

## UNITED STATES CELLULAR CORPORATION

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### TO OUR SHAREHOLDERS

United States Cellular Corporation is the fifth-largest full-service wireless service provider in the United States. Operating on a customer satisfaction strategy, U.S. Cellular® drives customer engagement by providing a comprehensive range of wireless services and products, superior customer support and a high-quality network.

#### 2008 Overview

U.S. Cellular achieved solid results in 2008, despite pressure from the widespread economic downturn, a more mature wireless market, and competition from increasingly large national providers. U.S. Cellular ended the year with 6.2 million total customers. Ninety-five percent of the company's retail customers are in the target postpay segment.

Although the number of people who do not yet have a wireless phone continues to decline, more are using multiple wireless devices: for business and personal use, and for primarily data use, such as laptops and netbooks. U.S. Cellular is implementing strategies designed to drive deeper and longer customer engagement, generate greater revenue from existing customers, and attract customers seeking a high-quality wireless experience. In particular, U.S. Cellular is building on its very strong network quality and superior customer service to deliver high-quality wireless voice and data experiences.

U.S. Cellular drove data growth with its robust portfolio of voice- and data-enabled handsets, including smart phones and premium touch screen phones, which in turn propelled growth of complementary data plans and applications, including the company's popular new Mobile Internet plans. To support both current and future data needs, U.S. Cellular expanded its 3G/Evolution Data Optimized (EVDO) network to cell sites in key markets during the year.

These complementary initiatives, along with customers' increased use of text and picture messaging services, drove a significant increase in data revenues and ARPU, which in turn increased service revenues for the year.

#### Connecting Customers with U.S. Cellular

In June of 2008, U.S. Cellular rolled out a new marketing and brand positioning initiative to define its unique qualities and benefits for customers, and to thereby forge stronger customer relationships. In its retail and sales environments, marketing materials, and advertising, U.S. Cellular encourages its existing and potential customers to "Believe in Something Better™"—to believe in a unique wireless company that shares their values and understands their needs.

U.S. Cellular is backing up its market positioning with services and features that demonstrate its commitment to providing a superior wireless experience, such as free incoming calls, free storage of customer contacts (My Contacts Backup), early upgrades with no fees, and free plan changes.

#### Delivering a Superior Mobile Data Experience

U.S. Cellular customers can choose from a strong lineup of devices, including BlackBerry® smart phones, and premium touch screen phones from HTC, Samsung, and LG.

As U.S. Cellular continues to bring more high-demand, data-intensive devices to market, and makes 3G speeds available to much more of its network, the company expects ongoing revenue growth in this area. Smart phone-related ARPU for many customers is nearly twice as high as standard retail postpay ARPU. Thus, the revenue growth potential is considerable, despite a higher upfront smart phone equipment subsidy.

### **Investing for the Future**

U.S. Cellular took important steps in 2008 to ensure that its network supports developing customer needs for technology. The company expanded its 3G network to approximately 23 percent of its cell sites, and intends to bring 3G speeds to at least 60 percent of its cell sites by the end of 2009. The company also continued to add many new cell sites in 2008—financing the expansion in part with Universal Service Fund (USF) disbursements.

These investments enabled U.S. Cellular to maintain its award-winning network quality. J.D. Power and Associates has ranked U.S. Cellular “Highest Call Quality Performance Among Wireless Cell Phone Users in the North Central Region” for seven consecutive reporting periods.

U.S. Cellular, indirectly through its limited partnership interest in King Street Wireless, made strategic investments in spectrum in 2008 through participation in a major Federal Communications Commission (FCC) auction. The company also made several direct spectrum acquisitions. The spectrum covers areas that complement U.S. Cellular’s strategic footprint and could help support an eventual transition to 4G/Long-Term Evolution network technology.

At year end, U.S. Cellular was well-positioned for strong future growth, with a total operating market population of 46 million in 26 states.

### **Share Repurchases**

To partially offset dilution from various benefit plans, U.S. Cellular repurchased 600,000 shares in 2008 for \$32.9 million.

### **Government Relations**

Throughout 2008, U.S. Cellular vigorously defended the USF against attempts to reduce or eliminate the support available to competitive wireless carriers. The company continued its Connecting Rural America (CRA) campaign to increase awareness of how proposed changes to the USF would affect access to advanced wireless communications in rural areas. As part of the CRA campaign, U.S. Cellular enlisted more than 100 members of Congress, governors, and state legislators, and numerous public safety and economic development groups, to support its efforts to bring reliable wireless service to rural communities.

The FCC imposed a cap on wireless funding in 2008, but did not otherwise substantively restrict U.S. Cellular’s access to the USF support needed to continue to expand its network to rural communities. The company expects that the 2009 regulatory environment for USF will continue to be challenging. U.S. Cellular is committed to continuing to ensure that rural areas of the United States have equal access to advanced wireless telecommunications.

### **Associates**

U.S. Cellular’s 8,500 full-time equivalent associates are committed to providing excellent service—the foundation of the company’s customer satisfaction strategy. In U.S. Cellular’s 2008 Culture Survey (performed annually), 99 percent of participating associates agreed that serving customers was their highest priority. The company is equally committed to its associates, and this commitment was reflected in several workplace awards in 2008:

- Best Large Company to Work for in Oregon, *Oregon Business* magazine
- Best Places to Work in Oklahoma, Second Place, Large Companies Category, *OKCBusiness*

- Best Places to Work in Omaha, Second Place, Medium Employer Category, Greater Omaha Chamber of Commerce

## Diversity and Inclusion

U.S. Cellular values differences and believes that a diverse and inclusive workforce is critical to business success. Respect for associates and for customers creates an environment motivated by ethics, empowerment, and business performance. The company's diversity and inclusion strategy focuses on five areas: workforce, workplace, marketplace, suppliers, and community.

## Communities

U.S. Cellular focuses on improving the quality of life in the areas where it does business. The company focuses its community efforts on nonprofit organizations serving economically disadvantaged youth, families, and seniors—connecting people with opportunities for a better life. Here are just a few of the ways U.S. Cellular has contributed to its communities:

- *Calling All Communities*—To help offset reductions in school funding across the country, U.S. Cellular introduced its Calling All Communities program in December of 2008. Through this grassroots program, communities large and small cast more than 120,000 votes, nominating more than 6,500 schools to be among the ten to receive \$100,000 each. The program harnessed community spirit and created an opportunity to believe in something better for children's education.
- Contributed more than \$4.2 million to schools and nonprofit organizations, including \$1.2 million to the United Way;
- Invested in 97 organizations through grants, phone donations, and other philanthropic support;
- Approximately 2,200 associates volunteered more than 9,000 hours on 235 projects, a 273 percent increase in volunteer hours from 2007; and
- Contributed phones and one year of free service to 42 organizations, and provided emergency phone service for eight midwest and central region organizations during summer flooding.

## LOOKING FORWARD

U.S. Cellular remains committed to adding customers and growing revenues over the long term by providing a high-quality network, competitive services and products, and superior customer service. As part of this long-term strategy, U.S. Cellular is targeting selected customer segments, particularly the postpay consumer and small- to medium-sized commercial segments. To establish a strong organizational foundation for achieving its objective, the company plans to begin several interdependent initiatives in 2009, including:

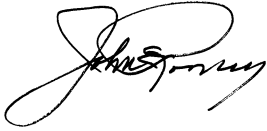
- Developing deeper and more customized relationships with customers at every touch point—online, in retail stores, and through the billing system—through new customer relationship management and electronic data warehouse systems;
- Driving online sales and customer engagement by enhancing the learning, shopping, and support experience at [www.uscellular.com](http://www.uscellular.com);
- Promoting flexible pricing and faster service and product implementation by developing a unified billing system platform for all customer segments;
- Introducing new services and products more quickly by strengthening service and product development capabilities; and
- Automating inventory distribution and equipment return, and centralizing repairs for all sales channels, including agents, through a new handset logistics system.

U.S. Cellular will continue to build its portfolio of data services and products in 2009, supported by the ongoing expansion of its 3G network. The company also plans to introduce new and competitive

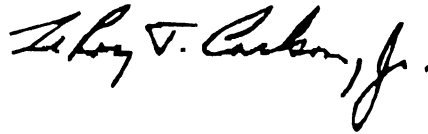
prepaid offerings, while remaining primarily focused on its retail postpay customers. Although U.S. Cellular expects total roaming revenues to decrease in 2009 as a result of the merger of Verizon and Alltel, its continued growth in cell sites and network quality ensures an attractive voice and data roaming experience for its roaming partners.

Thank you to our dedicated associates for our successes in 2008, and to our shareholders and bondholders for your continued support.

Cordially yours,



John E. Rooney  
President and Chief Executive Officer



LeRoy T. Carlson, Jr.  
Chairman