

## To Our Shareholders



U.S. Cellular made progress in important areas in 2009, despite the weak economy and intense competition. Data revenue increased 33 percent, contributing 17 percent of service revenues, and sales of smart phones and premium phones represented 20 percent of total sales.

Though net retail customer additions were modest, retail postpay and prepaid customers responded well to new service plans introduced midyear. At the end of 2009:

- U.S. Cellular had 6.1 million total customers, including 5.7 million retail customers; and
- 95 percent of our retail customers were in our target postpay segment.

The increasing cost of adding and retaining customers reduced profitability, as did the expected loss of high-margin inbound roaming revenue resulting from industry consolidation. We do expect increases in data use and voice minutes of use from U.S. Cellular's roaming partners to help stabilize inbound roaming revenues toward the latter half of 2010.

Achieving a return on capital (ROC) greater than our weighted average cost of capital remains an important long-term goal for U.S. Cellular. With that goal in mind, we are moving forward with investments in several major enablement initiatives that we expect will stimulate and support growth and increase efficiency over the long term. In the short term, however, spending on these initiatives is putting pressure on our profitability and ROC.

U.S. Cellular authorized a new program in November to repurchase up to 1.3 million shares per year, with the ability to carry unused purchases over to subsequent years. We repurchased 887,000 shares in 2009, for \$33.6 million.

*United States Cellular Corporation operates on a customer satisfaction strategy, driving loyalty and positive customer engagement by providing a comprehensive range of wireless services and products, superior customer support and a high-quality network.*

### *A Message from Jack Rooney*

*As we announced in February, I have made the difficult decision to retire later this year from U.S. Cellular after 10 wonderful years. I am incredibly proud of everything that we have accomplished as a company, and I am proud of the strong and unique Dynamic Organization we have built.*

*I know that our strong senior management team will continue to move the company forward under new leadership, and our incredibly dedicated associates will remain 100 percent focused on providing the best possible customer experience.*

*We have created a company that is more than just a wireless provider. U.S. Cellular is a company that customers and associates can believe in, and I thank everyone who has been a part of this extraordinary journey with me.*

### *Increasing data use and smart phone sales*

Customer demand for data services and applications continues to increase rapidly at U.S. Cellular, along with growing sales of smart phones and premium phones, and related data plans. In 2009:

- Data revenue per customer increased 33 percent, and
- Smart phone customer ARPU was nearly two times higher than retail service ARPU.

U.S. Cellular's expanded 3G network is supporting increased data use. At the end of 2009, 75 percent of customers had access to 3G speeds, and 98 percent are targeted to have 3G access by the summer of 2010. We expect to make further investments in network capacity in 2010 to support the growth in data use. In addition, U.S. Cellular is continuing technical trials of 4G/LTE technology that began in 2009, and we are beginning to develop our LTE rollout plans.

### *Differentiating through the customer experience*

Building on our *Believe in Something Better*<sup>®</sup> marketing and brand positioning, U.S. Cellular continued to introduce features and programs that enhance our customers' wireless experiences. Customers can exchange dead or dying batteries for fully charged ones through our Battery Swap program. They can avoid overage charges by receiving text alerts when they are close to their monthly minute or message limit, through our Overage Protection service.

All U.S. Cellular postpay plans include Free Incoming calls, text and picture messages, and our customers value the flexibility to change rate plans at any time without additional charges or contract changes.

Together, these programs and services demonstrate U.S. Cellular's commitment to continuously improving and enhancing

the customer experience, and ensuring that customers can stay connected at all times.

U.S. Cellular has received the J.D. Power and Associates award for “Highest Call Quality Performance among Wireless Cell Phone Users in the North Central Region” for nine consecutive reporting periods.

### ***Investing for long-term growth***

U.S. Cellular laid the groundwork in 2009 for major enablement initiatives that will be implemented over the next several years to:

- Enhance our point-of-sale and billing system, and enable faster development and delivery of new services and products;
- Improve customer targeting and strengthen customer relationships at every touch point through new customer relationship management and electronic data warehouse systems; and
- Increase online sales and customer self-service at uscellular.com.

We expect that spending related to these multi-year initiatives will continue at significant levels over the next several years as U.S. Cellular moves forward with implementation.

### ***Enhancing our culture of customer focus***

At U.S. Cellular, our uniquely dedicated associates are the core of our Dynamic Organization—an organizational model based on the belief that effective leaders create engaged associates, who in turn deliver outstanding service that

produces business results. We share the core values of customer focus, respect for associates, ethics, pride, empowerment and diversity, and we measure our progress on these values in our annual Culture Survey:

- A record *100 percent* of participating associates agreed that “Serving customers is my highest priority” in 2009; and
- The terms associates used most to describe the company were “customer-focused” and “ethical”.

In 2010, U.S. Cellular was among a select group of 206 companies named as “Trustworthy Corporations” by Audit Integrity.

We owe our success as a company to our associates, and we work hard to ensure an inspiring and engaging business environment, providing growth opportunities at all levels.

### ***Building relationships with our communities***

U.S. Cellular believes in being more than just a wireless provider in the communities where we do business. We’re committed to helping schools through two innovative grassroots programs:

- *Calling All Communities* awards \$100,000 each to 10 schools that receive the most votes from community members. The program drives retail traffic during the holiday season by encouraging community members to visit U.S. Cellular stores for voting codes. The 2010 campaign, completed in March, generated more than 430,000 votes, nearly four times the votes generated in 2009.

- *Calling All Teachers* provides \$1 million in funding for classroom projects across the nation. In 2009, we funded more than 2,000 projects, making a positive impact on more than 170,000 students.

These programs enable us to create personal connections with customers that extend beyond our award-winning network, build associate pride, drive brand loyalty, and create word-of-mouth ambassadors throughout our footprint.

### *Looking forward*

U.S. Cellular is continuing to focus on increasing customer engagement with unique services and features that transform and exceed customer expectations and differentiate our company in the marketplace. Our major initiatives and goals include:

- Introducing innovative services to strengthen our *Believe in Something Better*® brand positioning;
- Enabling faster service and product development with a new point-of-sale and billing system;
- Developing a deep understanding of different customer types and segments, and using that knowledge to target customer segments that offer significant growth potential;
- Driving online sales, engagement and self-service through a new web platform;

- Supporting increased customer demand for high-speed data by completing the 3G network expansion, offering high-demand data services and applications, and maintaining a compelling portfolio of feature-rich smart phones and premium phones, including new Android-based phones;
- Attracting more prepaid customers with value-oriented voice and data offerings; and
- Preparing for future network capacity demands by continuing 4G LTE trials and by beginning to develop our 4G rollout plans.

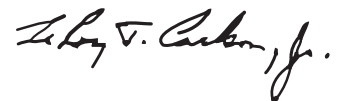
We are excited about the opportunities for growth in wireless communications and data services, and we are confident that the major enablement initiatives currently under way will position U.S. Cellular for success over the long term.

We thank all of our dedicated, customer-focused associates for our successes in 2009. And, we thank you, our shareholders and debt holders, for your continued support.

Cordially yours,



John E. Rooney  
*President and Chief  
Executive Officer*



LeRoy T. Carlson, Jr.  
*Chairman*