC, when available, can be obtained free of charge at the SEC’s web site at [www.sec.gov](http://www.sec.gov) or from TDS as provided on its website at [www.teldta.com](http://www.teldta.com). TDS SHAREHOLDERS ARE ADVISED TO READ CAREFULLY THE PROXY STATEMENT AND OTHER SOLICITATION MATERIAL FILED BY TDS IN CONNECTION WITH THE TDS 2014 ANNUAL MEETING OF SHAREHOLDERS BEFORE MAKING ANY VOTING DECISION BECAUSE THEY CONTAIN OR WILL CONTAIN IMPORTANT INFORMATION RELATING TO THE ELECTION OF DIRECTORS OF TDS.**

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**Exhibit 99.1 NEWS RELEASE**

**As previously announced, TDS will hold a teleconference May 2, 2014 at 9:30 a.m. CDT. Interested parties may listen to the call live via the Events & Presentations page of [investors.teldta.com](http://investors.teldta.com).**

**FOR IMMEDIATE RELEASE**

**TDS reports first quarter 2014 results**

CHICAGO, (May 2, 2014) — Telephone and Data Systems, Inc. (NYSE:TDS) reported operating revenues of \$1,196.0 million for the first quarter of 2014, versus \$1,308.6 million for the comparable period one year ago. Net income attributable to TDS shareholders and related diluted earnings per share were \$18.3 million and \$0.16 respectively, for the first quarter of 2014, compared to \$1.4 million and \$0.01, respectively, in the comparable period one year ago.

Year-over-year comparisons are affected by U.S. Cellular's divestiture transaction, the deconsolidation of certain U.S. Cellular partnerships, and acquisitions at TDS Telecom, in 2013.

“Our businesses made significant progress in the quarter to execute on their customer strategies and improve operating efficiency,” said LeRoy T. Carlson, Jr., TDS president and CEO. “While we have considerable work to do to improve our financial and operating performance, I believe we’re focused on the right areas.

“U.S. Cellular continues to attract new customers and drive smartphone adoption and data use, leading to higher average revenue per customer. Substantial progress has been made to restore high standards of service following the billing system conversion, and U.S. Cellular has already leveraged the system to deliver new services like our Shared

Connect Plans and no contract Simple Connect Plans.

“TDS Telecom increased average revenue per customer for both residential and commercial wireline customers, with higher-tier TDS TV packages and faster broadband speeds, and new *managed*IP plans. We also continued to improve the overall efficiency of the wireline business. Revenues increased 77 percent at OneNeck IT Solutions, our hosted and managed services business, driven by revenues from acquisitions and increased revenues for recurring services.

“As we continued to execute our integration and customer strategies for Baja Broadband, we also agreed to acquire Bend Broadband, a premier cable and broadband provider to residential and business customers in Central Oregon. BendBroadband’s high-capacity, all-digital network, technology leadership, and customer-centered approach will be tremendous assets as we develop a premier cable broadband business.”

**2014 Estimated Results**

U.S. Cellular capital expenditures for 2014 are expected to be approximately \$640 million, down from \$738 million in 2013.

TDS Telecom estimates for full-year 2014 results are shown below. Such estimates represent management's view as of May 2, 2014. 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.

|   |  | <b>TDS Telecom 2014 Estimated Results (1)</b> |  |                 |
|---|--|---|--|-----------------|
|   |  | <b>Current</b>                                |  | <b>Previous</b> |
| <b>(Dollars in millions)</b>            |  |   |  |                 |
| Operating revenues                      |  | \$1,050-\$1,100                               |  | Unchanged       |
| Adjusted income before income taxes (2) |  | \$250-\$280                                   |  | Unchanged       |
| Capital expenditures                    |  | \$200   |  | Unchanged       |

(1) These estimates do not reflect the effects of the acquisition of BendBroadband.

(2) Adjusted income before income taxes is 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 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 Generally Accepted Accounting Principles in the United States ("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 table provides a reconciliation of income before income taxes to adjusted income before income taxes for 2014 estimated results, three months ended March 31, 2014, and 2013 actual results:

|  |  | <b>TDS Telecom</b>            |                           |  |                   |
|--|--|-------------------------------|---------------------------|--|-------------------|
|  |  |                               | <b>Actual Results</b>     |  |                   |
|  |  | <b>2014 Estimated Results</b> | <b>Three Months Ended</b> |  | <b>Year Ended</b> |
|  |  |                               |                           |  |                   |

|  |             |  | <b>March 31, 2014</b> |  | <b>December 31,<br/>2013</b> |
|--|-------------|--|-----------------------|--|------------------------------|
| <b>(Dollars in millions)</b>                     |             |  |                       |  |                              |
| Income before income taxes                       | \$25-\$55   |  | \$19                  |  | \$49                         |
| Depreciation, amortization and accretion expense | \$225       |  | \$54                  |  | \$203                        |
| (Gain) loss on investments                       |             |  |                       |  | (\$1)                        |
| Interest expense                                 |             |  |                       |  | (\$2)                        |
| Adjusted income before income taxes              | \$250-\$280 |  | \$73                  |  | \$249                        |

**Stock repurchase summary**

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

| Repurchase Period    | # Shares | Cost (in millions) |      |
|----------------------|----------|--------------------|------|
| 2014 (first quarter) | 157,891  | \$                 | 3.8  |
| 2013 (full year)     | 338,851  | \$                 | 9.7  |
| Total                | 496,742  | \$                 | 13.5 |

**Conference Call Information**

TDS will hold a conference call on May 2, 2014 at 9:30 a.m. CST.

- Access the live call on the Events & Presentations page of [investors.teldta.com](http://investors.teldta.com) or at <http://www.videonewswire.com/event.asp?id=99006>.
- Access the call by phone at 877-407-8029 (US/Canada), no pass code required.

Before the call, certain financial and statistical information to be discussed during the call will be posted to [investors.teldta.com](http://investors.teldta.com). The call will be archived on the Events & Presentations page of [investors.teldta.com](http://investors.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 5.8 million customers nationwide through its business units, U.S. Cellular, TDS Telecom, OneNeck IT Solutions and Baja Broadband. Founded in 1969 and headquartered in Chicago, TDS employed 10,600 people as of March 31, 2014.

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

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***Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995:*** All information set forth in this news release, except historical and factual information, represents forward-looking statements. This includes all statements about the company's plans, beliefs, estimates, and expectations. These statements are based on current estimates, projections, and assumptions, which involve certain risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. Important factors that may affect these forward-looking statements include, but are not limited to: 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; 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)

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



| United States Cellular Corporation                         |                                    |            |            |            |            |            |  |  |  |  |
|--|------------------------------------|------------|------------|------------|------------|------------|--|--|--|--|
| Total Markets* Summary Operating Data (Unaudited)          |                                    |            |            |            |            |            |  |  |  |  |
| As of or for the Quarter Ended                             |                                    | 3/31/2014  | 12/31/2013 | 9/30/2013  | 6/30/2013  | 3/31/2013  |  |  |  |  |
| <b>Retail Customers</b>                                    |                                    |            |            |            |            |            |  |  |  |  |
| <b>Postpaid</b>  |                                    |            |            |            |            |            |  |  |  |  |
|  | Total at end of period             | 4,174,000  | 4,267,000  | 4,343,000  | 4,412,000  | 5,060,000  |  |  |  |  |
|  | Gross additions                    | 197,000    | 176,000    | 165,000    | 165,000    | 191,000    |  |  |  |  |
|  | Net additions (losses)             | (93,000)   | (71,000)   | (60,000)   | (120,000)  | (74,000)   |  |  |  |  |
|  | ARPU (1)                           | \$ 57.59   | \$ 53.53   | \$ 54.64   | \$ 54.18   | \$ 54.85   |  |  |  |  |
|  | Churn rate (2)                     | 2.3%       | 1.9%       | 1.7%       | 2.0%       | 1.7%       |  |  |  |  |
|  | Smartphone penetration (3) (4)     | 53.1%      | 50.8%      | 47.1%      | 45.5%      | 43.5%      |  |  |  |  |
| <b>Prepaid</b>   |                                    |            |            |            |            |            |  |  |  |  |
|  | Total at end of period             | 356,000    | 343,000    | 370,000    | 381,000    | 446,000    |  |  |  |  |
|  | Gross additions                    | 85,000     | 63,000     | 65,000     | 77,000     | 104,000    |  |  |  |  |
|  | Net additions (losses)             | 13,000     | (26,000)   | (11,000)   | (7,000)    | 23,000     |  |  |  |  |
|  | ARPU (1)                           | \$ 32.22   | \$ 31.66   | \$ 28.72   | \$ 31.69   | \$ 33.31   |  |  |  |  |
|  | Churn rate (2)                     | 6.9%       | 8.3%       | 6.8%       | 6.8%       | 6.2%       |  |  |  |  |
| <b>Total customers at end of period</b>                    |                                    | 4,684,000  | 4,774,000  | 4,875,000  | 4,968,000  | 5,736,000  |  |  |  |  |
| <b>Billed ARPU (1)</b>                                     |                                    | \$ 53.93   | \$ 50.25   | \$ 50.92   | \$ 50.60   | \$ 51.13   |  |  |  |  |
| <b>Service revenue ARPU (1)</b>                            |                                    | \$ 60.19   | \$ 57.05   | \$ 58.36   | \$ 57.45   | \$ 57.63   |  |  |  |  |
| <b>Smartphones sold as a percent of total devices sold</b> |                                    | 73.0%      | 79.6%      | 65.2%      | 66.0%      | 61.7%      |  |  |  |  |
| <b>Total population</b>                                    |                                    |            |            |            |            |            |  |  |  |  |
|  | Consolidated markets (5)           | 54,817,000 | 58,013,000 | 84,025,000 | 84,025,000 | 93,943,000 |  |  |  |  |
|  | Consolidated operating markets (5) | 31,729,000 | 31,759,000 | 31,822,000 | 31,822,000 | 47,440,000 |  |  |  |  |
| <b>Market penetration at end of period</b>                 |                                    | 8.5%       | 8.2%       | 5.8%       | 5.9%       | 6.1%       |  |  |  |  |

|  |  |    |        |    |         |    |         |    |         |    |  |  |         |
|--|--|----|--------|----|---------|----|---------|----|---------|----|--|--|---------|
|  | Consolidated<br>markets (6)              |    |        |    |         |    |         |    |         |    |  |  |         |
|  | Consolidated<br>operating<br>markets (6) |    | 14.8%  |    | 15.0%   |    | 15.3%   |    | 15.6%   |    |  |  | 12.1%   |
| <b>Capital expenditures<br/>(000s)</b> |  | \$ | 89,581 | \$ | 208,135 | \$ | 242,459 | \$ | 168,497 | \$ |  |  | 118,410 |
| <b>Total cell sites in service</b>     |  |    | 6,165  |    | 6,975   |    | 7,687   |    | 7,748   |    |  |  | 8,027   |
| <b>Owned towers</b>                    |  |    | 4,448  |    | 4,448   |    | 4,422   |    | 4,411   |    |  |  | 4,411   |

\* Represents U.S. Cellular's consolidated markets. These results include markets which U. S. Cellular currently consolidates, or previously consolidated in the periods presented, and is not adjusted in prior periods for subsequent divestitures or deconsolidations.

Refer to U.S. Cellular's Form 8-K filed on May 3, 2013 for pro forma financial information related to the Divestiture Transaction and the NY1 and NY2 Deconsolidation for the three months ended March 31, 2013, as if the transactions had occurred at the beginning of the period.

| United States Cellular Corporation                         |                                    |                  |            |                   |            |                  |            |                  |            |                  |            |
|--|------------------------------------|------------------|------------|-------------------|------------|------------------|------------|------------------|------------|------------------|------------|
| Core* Markets Summary Operating Data (Unaudited)           |                                    |                  |            |                   |            |                  |            |                  |            |                  |            |
|  |                                    |                  |            |                   |            |                  |            |                  |            |                  |            |
| <b>As of or for the Quarter Ended</b>                      |                                    | <b>3/31/2014</b> |            | <b>12/31/2013</b> |            | <b>9/30/2013</b> |            | <b>6/30/2013</b> |            | <b>3/31/2013</b> |            |
| <b>Retail Customers</b>                                    |                                    |                  |            |                   |            |                  |            |                  |            |                  |            |
| <b>Postpaid</b>  |                                    |                  |            |                   |            |                  |            |                  |            |                  |            |
|  | Total at end of period             |                  | 4,174,000  |                   | 4,267,000  |                  | 4,343,000  |                  | 4,412,000  |                  | 4,463,000  |
|  | Gross additions                    |                  | 197,000    |                   | 176,000    |                  | 165,000    |                  | 165,000    |                  | 176,000    |
|  | Net additions (losses)             |                  | (93,000)   |                   | (71,000)   |                  | (60,000)   |                  | (53,000)   |                  | (33,000)   |
|  | ARPU (1)                           | \$               | 57.59      | \$                | 53.53      | \$               | 54.64      | \$               | 54.44      | \$               | 54.21      |
|  | Churn rate (2)                     |                  | 2.3%       |                   | 1.9%       |                  | 1.7%       |                  | 1.6%       |                  | 1.6%       |
|  | Smartphone penetration (3) (4)     |                  | 53.1%      |                   | 50.8%      |                  | 47.1%      |                  | 45.5%      |                  | 43.0%      |
| <b>Prepaid</b>   |                                    |                  |            |                   |            |                  |            |                  |            |                  |            |
|  | Total at end of period             |                  | 356,000    |                   | 343,000    |                  | 370,000    |                  | 381,000    |                  | 373,000    |
|  | Gross additions                    |                  | 85,000     |                   | 63,000     |                  | 65,000     |                  | 76,000     |                  | 91,000     |
|  | Net additions (losses)             |                  | 13,000     |                   | (26,000)   |                  | (11,000)   |                  | 8,000      |                  | 31,000     |
|  | ARPU (1)                           | \$               | 32.22      | \$                | 31.66      | \$               | 28.72      | \$               | 31.65      | \$               | 32.92      |
|  | Churn rate (2)                     |                  | 6.9%       |                   | 8.3%       |                  | 6.8%       |                  | 6.0%       |                  | 5.6%       |
| <b>Total customers at end of period</b>                    |                                    |                  | 4,684,000  |                   | 4,774,000  |                  | 4,875,000  |                  | 4,968,000  |                  | 5,005,000  |
| <b>Billed ARPU (1)</b>                                     |                                    | \$               | 53.93      | \$                | 50.25      | \$               | 50.92      | \$               | 50.98      | \$               | 50.93      |
| <b>Service revenue ARPU (1)</b>                            |                                    | \$               | 60.19      | \$                | 57.05      | \$               | 58.36      | \$               | 57.88      | \$               | 57.14      |
| <b>Smartphones sold as a percent of total devices sold</b> |                                    |                  | 73.0%      |                   | 79.6%      |                  | 65.2%      |                  | 66.1%      |                  | 62.1%      |
| <b>Total population</b>                                    |                                    |                  |            |                   |            |                  |            |                  |            |                  |            |
|  | Consolidated markets (5)           |                  | 54,817,000 |                   | 58,013,000 |                  | 84,025,000 |                  | 84,025,000 |                  | 84,025,000 |
|  | Consolidated operating markets (5) |                  | 31,729,000 |                   | 31,759,000 |                  | 31,822,000 |                  | 31,822,000 |                  | 31,822,000 |
| <b>Market penetration at end of period</b>                 |                                    |                  | 8.5%       |                   | 8.2%       |                  | 5.8%       |                  | 5.9%       |                  | 6.0%       |

|  |  |    |        |    |         |    |         |    |         |    |  |  |    |         |
|--|--|----|--------|----|---------|----|---------|----|---------|----|--|--|----|---------|
|  | Consolidated<br>markets (6)              |    |        |    |         |    |         |    |         |    |  |  |    |         |
|  | Consolidated<br>operating<br>markets (6) |    | 14.8%  |    | 15.0%   |    | 15.3%   |    | 15.6%   |    |  |  |    | 15.7%   |
| <b>Capital expenditures<br/>(000s)</b> |  | \$ | 89,581 | \$ | 211,247 | \$ | 239,332 | \$ | 171,166 | \$ |  |  | \$ | 107,907 |
| <b>Total cell sites in service</b>     |  |    | 6,165  |    | 6,161   |    | 6,127   |    | 6,113   |    |  |  |    | 6,113   |
| <b>Owned towers</b>                    |  |    | 3,883  |    | 3,883   |    | 3,857   |    | 3,846   |    |  |  |    | 3,846   |

\* U.S. Cellular's Core Markets excludes the results of the Divestiture Markets and NY1 and NY2 Partnerships for the periods presented.

Refer to U.S. Cellular's Form 8-K filed on May 3, 2013 for pro forma financial information related to the Divestiture Transaction and the NY1 and NY2 Deconsolidation for the three months ended March 31, 2013, as if the transactions had occurred at the beginning of the period.

- (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, Apple, 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 markets and consolidated 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 markets and consolidated operating markets, respectively, as estimated by Claritas.



| TDS Telecom                        |  |           |            |           |           |           |  |  |  |
|------------------------------------|--|-----------|------------|-----------|-----------|-----------|--|--|--|
| Summary Operating Data (Unaudited) |  |           |            |           |           |           |  |  |  |
| Quarter Ended                      |  | 3/31/2014 | 12/31/2013 | 9/30/2013 | 6/30/2013 | 3/31/2013 |  |  |  |
| <b>TDS Telecom</b>                 |  |           |            |           |           |           |  |  |  |
| <b>Wireline</b>                    |  |           |            |           |           |           |  |  |  |
| <b>Residential connections</b>     |  |           |            |           |           |           |  |  |  |
|                                    | Voice (1)                                    | 348,700   | 352,100    | 358,100   | 364,100   | 368,600   |  |  |  |
|                                    | Broadband (2)                                | 229,000   | 227,000    | 229,500   | 231,700   | 229,500   |  |  |  |
|                                    | IPTV (3)                                     | 15,900    | 13,800     | 12,200    | 10,500    | 9,000     |  |  |  |
|                                    | Wireline residential connections             | 593,600   | 592,900    | 599,800   | 606,300   | 607,100   |  |  |  |
| <b>Commercial connections</b>      |  |           |            |           |           |           |  |  |  |
|                                    | Voice (1)                                    | 212,200   | 218,400    | 223,800   | 229,100   | 235,700   |  |  |  |
|                                    | Broadband (2)                                | 26,600    | 27,100     | 27,600    | 28,200    | 28,800    |  |  |  |
|                                    | <i>managed</i> IP (4)                        | 131,000   | 127,600    | 121,000   | 112,000   | 103,400   |  |  |  |
|                                    | Wireline commercial connections              | 369,800   | 373,100    | 372,400   | 369,300   | 367,900   |  |  |  |
|                                    | <b>Total Wireline connections</b>            | 963,400   | 966,000    | 972,200   | 975,600   | 975,000   |  |  |  |
|                                    | Total residential revenue per connection (5) | \$ 40.79  | \$ 40.93   | \$ 41.12  | \$ 40.10  | \$ 39.99  |  |  |  |
| <b>Cable</b>                       |  |           |            |           |           |           |  |  |  |
| <b>Cable Connections</b>           |  |           |            |           |           |           |  |  |  |
|                                    | Video (6)                                    | 68,700    | 69,100     | 70,300    |           |           |  |  |  |
|                                    | Broadband (7)                                | 63,000    | 61,000     | 59,800    |           |           |  |  |  |
|                                    | Voice (7)                                    | 17,700    | 17,200     | 16,800    |           |           |  |  |  |
|                                    | Cable connections                            | 149,400   | 147,300    | 146,900   |           |           |  |  |  |
|                                    | Total residential revenue per connection (5) | \$ 57.37  | \$ 55.27   | \$ 55.67  |           |           |  |  |  |

(1) The individual circuit connecting a customer to TDS Telecom's central office facilities.



- (2) The number of customers provided high-capacity data circuits via various technologies, including DSL and dedicated internet circuit technologies.
- (3) The number of customers provided video services using IP networking technology.
- (4) The number of telephone handsets, data lines and IP trunks providing communications using IP networking technology.
- (5) Total residential revenue divided by the average number of total residential connections.
- (6) Generally, a home or business receiving video programming counts as one video connection. In counting bulk residential or commercial connections, such as an apartment building or hotel, connections are counted based on the number of units/rooms within the building receiving service.
- (7) Broadband and voice connections reflect billable number of lines into a building for high speed data and voice services, respectively.

| TDS Telecom                 |           |            |           |           |           |  |  |  |  |  |
|-----------------------------|-----------|------------|-----------|-----------|-----------|--|--|--|--|--|
| Capital Expenditures (000s) |           |            |           |           |           |  |  |  |  |  |
| Quarter Ended               | 3/31/2014 | 12/31/2013 | 9/30/2013 | 6/30/2013 | 3/31/2013 |  |  |  |  |  |
| Wireline                    | \$ 22,900 | \$ 46,000  | \$ 32,800 | \$ 33,300 | \$ 27,900 |  |  |  |  |  |
| Cable                       | 6,200     | 7,000      | 1,400     | -         | -         |  |  |  |  |  |
| HMS                         | 2,800     | 9,200      | 2,400     | 2,300     | 2,600     |  |  |  |  |  |
|                             | \$ 31,900 | \$ 62,200  | \$ 36,600 | \$ 35,600 | \$ 30,500 |  |  |  |  |  |

| <b>Telephone and Data Systems, Inc.</b>                                |               |   |             |  |              |  |               |                |         |
|--|---------------|---|-------------|--|--------------|--|---------------|----------------|---------|
| <b>Consolidated Statement of Operations Highlights</b>                 |               |   |             |  |              |  |               |                |         |
| <b>Three Months Ended March 31,</b>                                    |               |   |             |  |              |  |               |                |         |
| (Unaudited, dollars and shares in thousands, except per share amounts) |               |   |             |  |              |  |               |                |         |
|  |               |   |             |  |              |  |               | <b>Change</b>  |         |
|  |               |   | <b>2014</b> |  | <b>2013</b>  |  | <b>Amount</b> | <b>Percent</b> |         |
| <b>Operating revenues</b>  |               |   |             |  |              |  |               |                |         |
|  | U.S. Cellular |   | \$ 925,811  |  | \$ 1,081,746 |  | \$ (155,935)  |                | (14%)   |
|  | TDS Telecom   |   | 262,416     |  | 217,061      |  | 45,355        |                | 21%     |
|  | All Other (1) |   | 7,735       |  | 9,766        |  | (2,031)       |                | (21%)   |
|  |               |   | 1,195,962   |  | 1,308,573    |  | (112,611)     |                | (9%)    |
| <b>Operating expenses</b>  |               |   |             |  |              |  |               |                |         |
|  | U.S. Cellular |   |             |  |              |  |               |                |         |
|  |               | Expenses excluding depreciation, amortization and accretion | 846,645     |  | 878,070      |  | (31,425)      |                | (4%)    |
|  |               | Depreciation, amortization and accretion                    | 167,753     |  | 189,845      |  | (22,092)      |                | (12%)   |
|  |               | (Gain) loss on asset disposals, net                         | 1,934       |  | 5,434        |  | (3,500)       |                | (64%)   |
|  |               | (Gain) loss on sale of business and other exit costs, net   | (6,900)     |  | 6,931        |  | (13,831)      |                | >(100%) |
|  |               | (Gain) loss on license sales and exchanges                  | (91,446)    |  | —            |  | (91,446)      |                | N/M     |
|  |               |   | 917,986     |  | 1,080,280    |  | (162,294)     |                | (15%)   |
|  | TDS Telecom   |   |             |  |              |  |               |                |         |
|  |               | Expenses excluding depreciation, amortization and accretion | 190,303     |  | 159,486      |  | 30,817        |                | 19%     |
|  |               | Depreciation, amortization and accretion                    | 53,775      |  | 49,491       |  | 4,284         |                | 9%      |
|  |               | (Gain) loss on asset disposals, net                         | 344         |  | 193          |  | 151           |                | 78%     |
|  |               |   | 244,422     |  | 209,170      |  | 35,252        |                | 17%     |
|  | All Other (1) |   |             |  |              |  |               |                |         |
|  |               | Expenses excluding depreciation and amortization            | 9,326       |  | 9,239        |  | 87            |                | 1%      |
|  |               | Depreciation and amortization                               | 3,391       |  | 2,741        |  | 650           |                | 24%     |
|  |               | (Gain) loss on asset disposals, net                         | 152         |  | (11)         |  | 163           |                | >(100%) |
|  |               |   | 12,869      |  | 11,969       |  | 900           |                | 8%      |

|  |  |   |           |  |           |  |           |  |         |
|--|--|---|-----------|--|-----------|--|-----------|--|---------|
|  |  | Total operating expenses  | 1,175,277 |  | 1,301,419 |  | (126,142) |  | (10%)   |
| <b>Operating income (loss)</b>                                     |  |   |           |  |           |  |           |  |         |
|  |  | U.S. Cellular   | 7,825     |  | 1,466     |  | 6,359     |  | >100%   |
|  |  | TDS Telecom   | 17,994    |  | 7,891     |  | 10,103    |  | >100%   |
|  |  | All Other (1)   | (5,134)   |  | (2,203)   |  | (2,931)   |  | >(100%) |
|  |  |   | 20,685    |  | 7,154     |  | 13,531    |  | >100%   |
| <b>Investment and other income (expense)</b>                       |  |   |           |  |           |  |           |  |         |
|  |  | Equity in earnings of unconsolidated entities                         | 37,327    |  | 27,089    |  | 10,238    |  | 38%     |
|  |  | Interest and dividend income  | 2,486     |  | 1,578     |  | 908       |  | 58%     |
|  |  | Interest expense  | (28,707)  |  | (24,498)  |  | (4,209)   |  | (17%)   |
|  |  | Other, net  | 160       |  | (154)     |  | 314       |  | >(100%) |
|  |  | Total investment and other income                                     | 11,266    |  | 4,015     |  | 7,251     |  | >100%   |
| <b>Income before income taxes</b>                                  |  |   |           |  |           |  |           |  |         |
|  |  | Income tax expense  | 11,657    |  | 4,180     |  | 7,477     |  | >100%   |
| <b>Net income</b>  |  |   |           |  |           |  |           |  |         |
|  |  | Less: Net income attributable to noncontrolling interests, net of tax | 2,040     |  | 5,570     |  | (3,530)   |  | (63%)   |
| <b>Net income attributable to TDS shareholders</b>                 |  |   |           |  |           |  |           |  |         |
|  |  | TDS Preferred dividend requirement                                    | (12)      |  | (12)      |  |           |  |         |
| <b>Net income available to common shareholders</b>                 |  |   |           |  |           |  |           |  |         |
|  |  |   | \$ 18,242 |  | \$ 1,407  |  | \$ 16,835 |  | >100%   |
| <b>Basic weighted average shares outstanding</b>                   |  |   |           |  |           |  |           |  |         |
|  |  |   | 108,988   |  | 108,255   |  | 733       |  | 1%      |
| <b>Basic earnings per share attributable to TDS shareholders</b>   |  |   |           |  |           |  |           |  |         |
|  |  |   | \$ 0.17   |  | \$ 0.01   |  | \$ 0.16   |  | >100%   |
| <b>Diluted weighted average shares outstanding</b>                 |  |   |           |  |           |  |           |  |         |
|  |  |   | 109,672   |  | 108,693   |  | 979       |  | 1%      |
| <b>Diluted earnings per share attributable to TDS shareholders</b> |  |   |           |  |           |  |           |  |         |
|  |  |   | \$ 0.16   |  | \$ 0.01   |  | \$ 0.15   |  | >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



| <b>Telephone and Data Systems, Inc.</b>      |   |           |           |              |           |
|--|---|-----------|-----------|--------------|-----------|
| <b>Consolidated Balance Sheet Highlights</b> |   |           |           |              |           |
| (Unaudited, dollars in thousands)            |   |           |           |              |           |
| <b>ASSETS</b>                                |   |           |           |              |           |
|  |   | March 31, |           | December 31, |           |
|  |   | 2014      |           | 2013         |           |
| <b>Current assets</b>                        |   |           |           |              |           |
|  | Cash and cash equivalents                     | \$        | 872,910   | \$           | 830,014   |
|  | Short-term investments                        |           | 40,056    |              | 50,104    |
|  | Accounts receivable from customers and others |           | 615,009   |              | 731,114   |
|  | Inventory, net                                |           | 224,904   |              | 244,560   |
|  | Net deferred income tax asset                 |           | 106,077   |              | 106,077   |
|  | Prepaid expenses                              |           | 89,344    |              | 87,920    |
|  | Income taxes receivable                       |           | 5,679     |              | 2,397     |
|  | Other current assets                          |           | 35,154    |              | 35,151    |
|  |   |           | 1,989,133 |              | 2,087,337 |
| <b>Assets held for sale</b>                  |   |           |           |              |           |
|  |   |           | —         |              | 16,027    |
| <b>Investments</b>                           |   |           |           |              |           |
|  | Licenses                                      |           | 1,448,598 |              | 1,423,779 |
|  | Goodwill                                      |           | 836,843   |              | 836,843   |
|  | Franchise rights                              |           | 123,668   |              | 123,668   |
|  | Other intangible assets, net                  |           | 66,439    |              | 71,454    |
|  | Investments in unconsolidated entities        |           | 326,279   |              | 301,772   |
|  | Other investments                             |           | 611       |              | 641       |
|  |   |           | 2,802,438 |              | 2,758,157 |
| <b>Property, plant and equipment, net</b>    |   |           |           |              |           |
|  | U.S. Cellular                                 |           | 2,776,220 |              | 2,856,520 |
|  | TDS Telecom                                   |           | 967,847   |              | 984,634   |
|  | Other   |           | 35,066    |              | 36,990    |
|  |   |           | 3,779,133 |              | 3,878,144 |
| <b>Other assets and deferred charges</b>     |   |           |           |              |           |
|  |   |           | 178,599   |              | 164,482   |
| <b>Total assets</b>                          |   |           |           |              |           |
|  |   | \$        | 8,749,303 | \$           | 8,904,147 |



| <b>Telephone and Data Systems, Inc.</b>                  |                          |   |    |           |              |           |  |
|--|--------------------------|---|----|-----------|--------------|-----------|--|
| <b>Consolidated Balance Sheet Highlights</b>             |                          |   |    |           |              |           |  |
| (Unaudited, dollars in thousands)                        |                          |   |    |           |              |           |  |
| <b>LIABILITIES AND EQUITY</b>                            |                          |   |    |           |              |           |  |
|  |                          |   |    | March 31, | December 31, |           |  |
|  |                          |   |    | 2014      | 2013         |           |  |
| <b>Current liabilities</b>                               |                          |   |    |           |              |           |  |
|  |                          | Current portion of long-term debt                   | \$ | 1,415     | \$           | 1,646     |  |
|  |                          | Accounts payable                                    |    | 414,015   |              | 496,069   |  |
|  |                          | Customer deposits and deferred revenues             |    | 287,999   |              | 289,445   |  |
|  |                          | Accrued interest                                    |    | 15,757    |              | 6,673     |  |
|  |                          | Accrued taxes                                       |    | 72,761    |              | 70,518    |  |
|  |                          | Accrued compensation                                |    | 65,486    |              | 115,031   |  |
|  |                          | Other current liabilities                           |    | 167,746   |              | 212,374   |  |
|  |                          |   |    | 1,025,179 |              | 1,191,756 |  |
| <b>Deferred liabilities and credits</b>                  |                          |   |    |           |              |           |  |
|  |                          | Net deferred income tax liability                   |    | 847,850   |              | 862,975   |  |
|  |                          | Other deferred liabilities and credits              |    | 477,305   |              | 458,709   |  |
|  |                          |   |    |           |              |           |  |
| <b>Long-term debt</b>                                    |                          |   |    | 1,720,031 |              | 1,720,074 |  |
|  |                          |   |    |           |              |           |  |
| <b>Noncontrolling interests with redemption features</b> |                          |   |    | 543       |              | 536       |  |
|  |                          |   |    |           |              |           |  |
| <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                      |    | 2,313,682 |              | 2,308,807 |  |
|  |                          | Treasury shares, at cost                            |    | (722,658) |              | (721,354) |  |
|  |                          | Accumulated other comprehensive loss                |    | (938)     |              | (569)     |  |
|  |                          | Retained earnings                                   |    | 2,533,298 |              | 2,529,626 |  |
|  |                          | Total TDS shareholders' equity                      |    | 4,124,711 |              | 4,117,837 |  |
|  |                          |   |    |           |              |           |  |
|  |                          | Preferred shares                                    |    | 824       |              | 824       |  |
|  |                          | Noncontrolling interests                            |    | 552,860   |              | 551,436   |  |
|  |                          |   |    |           |              |           |  |
|  |                          | Total equity  |    | 4,678,395 |              | 4,670,097 |  |

|                                     |  |  |  |    |           |  |    |           |
|-------------------------------------|--|--|--|----|-----------|--|----|-----------|
|                                     |  |  |  |    |           |  |    |           |
| <b>Total liabilities and equity</b> |  |  |  | \$ | 8,749,303 |  | \$ | 8,904,147 |



| <b>Balance Sheet Highlights</b>                |    |           |         |         |              |              |    |           |    |           |
|--|----|-----------|---------|---------|--------------|--------------|----|-----------|----|-----------|
| <b>March 31, 2014</b>                          |    |           |         |         |              |              |    |           |    |           |
| (Unaudited, dollars in thousands)              |    |           |         |         |              |              |    |           |    |           |
|  |    |           |         |         |              |              |    |           |    |           |
|  |    | U.S.      | TDS     | TDS     | Intercompany | TDS          |    |           |    |           |
|  |    | Cellular  | Telecom | & Other | Eliminations | Consolidated |    |           |    |           |
| Cash and cash equivalents                      | \$ | 398,541   | \$      | 84,120  | \$           | 390,249      | \$ |           | \$ | 872,910   |
| Affiliated cash investments                    |    |           |         | 444,181 |              |              |    | (444,181) |    |           |
| Short-term investments                         |    | 40,056    |         |         |              |              |    |           |    | 40,056    |
|  | \$ | 438,597   | \$      | 528,301 | \$           | 390,249      | \$ | (444,181) | \$ | 912,966   |
| Licenses, goodwill and other intangible assets | \$ | 1,813,469 | \$      | 792,606 | \$           | (130,527)    | \$ |           | \$ | 2,475,548 |
| Investment in unconsolidated entities          |    | 289,842   |         | 3,807   |              | 39,771       |    | (7,141)   |    | 326,279   |
| Long-term and other investments                |    |           |         | 611     |              |              |    |           |    | 611       |
|  | \$ | 2,103,311 | \$      | 797,024 | \$           | (90,756)     | \$ | (7,141)   | \$ | 2,802,438 |
| Property, plant and equipment, net             | \$ | 2,776,220 | \$      | 967,847 | \$           | 35,066       | \$ |           | \$ | 3,779,133 |
| Long-term debt:                                |    |           |         |         |              |              |    |           |    |           |
| Current portion                                | \$ | 166       | \$      | 73      | \$           | 1,176        | \$ |           | \$ | 1,415     |
| Non-current portion                            |    | 878,127   |         | 1,420   |              | 840,484      |    |           |    | 1,720,031 |
|  | \$ | 878,293   | \$      | 1,493   | \$           | 841,660      | \$ |           | \$ | 1,721,446 |

**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 March 31, 2014 and December 31, 2013.

|   |                     | <b>March 31,</b> |         | <b>December 31,</b> |         |
|---|---------------------|------------------|---------|---------------------|---------|
|   |                     | <b>2014</b>      |         | <b>2013</b>         |         |
|   |                     |                  |         |                     |         |
| <b>Cash and cash equivalents</b>                          |                     | \$               | 872,910 | \$                  | 830,014 |
|   |                     |                  |         |                     |         |
| <b>Amounts included in short-term investments (1) (2)</b> |                     |                  |         |                     |         |
|   | U.S. Treasury Notes |                  | 40,056  |                     | 50,104  |
|   |                     |                  |         |                     |         |
| <b>Total cash and cash equivalents and investments</b>    |                     | \$               | 912,966 | \$                  | 880,118 |

(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.

| <b>Telephone and Data Systems, Inc.</b>     |  |  |   |             |             |    |           |
|---|--|--|---|-------------|-------------|----|-----------|
| <b>Consolidated Statement of Cash Flows</b> |  |  |   |             |             |    |           |
| <b>Three Months Ended March 31,</b>         |  |  |   |             |             |    |           |
| <b>(Unaudited, dollars in thousands)</b>    |  |  |   |             |             |    |           |
|   |  |  |   | <b>2014</b> | <b>2013</b> |    |           |
| <b>Cash flows from operating activities</b> |  |  |   |             |             |    |           |
|   | Net income   |  |   | \$          | 20,294      | \$ | 6,989     |
|   | Add (deduct) adjustments to reconcile net income to net cash flows from operating activities |  |   |             |             |    |           |
|   |  |  | Depreciation, amortization and accretion                  |             | 224,919     |    | 242,077   |
|   |  |  | Bad debts expense   |             | 21,559      |    | 17,874    |
|   |  |  | Stock-based compensation expense                          |             | 6,759       |    | 7,585     |
|   |  |  | Deferred income taxes, net                                |             | (14,510)    |    | 3,009     |
|   |  |  | Equity in earnings of unconsolidated entities             |             | (37,327)    |    | (27,089)  |
|   |  |  | Distributions from unconsolidated entities                |             | 12,820      |    | 8,089     |
|   |  |  | (Gain) loss on asset disposals, net                       |             | 2,430       |    | 5,616     |
|   |  |  | (Gain) loss on sale of business and other exit costs, net |             | (6,900)     |    | 6,931     |
|   |  |  | (Gain) loss on license sales and exchanges                |             | (91,446)    |    |           |
|   |  |  | Noncash interest expense                                  |             | 506         |    | 497       |
|   |  |  | Other operating activities                                |             | 47          |    | 256       |
|   | Changes in assets and liabilities from operations  |  |   |             |             |    |           |
|   |  |  | Accounts receivable                                       |             | 92,949      |    | 34,038    |
|   |  |  | Inventory   |             | 19,656      |    | 16,860    |
|   |  |  | Accounts payable  |             | (53,403)    |    | (3,203)   |
|   |  |  | Customer deposits and deferred revenues                   |             | (1,447)     |    | 7,904     |
|   |  |  | Accrued taxes   |             | (1,634)     |    | 5,309     |
|   |  |  | Accrued interest  |             | 9,136       |    | 9,279     |
|   |  |  | Other assets and liabilities                              |             | (99,471)    |    | (95,669)  |
|   |  |  |   |             | 104,937     |    | 246,352   |
| <b>Cash flows from investing activities</b> |  |  |   |             |             |    |           |
|   | Cash used for additions to property, plant and equipment                                     |  |   |             | (150,890)   |    | (176,318) |
|   | Cash paid for acquisitions and licenses  |  |   |             | (8,254)     |    | (14,150)  |
|   | Cash received from divestitures  |  |   |             | 103,042     |    |           |

|  |   |    |          |  |    |           |
|--|---|----|----------|--|----|-----------|
|  | Cash received for investments   |    | 10,000   |  |    |           |
|  | Other investing activities  |    | 1,623    |  |    | 6,364     |
|  |   |    | (44,479) |  |    | (184,104) |
|  |   |    |          |  |    |           |
| <b>Cash flows from financing activities</b>      |   |    |          |  |    |           |
|  | Repayment of long-term debt   |    | (392)    |  |    | (328)     |
|  | TDS Common Shares reissued for benefit plans, net of tax payments           |    | (50)     |  |    | 140       |
|  | U.S. Cellular Common Shares reissued for benefit plans, net of tax payments |    | 316      |  |    | 123       |
|  | Repurchase of TDS Common Shares   |    | (3,342)  |  |    |           |
|  | Repurchase of U.S. Cellular Common Shares                                   |    | (2,000)  |  |    | (18,425)  |
|  | Dividends paid to TDS shareholders  |    | (14,582) |  |    | (13,792)  |
|  | Distributions to noncontrolling interests                                   |    | (346)    |  |    | (2,396)   |
|  | Other financing activities  |    | 2,834    |  |    | (1,351)   |
|  |   |    | (17,562) |  |    | (36,029)  |
|  |   |    |          |  |    |           |
| <b>Net increase in cash and cash equivalents</b> |   |    |          |  |    |           |
|  |   |    | 42,896   |  |    | 26,219    |
| <b>Cash and cash equivalents</b>                 |   |    |          |  |    |           |
|  | Beginning of period   |    | 830,014  |  |    | 740,481   |
|  | End of period   | \$ | 872,910  |  | \$ | 766,700   |

| <b>TDS Telecom Highlights</b>            |  |  |  |             |  |             |  |               |               |                |
|--|--|--|--|-------------|--|-------------|--|---------------|---------------|----------------|
| <b>Three Months Ended March 31,</b>      |  |  |  |             |  |             |  |               |               |                |
| <b>(Unaudited, dollars in thousands)</b> |  |  |  |             |  |             |  |               |               |                |
|  |  |  |  |             |  |             |  |               |               |                |
|  |  |  |  |             |  |             |  |               | <b>Change</b> |                |
|  |  |  |  | <b>2014</b> |  | <b>2013</b> |  | <b>Amount</b> |               | <b>Percent</b> |
| <b>Wireline</b>                          |  |  |  |             |  |             |  |               |               |                |
| <b>Operating revenues</b>                |  |  |  |             |  |             |  |               |               |                |
|  | Residential                                  |  |  | \$ 72,505   |  | \$ 73,004   |  | \$ (499)      |               | (1%)           |
|  | Commercial                                   |  |  | 57,980      |  | 57,125      |  | 855           |               | 1%             |
|  | Wholesale                                    |  |  | 46,448      |  | 50,549      |  | (4,101)       |               | (8%)           |
|  | Total service revenues                       |  |  | 176,933     |  | 180,678     |  | (3,745)       |               | (2%)           |
|  | Equipment sales                              |  |  | 553         |  | 897         |  | (344)         |               | (38%)          |
|  |  |  |  | 177,486     |  | 181,575     |  | (4,089)       |               | (2%)           |
| <b>Operating expenses</b>                |  |  |  |             |  |             |  |               |               |                |
|  | Cost of services                             |  |  | 64,400      |  | 66,439      |  | (2,039)       |               | (3%)           |
|  | Cost of equipment sold                       |  |  | 483         |  | 1,010       |  | (527)         |               | (52%)          |
|  | Selling, general and administrative expenses |  |  | 46,520      |  | 57,380      |  | (10,860)      |               | (19%)          |
|  | Depreciation, amortization and accretion     |  |  | 42,736      |  | 44,023      |  | (1,287)       |               | (3%)           |
|  | Loss on asset disposals, net                 |  |  | 245         |  | 163         |  | 82            |               | 50%            |
|  |  |  |  | 154,384     |  | 169,015     |  | (14,631)      |               | (9%)           |
|  | <b>Operating income</b>                      |  |  | \$ 23,102   |  | \$ 12,560   |  | \$ 10,542     |               | 84%            |
| <b>Cable</b>                             |  |  |  |             |  |             |  |               |               |                |
| <b>Operating revenues</b>                |  |  |  |             |  |             |  |               |               |                |
|  | Residential                                  |  |  | \$ 18,253   |  | \$ —        |  | \$ 18,253     |               | N/M            |
|  | Commercial                                   |  |  | 4,250       |  | —           |  | 4,250         |               | N/M            |
|  |  |  |  | 22,503      |  | —           |  | 22,503        |               | N/M            |
| <b>Operating expenses</b>                |  |  |  |             |  |             |  |               |               |                |
|  | Cost of services                             |  |  | 10,955      |  | —           |  | 10,955        |               | N/M            |
|  | Selling, general and administrative expenses |  |  | 6,378       |  | —           |  | 6,378         |               | N/M            |
|  | Depreciation, amortization and accretion     |  |  | 4,361       |  | —           |  | 4,361         |               | N/M            |
|  | Loss on asset disposals, net                 |  |  | 65          |  | —           |  | 65            |               | N/M            |
|  |  |  |  | 21,759      |  | —           |  | 21,759        |               | N/M            |
|  | <b>Operating income</b>                      |  |  | \$ 744      |  | \$ —        |  | \$ 744        |               | N/M            |

|                           |  |  |  |    |         |  |  |    |         |  |    |         |         |
|---------------------------|--|--|--|----|---------|--|--|----|---------|--|----|---------|---------|
| <b>HMS</b>                |  |  |  |    |         |  |  |    |         |  |    |         |         |
| <b>Operating revenues</b> |  |  |  |    |         |  |  |    |         |  |    |         |         |
|                           | Service revenues                             |  |  | \$ | 27,376  |  |  | \$ | 22,000  |  | \$ | 5,376   | 24%     |
|                           | Equipment sales                              |  |  |    | 35,732  |  |  |    | 13,564  |  |    | 22,168  | >100%   |
|                           |  |  |  |    | 63,108  |  |  |    | 35,564  |  |    | 27,544  | 77%     |
| <b>Operating expenses</b> |  |  |  |    |         |  |  |    |         |  |    |         |         |
|                           | Cost of services                             |  |  |    | 16,946  |  |  |    | 13,602  |  |    | 3,344   | 25%     |
|                           | Cost of equipment sold                       |  |  |    | 30,467  |  |  |    | 11,212  |  |    | 19,255  | >100%   |
|                           | Selling, general and administrative expenses |  |  |    | 14,835  |  |  |    | 9,921   |  |    | 4,914   | 50%     |
|                           | Depreciation, amortization and accretion     |  |  |    | 6,678   |  |  |    | 5,468   |  |    | 1,210   | 22%     |
|                           | Loss on asset disposals, net                 |  |  |    | 34      |  |  |    | 30      |  |    | 4       | 13%     |
|                           |  |  |  |    | 68,960  |  |  |    | 40,233  |  |    | 28,727  | 71%     |
|                           |  |  |  |    |         |  |  |    |         |  |    |         |         |
|                           | <b>Operating loss</b>                        |  |  | \$ | (5,852) |  |  | \$ | (4,669) |  | \$ | (1,183) | (25%)   |
|                           |  |  |  |    |         |  |  |    |         |  |    |         |         |
|                           | Intercompany revenues                        |  |  | \$ | (681)   |  |  | \$ | (78)    |  | \$ | (603)   | >(100)% |
|                           | Intercompany expenses                        |  |  |    | (681)   |  |  |    | (78)    |  |    | (603)   | >(100)% |
|                           |  |  |  |    |         |  |  |    |         |  |    |         |         |
|                           | <b>Total TDS Telecom operating income</b>    |  |  | \$ | 17,994  |  |  | \$ | 7,891   |  | \$ | 10,103  | >100%   |



