U.S. Cellular

we connect with you

2000 Annual Report

About U.S. Cellular

United States Cellular Corporation ("U.S. Cellular") operates and invests in cellular systems throughout the nation. U.S. Cellular is the nation's eighth largest wireless telephone company in terms of customers.

U.S. Cellular owns cellular interests in 175 markets. These interests represent 26.6 million population equivalents as of December 31, 2000. U.S. Cellular operates or has the right to operate systems serving 146 markets and has investment interests in the remaining markets. At the end of 2000, 139 markets operated by U.S. Cellular are included in its consolidated financial statements. U.S. Cellular includes in its service territories a contiguous service area in the Midwest which covers over 100,000 square miles and a population of nearly nine million.

U.S. Cellular's Common Shares are traded on the American Stock Exchange under the symbol "USM." The Company is an 82.4%-owned subsidiary of Telephone and Data Systems, Inc. ("TDS").

U.S. Cellular celebrated reaching the three million-customer milestone by honoring customers in each of its geographic regions.

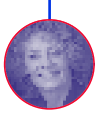
U.S. Cellular Reaches Historic Milestone: Three Million Customers

More than three million wireless users now rely on U.S. Cellular to provide their cellular service. The historic three million-customer milestone was achieved in December 2000, and U.S. Cellular celebrated by honoring four new customers – one in each of the geographic regions it serves.

"We have experienced tremendous growth through our total commitment to customer satisfaction," noted President and CEO John E. Rooney. "Since our customers are our first priority, we wanted them to share in this exciting celebration."

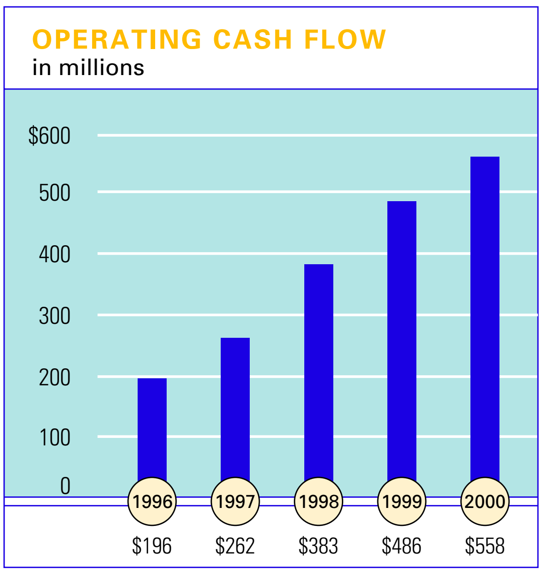
This significant milestone demonstrates U.S. Cellular's ability to attract and retain customers in an increasingly competitive industry. While reaching the two million-customer level took 13 years, the new benchmark came just two years later – clear evidence of the company's rapid growth.

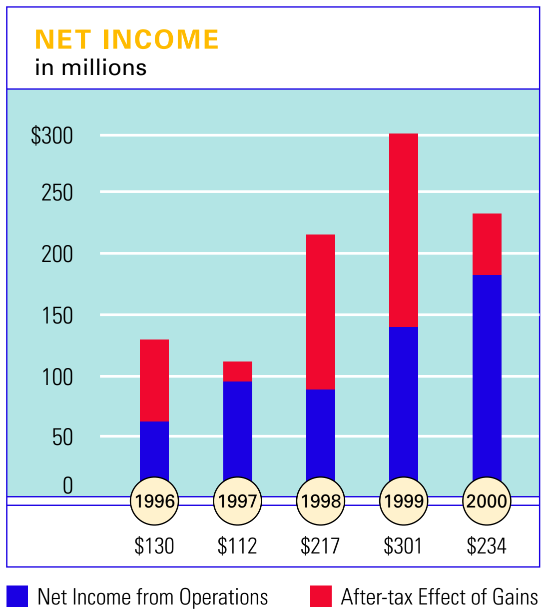
We believe that our steadfast commitment to exceptional customer service will enable us to continue this upward trend, making U.S. Cellular the first choice for new customers and ensuring retention of our present customers. At our current pace, the next major milestone – four million customers – should occur within the next twenty-four to thirty-six months.



Candace Bray, Customer Bend, OR

Gaining, retaining and serving our customers



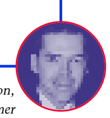


CONTENTS

Financial Highlights

(Dollars in thousands, except per share amounts)	2000	1999	Percent Change
Service Revenues	$ 1,653,922	$ 1,525,660	8%
Operating Cash Flow	$ 558,011	$ 485,814	15
Operating Income	$ 292,313	$ 255,842	14
Net Income	$ 192,907	$ 300,758	(36)*
Weighted Average Common and Series A Common Shares (000s)	86,355	87,478	(1)
Earnings per Common and Series A Common Share	$ 2.23	$ 3.44	(35)*
Total Assets	$ 3,467,034	$ 3,500,095	(1)
Common Shareholders' Equity	$ 2,214,571	$ 2,274,641	(3)
Return on Equity	10.44%	14.24%	(27)*
Cellular Telephone Customers – Majority-owned Markets	3,061,000	2,602,000	18
Number of Majority-owned Markets	139	139	—
Capital Expenditures	$ 295,308	$ 248,721	19

*1999 results include substantial gains.



Jonathan Richardson, Customer Roanoke, VA

John E. "Jack" Rooney, President and Chief Executive Officer, and LeRoy T. Carlson, Jr., Chairman

Creating the dynamic difference

For U.S. Cellular, the year 2000 was one of great change and progress. For the first time since our inception, we welcomed a new leader to our Company. In April, John E. "Jack" Rooney was appointed President and Chief Executive Officer, succeeding long-time President and CEO H. Donald Nelson, who retired from U.S. Cellular. We thank Mr. Nelson for his hard work in building the Company and wish him well in his future endeavors.

U.S. CELLULAR WILL BE A DYNAMIC ORGANIZATION THAT UNDERSTANDS ITS VISION, GOALS AND STANDARDS SO WELL THAT ITS VALUES ARE OBVIOUS, AND ITS BEHAVIORS ARE AUTOMATICALLY AN OUTCOME OF THE BELIEFS THAT HAVE BEEN INSTILLED.

New Leadership – Renewed Customer Focus

This change at the top of our organization brought about other changes that affected our customers, our associates and the way we do business. These changes have been designed to strengthen U.S. Cellular and position the Company well to solidify our status as an industry leader. Later, we will share with you our financial results that show the investment we have made in our future.

Mr. Rooney brings to U.S. Cellular 35 years of business experience, at a number of organizations, and a track record of outstanding operational and financial success. Mr. Rooney's experience has convinced him that success in the marketplace is achieved only through an unwavering focus on a company's customers. "Success comes from listening to our customers and delivering what they want at every touch-point throughout the entire relationship," he says.

He put this experience to work immediately. After evaluating the Company's position in the wireless industry, Mr. Rooney and his senior leadership team began to transform U.S. Cellular and the way we provide service to our customers. The transformation began with a series of initiatives geared toward renewing our focus on our customers and the frontline associates who serve those customers. The ultimate goal of each initiative is to ensure that our customers enjoy doing business with U.S. Cellular and will remain our customers.

ASSOCIATES OPERATE CLOSE TO THEIR CUSTOMERS AND ARE FREE FROM DISTRACTIONS OF RUNNING THE BUSINESS. THE SUPPORT SYSTEMS REQUIRED TO SERVE CUSTOMERS ARE PROVIDED FOR THEM.

Dynamic Organization

Our leadership team's plan for our associates to provide this type of service follows the guidelines and principles of a management philosophy known as the Dynamic Organization. A key component of the Dynamic Organization is for all associates in the organization to support the Company's frontline staff so that they have the resources and flexibility to do the right thing for our customers at all times. We have also simplified our vision and mission to give associates a clear focus on their goals.

U.S. Cellular's transformation to a Dynamic Organization is centered on five key values which set the standards for every aspect of the Company's business:

- Customer focus
- Respect for associates
- Pride
- Empowerment
- Ethics

These values are supported by an emphasis on key behaviors that permeate the entire organization, from managers to frontline associates. Among these behaviors are a focus on a common purpose; enthusiasm and passion about the company and jobs; openness and willingness to learn; trust, unselfishness and confidence in the Company, its owners and each other; flexibility; and motivation by values.

For our customers, doing business with a Dynamic Organization like U.S. Cellular ensures high-quality, customer-focused service – the kind of wireless service they expect and demand. This kind of personal, responsive service is designed not only to attract new customers, but also to inspire customer loyalty. Although the Dynamic Organization concept is still relatively new to U.S. Cellular, we already see unmistakable signs that it is having a positive impact on relationships with our customers. During 2000, our customer base increased 18%, surpassing the targets we set at the beginning of the year and demonstrating our ability to win new customers despite intense competition in all our markets. We were better able to control churn as well, which we lowered on our postpay business to 1.8% and on our overall business to 2.0%. Every .1% of improvement adds approximately 33,000 customers.

2000 Financial Results – Current Growth and Investment in Future Growth

We are pleased to announce impressive growth in customers, revenues, cash flow and earnings from operations last year. Results were as follows:

- Customers – grew 18% to 3,061,000 at year-end
- Net customer additions – grew 20% to 483,000 for the year
- Service revenues – grew 8% to $1.7 billion
- Operating cash flow – grew 15% to $558 million
- Net income from operations – grew 30% to $183 million, or $2.12 per share

Other aspects of our business experienced similar growth. We increased the staffing and training levels at our five Customer Care Centers to support our renewed customer focus. All associates now receive specific training which helps them understand how their function affects our customers. Frontline associates in particular are trained to model their customer service techniques on the values espoused by the Dynamic Organization. All training is geared toward helping each associate function as part of a team, while at the same time aiding him or her to achieve personal growth and career goals.

Our investment in future growth increased significantly in 2000. We invested over $305 million to add over 220 cell sites, improve coverage in our service areas and add flexibility to our customer service systems. We will continue to invest in our network in the coming year to provide even more reliable coverage in our markets.

ASSOCIATES – ESPECIALLY LEADERS – HAVE A CUSTOMER'S PERSPECTIVE AND THE ABILITY TO VISUALIZE THE IDEAL CUSTOMER EXPERIENCE.

Significant improvements to the Customer Acquisition and Retention System ("CARES"), our customer billing and information system, were completed last year and others are in progress. At year-end 2000, CARES was providing service to 85% of our customers; the remaining markets will be brought on line in 2001. We also enhanced other customer-related systems to ensure our customers receive the service they expect.

Migration to digital service was a significant driver of revenue growth in 2000. We provided digital phones to new and current customers who signed up for digital service, and at year-end 2000 approximately one-half of our customers were on digital rate plans. This is an increase of nearly one million digital customers from a year earlier. Customers on digital rate plans have access to additional services such as caller ID, and digital service provides better clarity and enhanced roaming capabilities. Not surprisingly, customers on digital rate plans use their phones more often and generate higher revenue per month than those on analog rate plans.

These investments in our current and future growth represent a current cost, and as a result we revised our cash flow and earnings targets for 2000 from our original targets set in 1999. We met or surpassed each of these revised targets. We anticipate that the Company will quickly reap the benefits from our investments in future growth. Therefore, we have set ambitious targets for 2001 and have communicated them to the financial markets.

Strategic Direction – Achieving Profitable Growth

To achieve the profitable growth that is central to our vision and mission, the Company's senior management has identified four closely interrelated priorities:

Jack Rooney, U.S. Cellular's President and CEO, meets with associates frequently to exchange ideas on how to better serve our customers.

Respect, pride, empowerment, customer focus

- Increase customer satisfaction – define customer expectations and determine what we need to do to meet those expectations
- Grow revenues – add and retain customers and offer new products and services
- Drive standards of excellence – set standards for excellence using customer input, communicate these standards to associates and integrate standards into our strategic planning
- Drive the Dynamic Organization – communicate all decisions and their reasons to associates and train associates to lead U.S. Cellular to success

We are committed to monitoring our progress on achieving these priorities on a regular basis. We are determined to share our progress on each initiative with every U.S. Cellular associate.

Summary

Change and growth were the U.S. Cellular watchwords in 2000. Both will continue in 2001 and beyond. With our goals clearly defined, our 5,200-plus associates are committed to working within the Dynamic Organization framework to provide the best possible customer service. This commitment will differentiate U.S. Cellular from our competitors and drive us to our mission and vision of profitable growth.

We would like to thank each of our associates for their outstanding achievements in 2000, and we thank you, our loyal shareowners, for your continued support. We look forward to an exciting year in 2001.

Cordially yours,

John E. Rooney
President and Chief Executive Officer

LeRoy T. Carlson, Jr.
Chairman

MARKETS OWNED AND MANAGED BY U.S. CELLULAR

Southwest/ West Region

Washington/ Oregon/Idaho

MSAs
Richland-Kennewick-Pasco
Yakima

RSAs
Idaho 5
Idaho 6
Oregon 2
Oregon 3
Washington 4
Washington 5
Washington 6
Washington 7

Oregon/ California

MSA
Medford

RSAs
California 1
California 2
California 9
Oregon 5
Oregon 6

Southern Texas

MSAs
Corpus Christi
Laredo
Victoria

RSAs
Texas 18
Texas 19
Texas 20

Texas/ Oklahoma

MSAs
Lawton
Wichita Falls

RSAs
Oklahoma 7
Oklahoma 8
Oklahoma 9
Oklahoma 10
Texas 4
Texas 5

Oklahoma/ Missouri/ Kansas

MSAs
Joplin
Tulsa

RSAs
Kansas 15
Oklahoma 4
Oklahoma 6

Central Region

Eastern Wisconsin

MSAs
Kenosha
Milwaukee
Racine
Sheboygan

Western Wisconsin

MSAs
Appleton-Oshkosh
Green Bay
Janesville-Beloit
La Crosse
Madison

RSAs
Wisconsin 5
Wisconsin 6
Wisconsin 7
Wisconsin 8
Wisconsin 9
Wisconsin 10

Missouri

MSA
Columbia

RSAs
Missouri 2
Missouri 3
Missouri 5
Missouri 6
Missouri 11
Missouri 13
Missouri 15
Missouri 16
Missouri 17

Illinois/Indiana

MSAs
Alton
Peoria
Rockford

RSAs
Illinois 1
Illinois 3
Illinois 4
Indiana 4
Indiana 5*

Eastern Iowa

MSAs
Cedar Rapids
Davenport
Dubuque
Iowa City
Waterloo-Cedar Falls

RSAs
Iowa 3*
Iowa 4
Iowa 5
Iowa 6
Iowa 11
Iowa 12*
Iowa 13
Iowa 14

Western Iowa

MSA
Des Moines

RSAs
Iowa 1
Iowa 2
Iowa 7
Iowa 9*
Iowa 10
Iowa 16

East Region

Florida/Georgia

MSAs
Fort Pierce
Gainesville
Tallahassee

RSAs
Florida 5
Florida 6
Florida 7
Florida 8
Florida 9
Florida 10
Georgia 11
Georgia 14

Eastern Tennessee/ Western North Carolina

MSAs
Asheville
Knoxville

RSAs
North Carolina 2
North Carolina 4
Tennessee 3*
Tennessee 4
Tennessee 7

Eastern North Carolina/ South Carolina

MSAs
Jacksonville
Wilmington

RSAs
North Carolina 6
North Carolina 7
North Carolina 8
North Carolina 9
North Carolina 10
North Carolina 11
North Carolina 12
North Carolina 13
North Carolina 14
South Carolina 4

Virginia/ North Carolina

MSAs
Charlottesville
Lynchburg
Roanoke

RSAs
North Carolina 3
Virginia 2
Virginia 3
Virginia 4
Virginia 5
Virginia 7

West Virginia/ Pennsylvania/ Maryland/Ohio

MSAs
Cumberland
Hagerstown

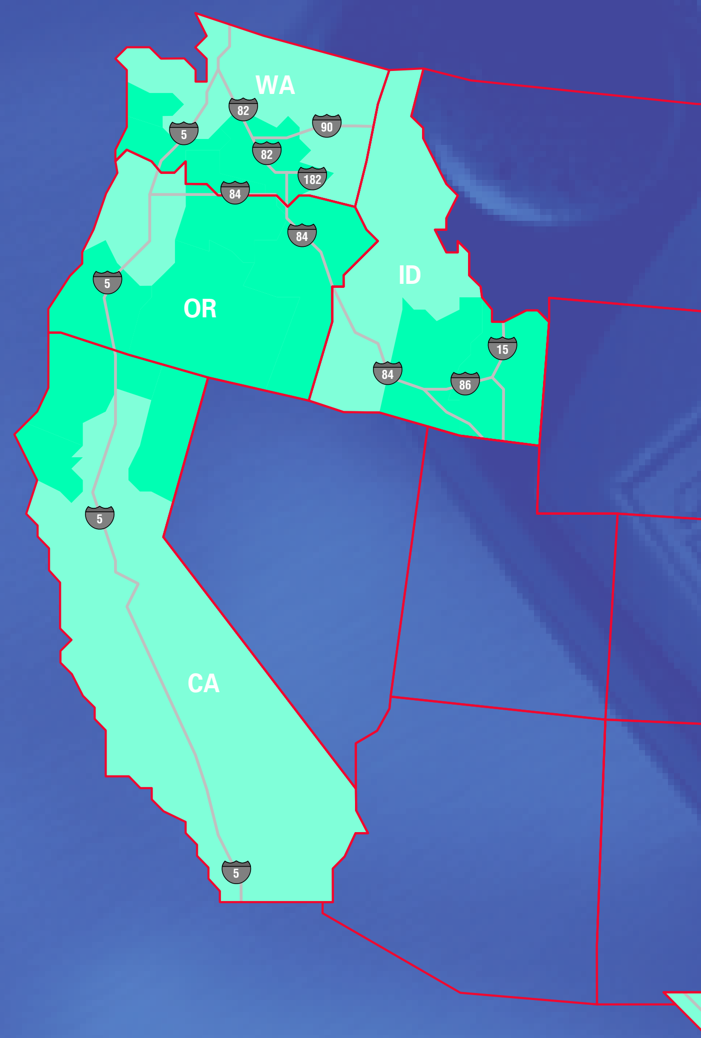
RSAs
Maryland 1
Ohio 9*
Pennsylvania 10
West Virginia 3
West Virginia 4
West Virginia 5
West Virginia 7

Maine/ New Hampshire/ Vermont

MSAs
Bangor
Lewiston-Auburn
Manchester-Nashua

RSAs
Maine 1
Maine 2
Maine 3
Maine 4
New Hampshire 1
New Hampshire 2
Vermont 2

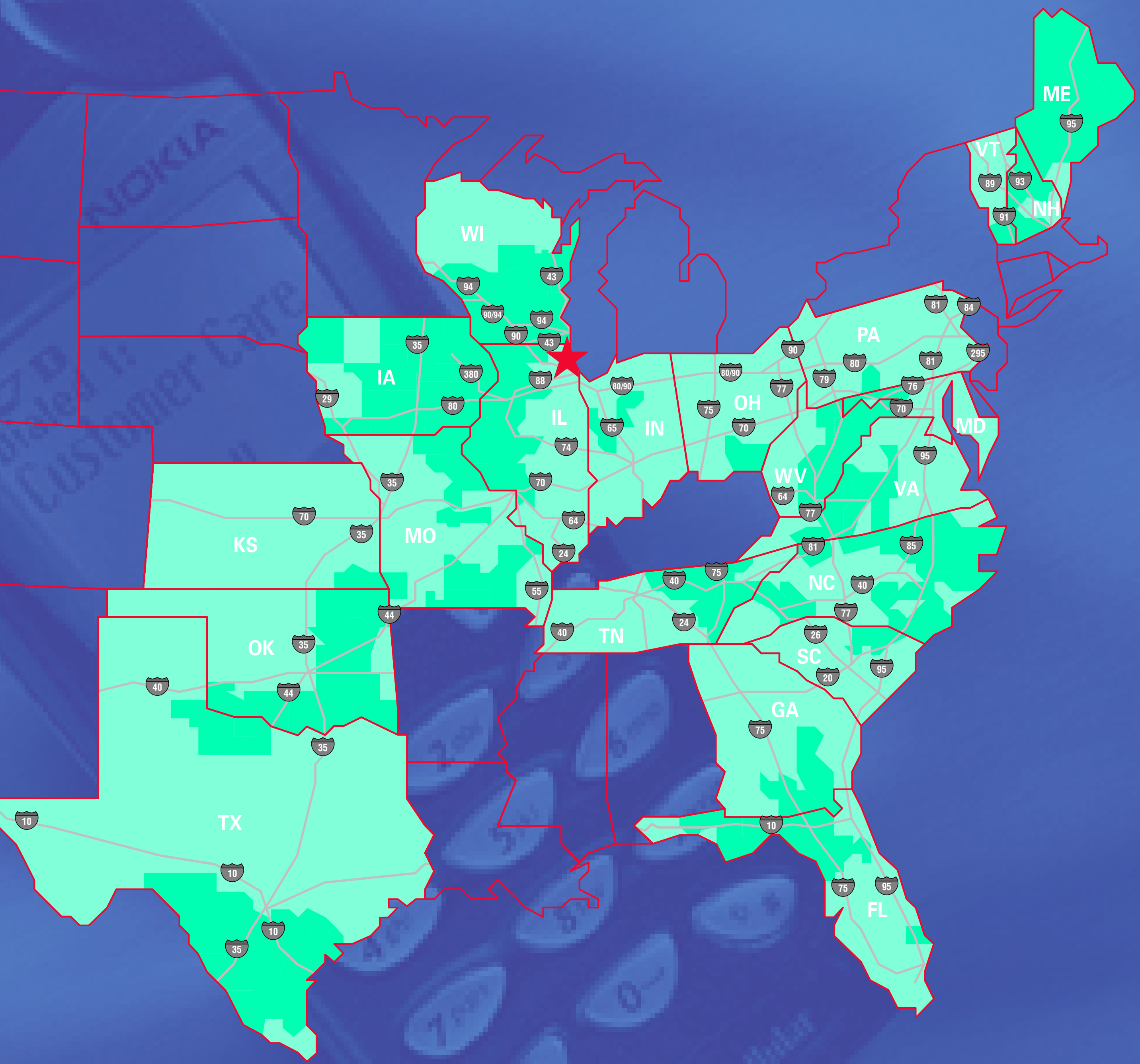
*Minority owned and managed market



United States Cellular Corporation Corporate Headquarters – Chicago, Illinois

Markets currently owned and managed

U.S. Cellular states of operation


ME
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PA
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WV
VA
KS
MO
NC
TN
OK
SC
GA
TX
FL

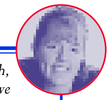
We are continually improving the tools our associates need to deliver the high-quality customer service our customers deserve.

we connect with you

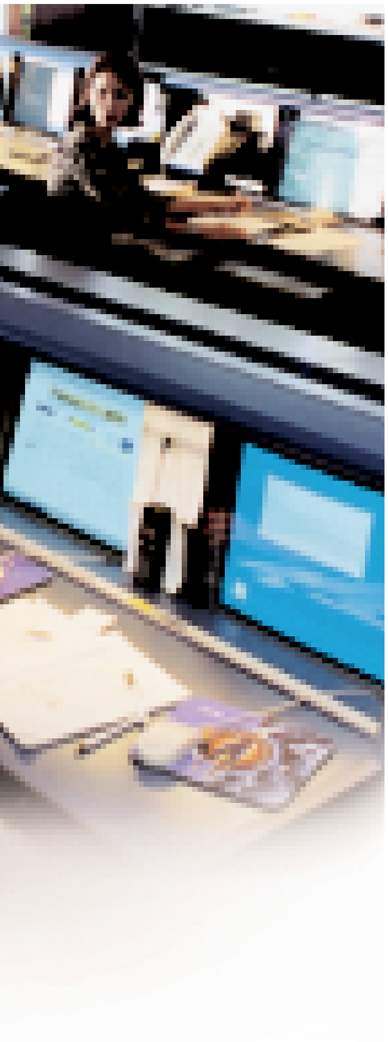
a new theme for a dynamic organization

A new tag line and brand theme – "We Connect with You℠" – was developed this year to more accurately reflect our Dynamic Organization and our renewed focus on customers. The new theme will be introduced into all company marketing programs beginning early in 2001.

"We Connect with You℠" crystallizes U.S. Cellular's customers-first commitment – our determination to understand what our customers want and deliver solutions that respond to their wireless communications needs. The tag line also reflects our connection to the communities we serve.



Stephanie Wermich,
Customer Service Representative
Madison, WI



In 2000, we took a number of steps to benefit our customers:

- We now are approximately 85% converted to our new Customer Acquisition and Retention System ("CARES") billing and information system, with full conversion scheduled by the end of 2001. CARES gives customer care associates the tools they need to be more responsive to our customers.
- We installed a new technology in all Customer Care Centers which gives customer care associates immediate access to customers' records.
- New interactive voice response technology put in place this year gives callers immediate telephone access to their account information and, for the first time, the option of paying bills by phone with a credit card.
- New predictive dialer technology expedites delivery of information to customers. It has enhanced our collection efforts and improved our ability to initiate successful proactive customer retention programs.
- A new rate plan analyzer was introduced to determine if customers should be on different rate plans.
- We introduced a benefits program for the part-time associates who supplement our full-time customer care staff.
- We are placing increased emphasis on training for new customer care associates. This year initial training was extended from four to six weeks, and we added telephone and computer technology to our classrooms to more effectively simulate actual customer calls.

These customer service initiatives are supported by other system enhancements. For example, during 2000, our markets in New England, Texas and Oklahoma were converted to the more efficient CARES billing system.

To give customers more options for phones and accessories and to provide faster fulfillment to our retail outlets, U.S. Cellular signed an agreement with Caterpillar Logistics Services, Inc. ("Cat Logistics") to operate our National Distribution Center and National Repair Center in Tulsa, Oklahoma.

Our new over-the-air activation capability makes updating roaming data faster and easier. This makes the customer activation process more flexible and allows us to program customer phones to roam on preferred systems, ensuring that our customers receive the best possible value and quality wherever they use their phones.

These are all initiatives which respond directly to what consumers continually tell us they want in a wireless carrier: competitive rates, the highest quality of service, convenience and a comprehensive range of optional features and services.

As a Dynamic Organization, we will continue to focus on developing and deploying the kind of customer-responsive products and support services that strengthen our connection to our customers, as well as to the communities we serve.

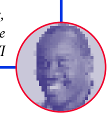
Two key U.S. Cellular markets celebrate 15 years of service

Associates and community leaders in two key U.S. Cellular markets – Knoxville, Tennessee, and Tulsa, Oklahoma – celebrated the Company's 15th anniversary of providing wireless service to their respective communities.

Knoxville was U.S. Cellular's first market, opened in 1985 when 150 "pioneers" eagerly signed up to be among the first wireless customers in the U.S. A gala celebration at the Knoxville Museum of Art in July 2000 marked the Company's 15th anniversary. Today, U.S. Cellular provides service in 24 east Tennessee counties. The Company's MidSouth Customer Care Center, located in Knoxville, is the hub of the Company's national network operations center, national roaming support center and east regional customer service operations. U.S. Cellular employs approximately 600 people in the Knoxville area.

U.S. Cellular was northeast Oklahoma's first wireless telephone company, launching service on August 30, 1985. Today, Tulsa is the operating center for a geographic area that includes the eastern half of Oklahoma, southeastern Kansas and the Joplin, Missouri area. This year, the Company celebrated its 15th anniversary with the official opening of its new Southwest Region Customer Care Center. This 69,000 square-foot, state-of-the-art facility brought together approximately 500 U.S. Cellular associates who previously worked in three separate locations.

John Jones,
Customer Service Representative
Madison, WI



U.S. Cellular is committed to being our customers' first choice in wireless providers. To connect with customers and be their first choice, we must be easily accessible to customers and potential customers. We must enable them to connect with us in the way they find most comfortable, so we offer a number of options, including retail stores, kiosks, agent locations and on-line fulfillment.

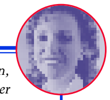
Our 550 retail locations are often the first experience customers and potential customers have with U.S. Cellular, so we're creating a colorful, comfortable environment that projects a positive brand image. Planning for our "next generation" stores, which will open in 2001, is in its final phases. Store layouts and knowledgeable retail associates make it easy for customers to find the equipment, service plans and accessories that meet their individual needs. Free-standing kiosks, located in the store locations of major retailers, and "store-within-a-store" sales locations give customers other convenient options.

Shopping at our store-within-a-store provides added convenience for our customers.

U.S. Cellular remains committed to its network of more than 1,600 agents across the country. The agent network, a critical component of the company's overall distribution strategy, serves as an effective complement to our own retail initiatives. This past year, agent sales accounted for nearly one-half of our customer growth. To enhance our partnership relationship with this valuable sales channel, we have introduced an agent extranet: a web site providing real-time, accurate information for agents, as well as special tools to address their business needs.

We also recognize that, increasingly, many customers prefer to shop and buy on-line. Until now, our Internet strategy was to provide information that would enable customers to make appropriate choices when they visited one of our retail locations. We are now moving swiftly toward using the Internet as a direct sales channel, and our new on-line store (e-Essentials) made its debut in January 2001.

In addition, we are continuing to explore working relationships with third-party companies, such as phone.com, which offer service plans on-line, and we expect to continue to expand that sales channel.



Pamela Johnson,
Store Manager
Milwaukee, WI

Striving to be our customers' first choice

Visiting one of our 550 convenient retail locations is just one of the many ways customers and potential customers can do business with U.S. Cellular.

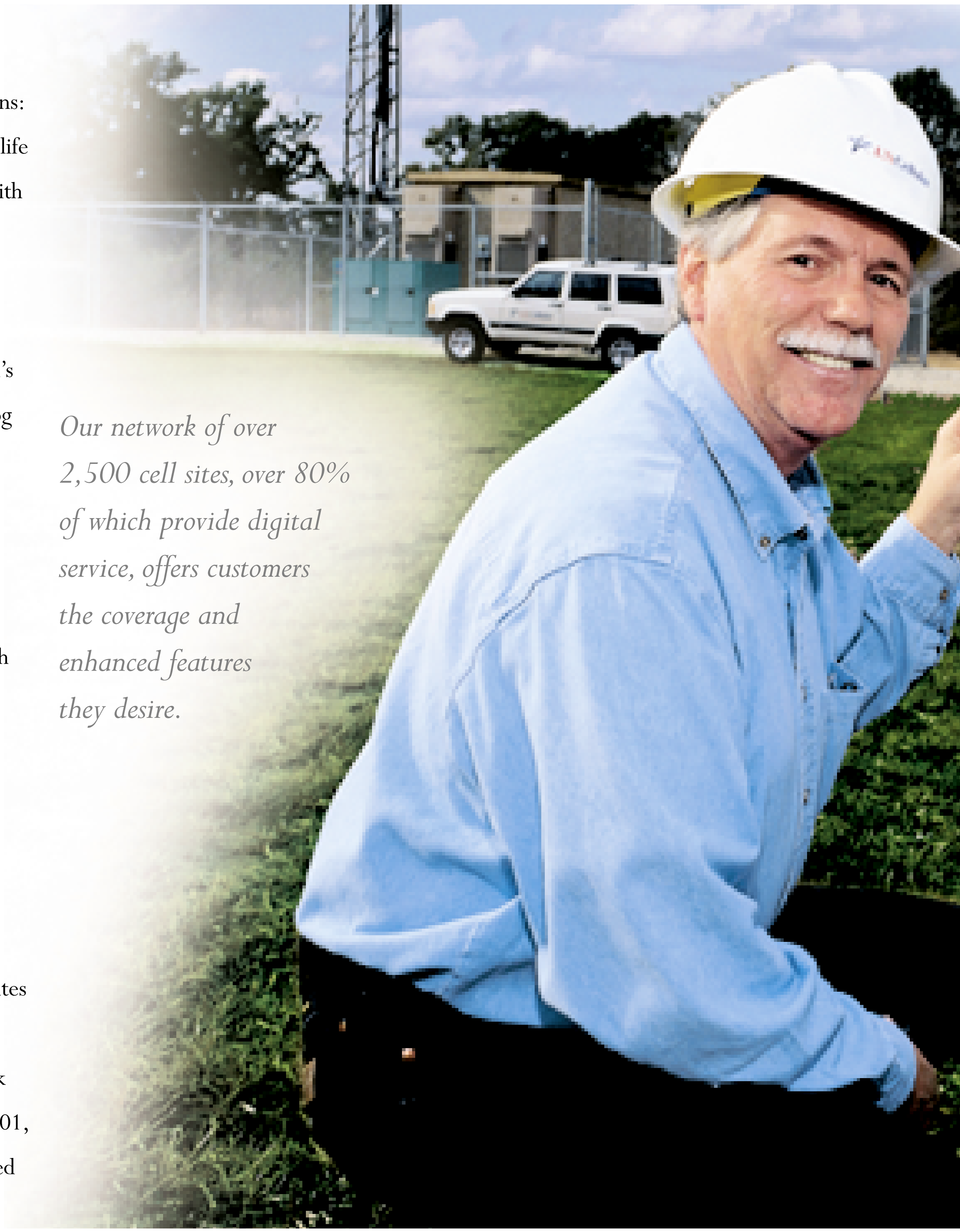
Digital service has become the preference of both new and existing cellular customers. For U.S. Cellular, the increasing popularity of digital service is demonstrated by the fact that today, approximately 60% of the minutes of use on our network are digital.

U.S. Cellular's digital service offers customers several very attractive options: improved voice quality, longer battery life and enhanced features only available with digital such as Caller ID and Short Message Service ("SMS"). For these reasons, more new cellular customers are choosing digital service, and digital's features also are enticing existing analog customers to switch to digital.

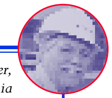
To respond to the rapid growth in demand, U.S. Cellular continues expansion of our digital footprint. Digital service is now provided through more than 80% of the company's cell sites.

An aggressive schedule of new cell site installations during the year provided improved coverage and call quality for both digital and analog customers. During the year, more than 220 new sites became operational, bringing the total number of cell sites to 2,500. Network improvements will continue during 2001, with nearly 450 new cell sites scheduled for installation.

U.S. Cellular currently offers another valuable new feature for digital customers – SMS. SMS enables customers to receive text information on their wireless phones.



Our network of over 2,500 cell sites, over 80% of which provide digital service, offers customers the coverage and enhanced features they desire.



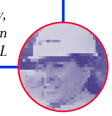
Larry Reuter,
Project Manager, Florida and SE Georgia
Tallahassee, FL

high-quality network with digital capabilities

The ability to receive real-time messages of up to 150 characters gives wireless customers instant access to important information, such as up-to-the-minute stock quotes, weather, sports scores and news. U.S. Cellular has recently completed successful technical trials on a new product – two-way SMS – which will allow wireless customers to send short messages as well as receive them. Two-way SMS is expected to be available to U.S. Cellular customers during the second half of 2001.

U.S. Cellular's goal is to serve our customers' needs by offering the best possible quality of service and expanded coverage, along with a comprehensive range of features and options that bring added convenience and efficiency.

Pete Belovary,
System Performance Engineer, SE Region
Tallahassee, FL



providing solutions for a variety of customer segments

Connecting with our customers also means responding to the specific needs of various individuals and segments by offering products and services specifically tailored to them. Among these are:

- SpanAmerica[SM], a new national rate plan, was rolled out in all U.S. Cellular markets in August 2000. The plan, which offers the same rate for calls made anywhere within the U.S. with no roaming or long distance fees, has proven especially attractive to travelers and business users.
- ShareTalk[SM], which U.S. Cellular has offered for some time, offers a cost-effective solution for multiple users (such as families or small businesses) by allowing them to share a large block of minutes.
- FarmFlex, a program designed especially to meet the seasonal needs of agricultural customers, gives farmers a cost-effective communication tool.
- MetroZone[SM], a flat-rate, prepaid plan offering unlimited incoming and outgoing local calls within a large, defined geographic area, was rolled out in Knoxville, Tennessee.

Wireless Application Protocol, a technology that allows wireless customers to access Internet-based interactive services and applications with wireless phones, was trialed during 2000. However, U.S. Cellular will not offer this service commercially until the technology becomes more reliable and the handsets provide the quality, image and resolution our customers demand.

Customers continued to choose U.S. Cellular's digital rate plans in record numbers. In fact, a majority of our new customer activations during the past year were on digital plans, and a large number of existing customers converted to digital plans during the year. At year-end, almost 50% of all customers used U.S. Cellular's digital services, compared to 22% just one year earlier.

Several other product offerings targeted specific market segments during 2000. A new marketing initiative called SOHO (Small Office-Home Office) offers products and services designed specifically for this fast-growing, communication-dependent business segment. In-building wireless installations offer an effective internal wireless communications solution for large facilities such as hospitals or warehouses.

We continue to evaluate other new products and services to determine their benefit and value to our customers. We anticipate the introduction of several new products and services during 2001.

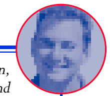
U.S. Cellular responds to customers' specific needs with products such as SpanAmerica℠, ShareTalk℠ and Small Office-Home Office.

Our award-winning community relations programs provide support for a variety of people in the communities where our customers and associates live.

connecting with our communities

U.S. Cellular also seeks to connect with the communities it serves. U.S. Cellular's community relations program, with support from many of the Company's associates, provides support for a variety of social and charitable programs.

Among the many initiatives sponsored by U.S. Cellular are S.A.F.E.℠ (Stop Abuse from Existing℠) and S.A.F.E. for Seniors℠, V.A.L.O.R.℠ (Veterans and Loved Ones Reconnect℠), a wireless etiquette public service campaign, H.O.P.E.℠ (Homeless Outreach Phone Effort℠), H.E.L.P℠ (Hometown Emergency Loaner Phones℠) and Opportunity Calls℠,



Neil Willenson,
Founder and President, Camp Heartland
Milwaukee, WI

a program which gives cellular voice mailboxes to the homeless to provide a secure place for prospective employers, landlords and caseworkers to leave messages.

U.S. Cellular was honored by The Community Action Network ("CAN") with two national awards presented at the 10th annual CAN Awards. The company's H.O.P.E.℠ program captured a first-place award and our Opportunity Calls℠ program placed second.

U.S. Cellular also participates in many community-sponsored events. Among the activities U.S. Cellular sponsored in 2000 were the U.S. Cellular Balloon Rally in Columbia, Missouri; the U.S. Cellular Waterfront Run in Knoxville, Tennessee; and the U.S. Cellular Polo Tournament to benefit Camp Heartland in Milwaukee, Wisconsin, a camp for children affected by AIDS.

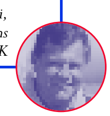
Renaming of two midwest arenas demonstrates support for the community

Arenas in two midwestern cities – Milwaukee, Wisconsin, and Cedar Rapids, Iowa – now proudly display the name of U.S. Cellular. The Company obtained naming rights for these two facilities as a way to demonstrate U.S. Cellular's commitment to these communities, to show support for arts and entertainment within the community, as well as to enhance the Company's visibility.

In Milwaukee, the 12,700-seat facility formerly known as the Milwaukee Arena became the U.S. Cellular Arena in March. The Company's name now appears prominently on the facility's exterior, as well as on the arena's new basketball floor and scoreboard, interior signage, event-related advertising, tickets, novelties and concession cups.

The Cedar Rapids center, a multi-purpose arena-style facility, seats between 3,500 and 10,000 patrons for concerts, sports events, ice shows, conventions and trade shows. Formerly called the Five Seasons Center, it was rechristened the U.S. Cellular Center under terms of an agreement finalized in July. The U.S. Cellular name appears both on the inside and the outside of the center, including a scoreboard logo and signage in the lobby, at the guest services booth and on the center's VIP box, as well as on collateral materials.

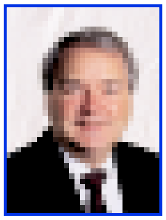
Dale Reti,
Vice President, Southwest / West Operations
Tulsa, OK



CORPORATE MANAGEMENT GROUP

Jay M. Ellison, 48
Executive Vice President – Operations

Richard W. Goehring, 51
Executive Vice President – Chief Technology Officer



Kenneth R. Meyers, 47
Executive Vice President – Finance (Chief Financial Officer) and Treasurer

Douglas S. Arnold, 46
Vice President – Human Resources

Russell F. Arsaga, 49
Vice President – Engineering

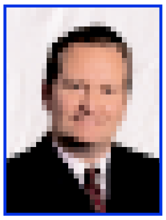
Linda L. Baker, 40
Vice President – Customer Service

Charles A. Bale, 47
Vice President – Sales Operations

Stephen D. Clark, 43
Vice President – Network Operations

David M. Friedman, 54
Vice President – Marketing

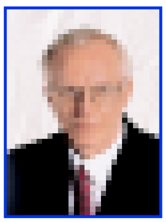
Leon J. Hensen, 53
Vice President – Central Operations



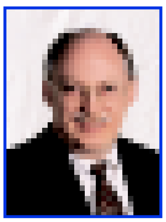
Conrad J. Hunter, 43
Vice President – East Operations

John T. Quille, 50
Vice President – Controller

Dale G. Reti, 46
Vice President – Southwest/West Operations



Thomas S. Weber, 40
Vice President – Financial Services



James D. West, 48
Vice President – Chief Information Officer

Eva-Maria Wohn, 45
Vice President – External Affairs

(left to right):

J. Samuel Crowley, 50
Director; Executive Vice President of Operations – CompUSA, Inc.

Sandra L. Helton, 51
Director; Executive Vice President, Chief Financial Officer and Director – Telephone and Data Systems, Inc.

Walter C.D. Carlson, 47
Director; Director – Telephone and Data Systems, Inc. and Partner – Sidley & Austin (Attorneys-at-Law)

John E. Rooney, 58
President, Chief Executive Officer and Director

LeRoy T. Carlson, Jr., 54
Chairman and Director; President, Chief Executive Officer and Director – Telephone and Data Systems, Inc.

Kenneth R. Meyers, 47
Director; Executive Vice President – Finance (Chief Financial Officer) and Treasurer

LeRoy T. Carlson, 84
Director; Chairman and Director – Telephone and Data Systems, Inc.

Paul-Henri Denuit, 66
Director; Chief Executive Officer and Managing Director – S.A. Coditel

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RESULTS OF OPERATIONS

United States Cellular Corporation (the "Company" – AMEX symbol: USM) owns, operates and invests in cellular markets throughout the United States. The Company is an 82.4%-owned subsidiary of Telephone and Data Systems, Inc. ("TDS").

The Company owned either majority or minority cellular interests in 175 markets at December 31, 2000, representing 26,560,000 population equivalents ("pops"). The Company included the operations of 139 majority-owned and managed cellular markets, representing 24.2 million pops, in consolidated operations ("consolidated markets") as of December 31, 2000. Minority interests in 30 markets, representing 2.3 million pops, were accounted for using the equity method and were included in investment income at that date. All other interests were accounted for using the cost method. Following is a table of summarized operating data for the Company's consolidated operations.

	Year Ended or at December 31, 2000	1999	1998
Total market population (in thousands) (1)	25,075	25,044	24,683
Customers	3,061,000	2,602,000	2,183,000
Market penetration	12.21%	10.39%	8.84%
Markets in operation	139	139	138
Total employees	5,250	4,800	4,800
Cell sites in service	2,501	2,300	2,065
Average monthly revenue per customer (2)	$ 49.21	$ 53.71	$ 55.23
Postpay churn rate per month	1.8%	1.9%	1.9%
Marketing cost per gross customer addition	$ 330	$ 346	$ 317

(1) Calculated using Claritas population estimates for 2000, 1999 and 1998, respectively.

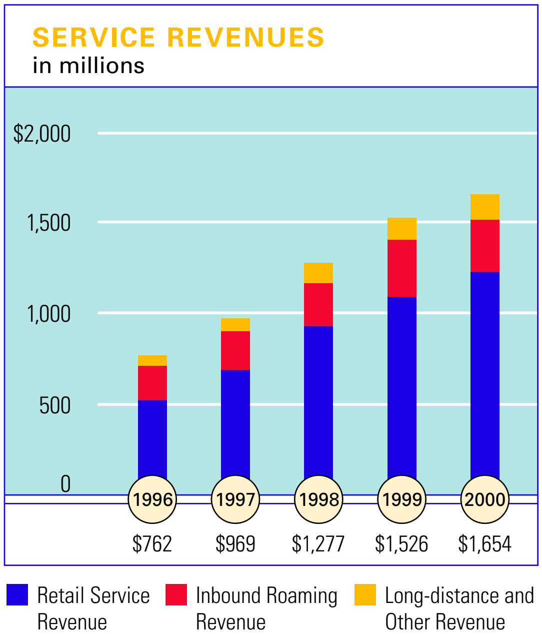
(2) Amounts for the years ended 1999 and 1998 reflect changes due to the implementation of SAB No. 101. See "Operating Revenues."

The growth in the Company's operating income in 2000 and 1999, which includes 100% of the revenues and expenses of its consolidated markets plus its corporate office operations, primarily reflects improvements in the Company's overall operations compared to 1999 and 1998. The improvements resulted from growth in the Company's customer base and revenues in each year, coupled with continuing economies of scale in both years. Operating revenues, driven by 18% and 19% increases in customers served in 2000 and 1999, respectively, rose $140.2 million, or 9%, in 2000 and $260.9 million, or 20%, in 1999. Operating cash flow (operating income plus depreciation and amortization expense) increased $72.2 million, or 15%, in 2000 and $103.0 million, or 27%, in 1999. Operating income increased $36.5 million, or 14%, in 2000 and $79.8 million, or 45%, in 1999.

Investment and other income decreased $147.6 million in 2000 and increased $46.5 million in 1999. Net income decreased $107.9 million in 2000 and increased $83.8 million in 1999. Diluted earnings per share decreased $1.06 in 2000 and increased $.89 in 1999. Excluding the after-tax effects of gains and extraordinary losses and the cumulative effect of a change in accounting principle, net income increased $42.7 million in 2000 and $51.8 million in 1999. Excluding the after-tax effects of gains and extraordinary losses and the cumulative effect of a change in accounting principle, diluted earnings per share increased $.53 in 2000 and $.57 in 1999.

In all three years, both net income and earnings per share included gains on cellular and other investments. In 2000, net income and earnings per share included extraordinary losses and the cumulative effect of a change in accounting principle. A summary of the after-tax effects of gains and extraordinary losses and the cumulative effect of a change in accounting principle on net income and diluted earnings per share in each period is shown below.

(Dollars in thousands, except per share amounts)	Year Ended December 31, 2000	1999	1998
Net income before after-tax effects of gains, extraordinary loss and change in accounting principle	$ 183,275	$ 140,579	$ 88,742
Add: After-tax effects of gains, extraordinary loss and change in accounting principle	9,632	160,179	128,205
Net income as reported	$ 192,907	$ 300,758	$ 216,947
Diluted earnings per share before after-tax effects of gains, extraordinary loss and change in accounting principle	$ 2.12	$ 1.59	$ 1.02
Add: After-tax effects of gains, extraordinary loss and change in accounting principle	.10	1.69	1.37
Diluted earnings per share	$ 2.22	$ 3.28	$ 2.39



Operating Revenues

(Dollars in millions)	Year Ended December 31, 2000	1999	1998
Operating Revenues			
Retail service	$ 1,227.6	$ 1,089.2	$ 925.9
Inbound roaming	292.4	318.7	242.6
Long-distance and other	133.9	117.8	108.0
Service Revenues	1,653.9	1,525.7	1,276.5
Equipment sales	62.7	50.7	39.0
Total Operating Revenues	$ 1,716.6	$ 1,576.4	$ 1,315.5

Operating revenues increased $140.2 million, or 9%, in 2000, and $260.9 million, or 20%, in 1999.

Effective January 1, 2000, pursuant to Securities and Exchange Commission ("SEC") Staff Accounting Bulletin ("SAB") No. 101, operating revenues include charges to the Company's retail customers when they use systems other than their local systems. Prior to implementing SAB No. 101, these charges were included as an offset to system operations expense. Operating revenues for 1999 and 1998 have been changed to reflect the current period presentation. The effect of this change was to increase 2000, 1999 and 1998 retail service revenues by $144.9 million, $159.2 million and $153.1 million, respectively. This change had no effect on operating income.

Also pursuant to SAB No. 101, the Company changed its accounting for certain activation fees charged to its customers when initiating service through its retail and direct channels and reconnect fees charged to its customers when resuming service after suspension. The Company now defers these fees and records the related revenue over the average customer service periods, ranging from six to 48 months. Prior to implementing SAB No. 101, the Company recorded these fees as operating revenues in the period they were charged to the customer. The Company recorded the cumulative effect of this change on prior periods as an after-tax adjustment to income in 2000. Operating revenues for 2000 were reduced by $4.3 million as a result of this change.

Service revenues primarily consist of: (i) charges for access, airtime and value-added services provided to the Company's retail customers ("retail service"); (ii) charges to customers of other systems who use the Company's cellular systems when roaming ("inbound roaming"); (iii) charges for long-distance calls made on the Company's systems. Service revenues increased $128.3 million, or 8%, in 2000, and increased $249.1 million, or 20%, in 1999. The increases in both years were primarily due to the growing number of retail customers. Monthly service revenue per customer averaged $49.21 in 2000, an 8% decrease from 1999, and averaged $53.71 in 1999, a 3% decrease from the $55.23 average in 1998.

Retail service revenue increased $138.3 million, or 13%, in 2000 and $163.4 million, or 18%, in 1999. Growth in the Company's customer base was the primary reason for the increase in retail service revenue in both years. The number of customers increased 18% to 3,061,000 at December 31, 2000, and increased 19% to 2,602,000 at December 31, 1999. Management anticipates that overall growth in the Company's customer base will continue to slow down in the future, primarily as a result of an increase in the number of competitors in its markets.

Average monthly retail service revenue per customer declined 5% to $36.52 in 2000 from $38.35 in 1999, and declined 4% in 1999 from $40.06 in 1998. Monthly local retail minutes of use per customer averaged 157 in 2000, 115 in 1999 and 105 in 1998. The increases in monthly local retail minutes of use in both years were driven by the Company's focus on designing incentive programs and rate plans to stimulate overall usage. These increases were partially offset by decreases in average revenue per minute of use in both 2000 and 1999, which were a result of competitive pressures and the Company's increasing use of pricing and other incentive programs to stimulate overall usage. Management anticipates that the Company's average revenue per minute of use will continue to decline in the future, reflecting the continued effect of the previously mentioned factors.

Inbound roaming revenue decreased $26.2 million, or 8%, in 2000 and increased $76.1 million, or 31%, in 1999. The decline in inbound roaming revenue in 2000 primarily resulted from the decrease in revenue per roaming minute of use on the Company's systems, partially offset by an increase in roaming minutes used. The growth in inbound roaming revenue in 1999 primarily resulted from the increase in roaming minutes used on the Company's systems, partially offset by a decrease in revenue per minute of use.

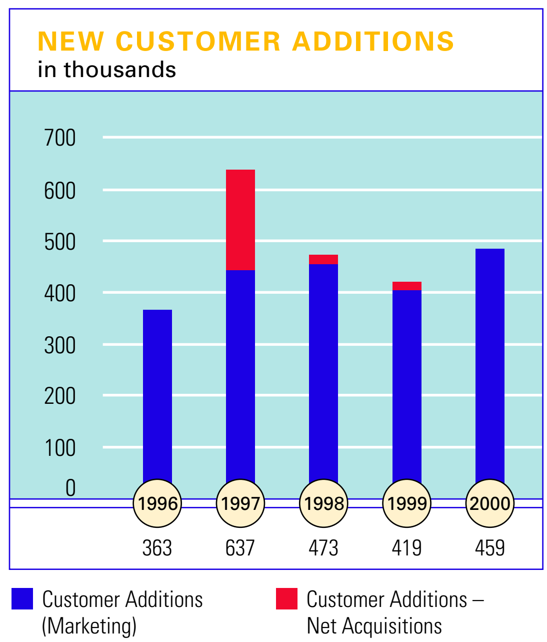
Both the increases in minutes of use and the decreases in revenue per minute of use were significantly affected by certain pricing programs offered by other wireless companies, beginning in the second half of 1998 and continuing throughout 1999 and 2000. Wireless customers who sign up for these programs are given price incentives to roam, and many of those customers travel in the Company's markets, thus driving an increase in the Company's inbound roaming minutes of use. The decline in revenue per minute of use is primarily due to the general downward trend in negotiated rates, and these negotiated rates are also affected by the previously mentioned pricing programs offered by other wireless carriers.

Management anticipates that the increase in inbound roaming minutes of use will be slower in 2001 as the effect of these new pricing programs becomes present in all periods of comparison. Additionally, as new wireless operators begin service in the Company's markets, the Company's roaming partners could switch their business to these new operators, further slowing growth in inbound roaming minutes of use. Management also anticipates that average inbound roaming revenue per minute of use will continue to decline in the future, reflecting the continued effect of the previously mentioned factors.

Average monthly inbound roaming revenue per Company customer averaged $8.70 in 2000, $11.22 in 1999 and $10.50 in 1998. The decrease in monthly inbound roaming revenue per Company customer in 2000 is attributable to a smaller increase in inbound roaming revenue than in the Company's customer base; the reverse was true in 1999, resulting in the increase in monthly inbound roaming revenue per Company customer.

Long-distance revenue increased $1.6 million, or 1%, in 2000 and $9.3 million, or 9%, in 1999 as the volume of long-distance calls billed by the Company increased, primarily from inbound roamers using the Company's systems to make long-distance calls. Growth in long-distance revenue in 2000 was lower due to price reductions primarily related to long-distance charges on roaming minutes of use. These reductions, similar to the price reductions on roaming airtime charges, are a continuation of the industry trend toward reduced per minute prices. The price reductions also reduced the growth in the outbound roaming expense component of system operations expense by approximately the same amount, resulting in no material effect on the Company's operating cash flow or operating income. Monthly long-distance revenue per customer averaged $3.43 in 2000, $4.00 in 1999 and $4.51 in 1998.

Equipment sales revenues increased $11.9 million, or 24%, in 2000 and $11.8 million, or 30%, in 1999. The increases in equipment sales revenues reflect the 15% and 12% increases, respectively, in the number of gross customer activations, to 1,154,000 in 2000 from 1,000,000 in 1999 and 896,000 in 1998, plus an increase in the number of higher priced dual-mode units and the volume of accessories sold in both years. Most of the gross customer activations were produced by the Company's direct and retail distribution channels; activations from these channels usually generate sales of cellular telephone units. The increases in sales of dual-mode units in both years are related to the Company's ongoing conversion of its systems to digital coverage, which enables the Company to offer its customers more features, better clarity and increased roaming capabilities. The increases in the volume of accessories sold in both years reflect an increased emphasis on the sale of accessories at retail prices in the Company's retail locations.



Operating Expenses

(Dollars in millions)	2000	1999	1998
	Year Ended December 31,		
Operating Expenses			
System operations	$ 350.5	$ 368.1	$ 346.7
Marketing and selling	303.7	272.7	228.8
Cost of equipment sold	139.7	124.1	94.4
General and administrative	364.7	325.8	262.8
Depreciation	205.9	184.8	167.2
Amortization of intangibles	59.8	45.1	39.6
Operating Expenses	$1,424.3	$1,320.6	$1,139.5

Operating expenses increased $103.7 million, or 8%, in 2000, and increased $181.1 million, or 16%, in 1999.

System operations expenses decreased $17.6 million, or 5%, in 2000, and increased $21.4 million, or 6%, in 1999. The decrease in 2000 was primarily the result of a decrease in the costs associated with the Company's customers roaming on other companies' systems ("outbound roaming"). This decrease was due to the ongoing reduction in negotiated roaming rates mentioned previously. In both 2000 and 1999, the cost of minutes used on the Company's systems and the cost of maintaining the Company's network increased. These increases were driven by increases in minutes of use on the Company's systems and increases in the number of cell sites within those systems. In total, management expects system operations expenses to increase over the next few years, driven by increases in minutes of use on the Company's systems and the number of cell sites within those systems.

Customer usage expenses represent charges from other telecommunications service providers for the Company's customers' use of their facilities as well as for the Company's inbound roaming traffic on these facilities. Also included are costs related to local interconnection to the landline network, long-distance charges and outbound roaming expenses.

Customer usage expenses decreased $25.1 million, or 9%, in 2000 and increased $9.5 million, or 3%, in 1999. In 2000, the decrease was primarily due to the $39.3 million, or 17%, decrease in outbound roaming costs. In 1999, this decrease was only $5.2 million, or 2%. These decreases reflected growth in outbound roaming minutes used which was more than offset by lower costs per roaming minute of use. These lower per minute costs are related to the lower roaming prices in the industry mentioned previously. The cost of minutes used on the Company's systems increased $15.2 million, or 25%, in 2000, and $13.6 million, or 29%, in 1999. The increase in 1999 was the primary driver of the overall increase in customer usage expenses. Customer usage expenses represented 16% of service revenues in 2000, 19% in 1999 and 22% in 1998.

Maintenance, utility and cell site expenses increased $7.6 million, or 10%, in 2000, and $11.8 million, or 19%, in 1999. The increase primarily reflects an increase in the number of cell sites in the Company's systems, to 2,501 in 2000 from 2,300 in 1999 and 2,065 in 1998.

Marketing and selling expenses increased $31.0 million, or 11%, in 2000, and $43.9 million, or 19%, in 1999. Marketing and selling expenses primarily consist of salaries, commissions and expenses of field sales and retail personnel and offices; agent expenses; corporate marketing department salaries and expenses; local advertising; and public relations expenses. The increases in both years were primarily due to the respective 15% and 12% increases in the number of gross customer activations. In 1999, the Company changed to a new U.S. Cellular[SM] brand name and logo, and incurred additional expenses to roll out new marketing materials and signage.

Marketing cost per gross customer activation, which includes marketing and selling expenses and equipment subsidies, decreased 5% to $330 in 2000 from $346 in 1999, and increased 9% in 1999 from $317 in 1998. The decrease in cost per gross customer activation in 2000 was primarily due to reductions in equipment subsidies and advertising expenses per gross customer activation. In 1999, additional advertising expenses were incurred to promote the Company's new brand and to distinguish the Company's service offerings from those of its competitors; commissions paid to agents increased, resulting from an increase in the percent of gross activations which were produced by agents; and equipment subsidies increased, resulting from the sale of more dual-mode units, which on average generated greater equipment losses than the sale of analog units.

Cost of equipment sold increased $15.6 million, or 13%, in 2000, and $29.7 million, or 31%, in 1999. The increases in both years reflect the growth in unit sales related to the respective 15% and 12% increase in gross customer activations as well as the impact of selling more higher cost dual-mode units in both years. The average cost of dual-mode units decreased in 2000, lessening the impact of selling more of these units.

General and administrative expenses increased $39.0 million, or 12%, in 2000 and $63.0 million, or 24%, in 1999. These expenses include the costs of operating the Company's five customer care centers and local business offices, the costs of serving and retaining customers and corporate expenses other than the corporate engineering and marketing departments. The increases in both years include the effects of increases in expenses required to serve the growing customer base in the Company's markets and other expenses incurred related to the growth in the Company's business. The Company incurred additional costs in 2000 and 1999 related to its customer care centers, which centralize certain customer service functions, and incurred additional costs to retain customers and to provide digital phone units to customers who migrated from analog to digital rate plans. In 2000 and 1999, the Company incurred costs related to its conversion to a new billing system.

Employee-related expenses increased $6.3 million, or 4%, in 2000 and $27.6 million, or 23%, in 1999. The smaller increase in employee-related expenses in 2000 than in 1999 was primarily due to a decrease in deferred compensation expense in 2000 resulting from the decline in the Company's stock price during the year. Also contributing was a decline in temporary services expense as the customer care centers were more fully staffed in 2000 than in 1999.

management's discussion and analysis

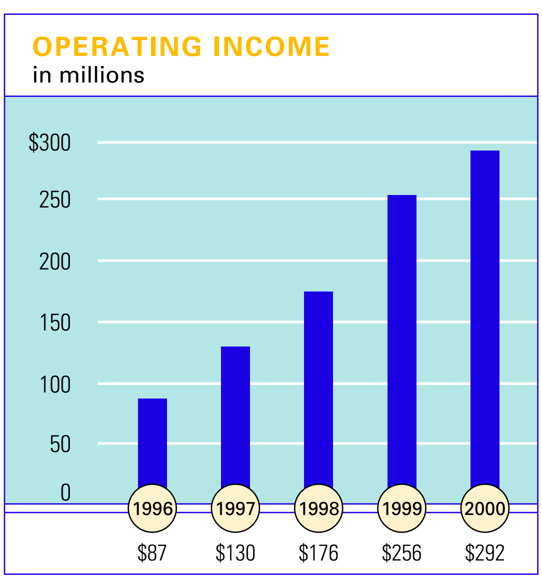
of Results of Operations and Financial Condition

Monthly general and administrative expenses per customer decreased 5% to $10.85 in 2000 from $11.47 in 1999, and increased 1% in 1999 from $11.37 in 1998. General and administrative expenses represented 22% of service revenues in 2000 and 21% in both 1999 and 1998.

Operating cash flow increased $72.2 million, or 15%, to $558.0 million in 2000 and increased $103.0 million, or 27%, to $485.8 million in 1999. Including noncash stock-based compensation expense, operating cash flow would have been $563.5 million in 2000, $494.4 million in 1999 and $386.0 million in 1998. The improvements in 2000 and 1999 were primarily due to substantial growth in customers and service revenues and the effects of continued operational efficiencies on cash operating expenses. Operating cash flow margins (as a percent of service revenues) were 33.7% in 2000, 31.8% in 1999 and 30.0% in 1998.

Depreciation expense increased $21.1 million, or 11%, in 2000 and $17.7 million, or 11%, in 1999. The increases reflect rising average fixed asset balances, which increased 13% in 2000 and 14% in 1999. Increased fixed asset balances in both 2000 and 1999 resulted from the addition of new cell sites built to improve coverage and capacity in the Company's markets and from upgrades to provide digital service in more of the Company's service areas. In 1998, the Company reduced the useful lives of certain assets, which increased depreciation by approximately $23.2 million.

Amortization of intangibles increased $14.6 million, or 32%, in 2000 and $5.5 million, or 14%, in 1999. Beginning October 1, 1999, capitalized development costs related to the Company's new billing and information system, totaling approximately $118 million, are being amortized over a period of seven years. Annual amortization of these costs is expected to be approximately $17 million.



Operating Income

Operating income totaled $292.3 million in 2000, an increase of $36.5 million, or 14%, from 1999, and totaled $255.8 million in 1999, an increase of $79.8 million, or 45%, from 1998. The operating income margins were 17.7% in 2000, 16.8% in 1999 and 13.8% in 1998. The improvements in operating income and operating income margins in 2000 and 1999 reflect the following factors:

- increased revenues, driven by growth in the number of customers served by the Company's systems;
- increased minutes of use on the Company's systems from both local customers and inbound roamers; and
- the effect of continued operational efficiencies on total operating expenses.

The Company expects service revenues to continue to grow during 2001; however, management anticipates that average monthly revenue per customer will decrease, as retail service and inbound roaming revenue per minute of use decline and as the Company further penetrates the consumer market. Additionally, the Company expects expenses to increase during 2001 as it incurs costs associated with both customer growth and fixed assets added.

Management continues to believe there exists a seasonality in both service revenues, which tend to increase more slowly in the first and fourth quarters, and operating expenses, which tend to be higher in the fourth quarter due to increased marketing activities and customer growth, which may cause operating cash flow and operating income to vary from quarter to quarter. Additionally, competitors licensed to provide personal communications services ("PCS") have initiated service in certain of the Company's markets over the past three-and-a-half years. The Company expects PCS operators to continue deployment of PCS throughout all of the Company's clusters during 2001. The Company has increased its advertising since 1997 to promote its brand and distinguish the Company's service from other wireless communications providers. Management continues to monitor other wireless communications providers' strategies to determine how additional competition is affecting the Company's results. While the effects of additional wireless competition have slowed customer growth in certain of the Company's markets, the overall effect on the Company's total customer growth to date has not been material. However, management anticipates that customer growth will be slower in the future, primarily as a result of the increase in the number of competitors in its markets.

Investment and Other Income

Investment and other income totaled $150.7 million in 2000, $298.3 million in 1999 and $251.8 million in 1998. Gain on cellular and other investments totaled $96.1 million in 2000, reflecting the sale of the Company's majority interest in one market and minority interests in two markets, plus $42.5 million in cash received from the settlement of a legal matter.

Gain on cellular and other investments totaled $266.7 million in 1999, primarily resulting from the effect of the AirTouch Communications, Inc. ("ATI") merger with Vodafone Group plc ("VOD") in June 2000. As a result of the merger, the Company received approximately 2.0 million VOD American Depositary Receipts ("ADRs") (now 10.2 million ADRs after a 5-for-1 stock split) plus $36.9 million in cash in exchange for its 4.1 million ATI shares. In 1999, the Company recognized in earnings a gain of $259.5 million on the difference between its historical basis in the ATI shares ($181.1 million) and the merger date value of the VOD ADRs plus the cash received (an aggregate of $440.6 million).

Gain on cellular and other investments totaled $215.2 million in 1998, primarily from sales of the Company's majority interest in one market and minority interests in several markets, and also related to cash received from TDS pursuant to an agreement between the Company and TDS. The sale of certain of these minority interests was to ATI, from which the Company received consideration including the 4.1 million ATI shares.

Investment income was $43.7 million in 2000, $30.4 million in 1999 and $42.5 million in 1998. Investment income primarily represents the Company's share of net income from the markets managed by others that are accounted for by the equity method. The aggregate income from the markets in which the Company had interests in both 1999 and 2000 increased in 2000, increasing investment income in 2000. The reverse effect was true when comparing interests the Company owned in both 1998 and 1999, reducing investment income in 1999. Investment income was negatively impacted by the divestitures of minority interests in all three years. See "Financial Resources and Liquidity – Acquisitions and Divestitures" for further discussion of these divestitures.

Interest income totaled $17.0 million in 2000, $8.9 million in 1999 and $5.7 million in 1998. The increases in both years are primarily due to the increases in interest income on affiliated cash balances, which totaled $11.3 million in 2000, $5.6 million in 1999 and $2.0 million in 1998.

Interest and Income Taxes

Interest expense totaled $36.6 million in 2000, $38.1 million in 1999 and $39.8 million in 1998. Interest expense in 2000 is primarily related to Liquid Yield Option Notes ("LYONs") ($16.0 million); the Company's 7.25% Notes (the "Notes") ($18.5 million); and the Company's revolving credit facility with a series of banks ("Revolving Credit Facility") ($1.0 million). Interest expense in 1999 was primarily related to LYONs ($17.6 million), the Notes ($18.5 million) and the Revolving Credit Facility ($782,000). Interest expense in 1998 was primarily related to LYONs ($16.5 million), the Notes ($18.5 million) and the Revolving Credit Facility ($1.1 million).

The LYONs are zero coupon convertible debentures which accrete interest at 6% annually, but do not require current cash payments of interest. All accreted interest is added to the outstanding principal balance on June 15 and December 15 of each year.

The Company's $250 million principal amount of Notes are unsecured and become due in August 2007. Interest on the Notes is payable semi-annually on February 15 and August 15 of each year.

The Revolving Credit Facility is a seven-year facility which was established in 1997. Borrowings under this facility accrue interest at the London InterBank Offered Rate ("LIBOR") plus 19.5 basis points (for a rate of 6.8% at December 31, 2000). Interest and principal are due the last day of the borrowing period, as selected by the borrower, of either seven days or one, two, three or six months; any borrowings made under the facility are short-term in nature and automatically renew until they are repaid. The Company pays facility and administrative fees totaling $710,000 per year in addition to interest on any borrowings; these fees are recorded as interest expense. Any borrowings outstanding in August 2004, the termination date of the Revolving Credit Facility, are due and payable at that time along with any accrued interest. As of December 31, 2000, the Company had $55 million of borrowings outstanding under the Revolving Credit Facility, all of which will become due in 2001. The Company borrowed and repaid amounts totaling $57 million during 1998; no borrowings were made during 1999.

Income tax expense was $172.0 million in 2000, $215.3 million in 1999 and $171.2 million in 1998. In 2000, 1999 and 1998, $44.9 million, $106.6 million and $86.9 million of income tax expense, respectively, related to gains on sales of cellular and other investments. The overall effective tax rates were 42% in both 2000 and 1999 and 44% in 1998. Each year's effective tax rate is affected by gains on sales of cellular and other investments, which have varying tax implications depending upon the structure of the transactions involved.

TDS and the Company are parties to a Tax Allocation Agreement, pursuant to which the Company is included in a consolidated federal income tax return with other members of the TDS consolidated group. For financial reporting purposes, the Company computes federal income taxes as if it was filing a separate return as its own affiliated group and was not included in the TDS group.

management's discussion and analysis

of Results of Operations and Financial Condition

Extraordinary Item

Extraordinary item – loss on extinguishment of debt, net of tax totaled $36.9 million in 2000, or $.41 per diluted share. In 2000, the Company repurchased $40.8 million face value ($16.9 million carrying value) of its Liquid Yield Option Notes ("LYONs") and satisfied $111.8 million face value ($46.8 million carrying value) of converted LYONs by paying cash to the holders. In total, the Company paid $99.4 million in cash to satisfy LYONs repurchases and conversions. The loss resulted from the difference between the repurchase or conversion price, which approximated market value, and the accreted value of the LYONs repurchased or converted. This loss is not deductible for tax purposes.

Cumulative Effect of Accounting Change

Cumulative effect of accounting change, net of tax totaled $(4.7) million in 2000, or $(.05) per diluted share, reflecting the Company's implementation of SAB No. 101. The Company now defers certain activation fees charged to its customers when initiating service through its retail and direct channels and reconnect fees charged to its customers when resuming service after suspension, and records the related revenue over periods from six to 48 months. Prior to implementing SAB No. 101, the Company recorded these fees as operating revenues in the period they were charged to the customer. The cumulative effect represents the aggregate impact of this accounting change for periods prior to 2000.

Net Income

Net income totaled $192.9 million in 2000, $300.8 million in 1999 and $216.9 million in 1998. *Diluted earnings per share* was $2.22 in 2000, $3.28 in 1999 and $2.39 in 1998. Net income and earnings per share for all three years included significant after-tax gains on the sales of cellular and other investments, representing $51.2 million and $0.56 per share in 2000, $160.2 million and $1.69 per share in 1999 and $128.2 million and $1.37 per share in 1998. In 2000, net income and earnings per share included an extraordinary loss, representing $36.9 million and $0.41 per share, and the cumulative effect of an accounting change, representing $4.7 million and $0.05 per share. Excluding the after-tax effect of these gains, extraordinary loss and cumulative effect of an accounting change, net income would have been $183.3 million, or $2.12 per share, in 2000; $140.6 million, or $1.59 per share, in 1999; and $88.7 million, or $1.02 per share, in 1998.

Inflation

Management believes that inflation affects the Company's business to no greater extent than the general economy.

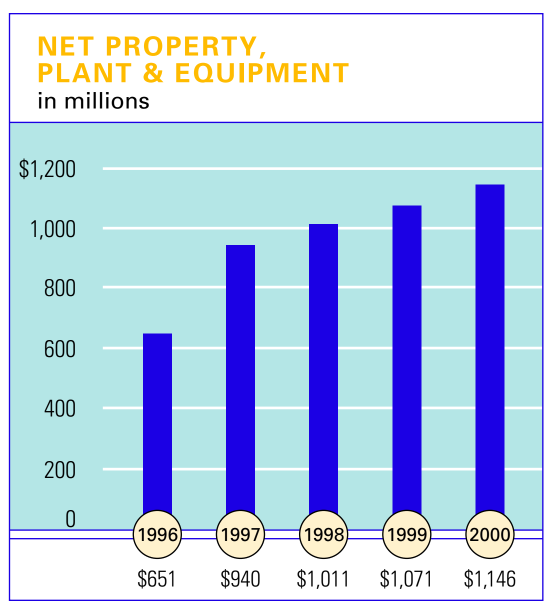
Accounting For Derivative Instruments and Hedging Activities

Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended, was effective January 1, 2001. SFAS No. 133 establishes accounting and reporting standards for derivative instruments and hedging activities by requiring that entities recognize all derivatives as either assets or liabilities at fair market value on the balance sheet. Management has assessed this statement and believes that it will not have a material effect on results of operations or financial position of the Company.

FINANCIAL RESOURCES AND LIQUIDITY

The Company operates a capital- and marketing-intensive business. In recent years, the Company has generated operating cash flow and received cash proceeds from divestitures to fund its construction costs and operating expenses. The Company anticipates further increases in cellular units in service, revenues, operating cash flow and fixed asset additions in the future. Operating cash flow may fluctuate from quarter to quarter depending on the seasonality of each of these growth factors.

Cash flows from operating activities provided $521.3 million in 2000, $333.2 million in 1999 and $311.1 million in 1998. Operating cash flow provided $558.0 million in 2000, $485.8 million in 1999 and $382.9 million in 1998. Cash flows from other operating activities (investment and other income, interest expense, income taxes, changes in working capital and changes in other assets and liabilities) required $36.7 million in 2000, $152.6 million in 1999 and $71.8 million in 1998. Income taxes and interest paid totaled $128.2 million in 2000, $110.5 million in 1999 and $120.0 million in 1998.



Cash flows from investing activities required $321.7 million in 2000, $190.4 million in 1999 and $270.2 million in 1998. Cash required for property, plant and equipment and system development expenditures totaled $305.4 million in 2000, $277.4 million in 1999 and $320.4 million in 1998. In all three years, these expenditures were financed primarily with internally generated cash and the proceeds from the sales of cellular interests. These expenditures primarily represent the construction of 224, 225 and 281 cell sites in 2000, 1999 and 1998, respectively, plus other plant additions and costs related to the development of the Company's office systems. In all three years, other plant additions included significant amounts related to the replacement of retired assets and the changeout of analog radio equipment for digital radio equipment. Acquisitions required $57.6 million in 2000, $29.8 million in 1999 and $120.0 million in 1998. The Company issued notes receivable to third parties totaling $42.2 million in 2000 and $10.0 million in 1999. The Company received net cash proceeds totaling $73.0 million in 2000, $96.0 million in 1999 and $148.3 million in 1998 related to sales of cellular and other investments. Cash distributions from cellular entities in which the Company has an interest provided $20.6 million in 2000, $24.4 million in 1999 and $27.7 million in 1998.

Cash flows from financing activities required $273.1 million in 2000, provided $2.9 million in 1999 and required $2.7 million in 1998. In 2000, the Company repurchased a total of 3.5 million of its Common Shares for a total of $223.8 million in cash, plus $11.0 million of accounts payable recorded for payments made in January 2001. These stock repurchases were made under separate programs authorized by the Company's Board of Directors. In March 2000, May 2000 and October 2000, the Board of Directors authorized separate programs to repurchase up to 1.4 million USM Common Shares per program. All shares authorized to be repurchased under the March 2000 and May 2000 programs were repurchased as of December 31, 2000. A total of 65,400 Common Shares were repurchased under the October 2000 program as of that date. An additional 630,500 Common Shares were purchased pursuant to a previously authorized program to repurchase a limited amount of shares on a quarterly basis, primarily for use of employee benefit plans. Retirement of debt required $99.4 million of cash in 2000, as the Company repurchased $40.8 million face value ($16.9 million carrying value) of LYONs and paid cash to satisfy the conversion of $111.8 million face value ($46.8 million carrying value) of LYONs by the holders. Additionally, the Company satisfied the conversion of $149.5 million face value ($62.6 million carrying value) of LYONs by issuing approximately 105,000 new USM Common Shares and by reissuing approximately 1.3 million treasury shares valued at $87.1 million. In 2000, the Company borrowed a total of $61.0 million and repaid $6.0 million under its revolving credit facility with a group of banks. In 1998, the Company borrowed and repaid $57.0 million under this revolving credit facility.

Anticipated capital requirements for 2001 primarily reflect the Company's plans for construction and system expansion. The Company's construction and system expansion budget for 2001 is $425 million to $450 million, to expand and enhance the Company's coverage in its service areas, including the addition of digital service capabilities to its systems, and to enhance the Company's office systems.

Acquisitions and Divestitures

The Company assesses its cellular holdings on an ongoing basis in order to maximize the benefits derived from clustering its markets. The Company also reviews attractive opportunities for the acquisition of additional wireless spectrum. Over the past few years, the Company has completed exchanges of controlling interests in its less strategic markets for controlling interests in markets which better complement its clusters. The Company has also completed outright sales of other less strategic markets, and has purchased controlling interests in markets which enhance its clusters. The proceeds from any sales have been used to further the Company's growth.

Acquisitions

In 2000, the Company acquired majority interests in two markets and several minority interests in other markets, representing 387,000 pops, for consideration totaling $86.5 million. The consideration consisted of approximately 28,000 Common Shares, $57.6 million in cash, repayment of notes receivable totaling $10.4 million and payables totaling $15.6 million.

In 1999, the Company acquired a majority interest in one market and minority interests in several markets, representing approximately 245,000 pops, for cash totaling $31.5 million.

In 1998, the Company acquired majority interests in six markets and minority interests in several markets, representing approximately 1.3 million pops, for consideration totaling $168.3 million, consisting of $163.6 million in cash and approximately 46,000 USM Common Shares.

Divestitures

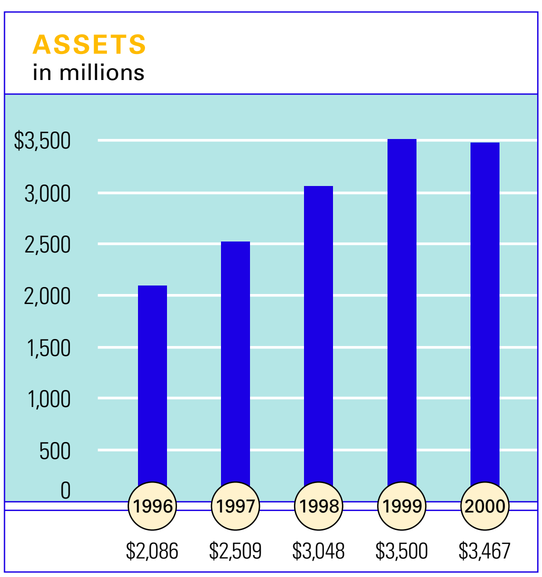
In 2000, the Company divested a majority interest in one market and minority interests in two markets representing 384,000 pops for consideration totaling $114.8 million. The consideration consisted of $74.2 million in cash and $40.6 million in receivables. The receivables consisted of $37.3 million of long-term notes receivable and $3.3 million of accounts receivable. The notes receivable are for a five-year period and bear interest at 8% per year, with interest payable annually.

In 1999, the Company divested a majority interest in one market and minority interests in three markets, representing approximately 612,000 pops, for $59.7 million in cash and receivables. The majority interest was divested to BellSouth as part of the exchange transaction, which was substantially completed in November 1997; therefore, no gain or loss was recorded on this transaction.

In 1998, the Company divested a majority interest in one market and minority interests in several markets, representing approximately 1.1 million pops. In exchange, the Company received approximately 4.1 million shares of ATI stock and cash totaling $148.4 million. Approximately $28.7 million of the total cash received was pursuant to a contract right termination agreement entered into between the Company and TDS. This agreement was related to two interests which were sold directly by TDS to ATI and which were to be acquired by the Company as part of a June 1996 agreement between the Company and TDS. The contract right termination agreement enabled the Company to receive cash equal to the value of the gain the Company would have realized had it purchased the interests from TDS and sold them to ATI under terms similar to those in the agreement between TDS and ATI.

Pending Transactions

As of December 31, 2000, the Company had agreements pending to acquire a majority interest in one market, representing 123,000 pops, for cash totaling $56.2 million, and to divest minority interests in three markets, representing 7,000 pops, for consideration totaling $2.3 million. The Company expects these transactions to be completed in the first quarter of 2001.



Liquidity

The Company anticipates that the aggregate resources required for 2001 will include the following:

- $425 million to $450 million for capital spending;
- $56 million for an acquisition;
- an as yet undetermined amount that may be needed to repurchase USM Common Shares or LYONs under programs authorized by the Company's Board of Directors; and
- an as yet undetermined amount that may be needed to finance expenditures related to the Company's interests in certain wireless licenses acquired in the Federal Communications Commission's ("FCC's") C and F Block auctions in early 2001.

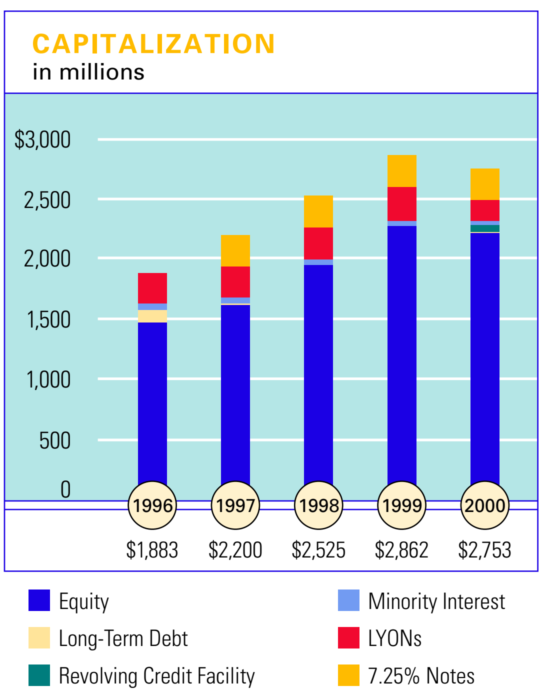
In October 2000, the Company's Board of Directors authorized the repurchase of an additional 1.4 million USM Common Shares. Through December 31, 2000, the Company had repurchased 65,400 shares under this program. Additionally, the Company may repurchase a limited amount of additional shares on a quarterly basis, primarily for use in employee benefit plans.

The Board of Directors has authorized management to opportunistically repurchase LYONs in private transactions. The Company may also purchase a limited amount of LYONs in open-market transactions from time to time. The Company's LYONs are convertible, at the option of their holders, at any time prior to maturity, redemption or purchase, into USM Common Shares at a conversion rate of 9.475 USM Common Shares per LYON. Upon conversion, the Company has the option to deliver to holders either USM Common Shares or cash equal to the market value of the USM Common Shares into which the LYONs are convertible.

The Company is a limited partner in Black Crow Wireless L.P. ("Black Crow"), which was a successful bidder for 17 licenses in 13 markets in the most recent FCC spectrum auction, ended in January 2001. The license cost for the 17 licenses amounted to $283.9 million. As a result of its 85% economic interest in Black Crow, the Company, as of December 31, 2000, has contributed a total of $8.9 million in capital and loaned $41.7 million to Black Crow, and loaned $563,000 to the general partner of Black Crow. The exact nature of the Company's financial commitment going forward will be developed as Black Crow develops its long-term business and financing plans. The Company is committed to contributing capital along the lines of its partnership interest, and has committed to loan the general partner up to $20 million. The Company has no other loan commitments, but it is possible that the Company will provide guarantees or other financial undertakings to support Black Crow's efforts at raising debt financing.

The Company is generating substantial cash from its operations and anticipates financing all of the above expenditures with internally generated cash and with borrowings under the Company's Revolving Credit Facility as the timing of such expenditures warrants. The Company had $124.3 million of cash and cash equivalents at December 31, 2000. Additionally, $445 million of the $500 million under the Company's Revolving Credit Facility is unused and remains available to meet any short-term borrowing requirements.

Management believes that the Company's operating cash flows and sources of external financing, including the above-referenced Revolving Credit Facility, provide substantial financial flexibility for the Company to meet both its short- and long-term needs. The Company also currently has access to public and private capital markets to help meet its long-term financing needs. The Company anticipates issuing debt and equity securities only when capital requirements (including acquisitions), financial market conditions and other factors warrant.



Market Risk

The Company is subject to market rate risks due to fluctuations in interest rates and equity markets. All of the Company's existing long-term debt is in the form of fixed-rate notes with original maturities ranging from seven to 20 years. Accordingly, fluctuations in interest rates can lead to fluctuations in the fair value of such instruments. The Company has not entered into financial derivatives to reduce its exposure to interest rate risks.

The Company had total debt repayments as of December 31, 2000 and 1999 of $700.2 million and $989.2 million, respectively, which are all due after 2004. The weighted average interest rates on this debt during 2000 and 1999 were 6.50% and 6.35%, respectively, and the fair value of the debt at year-end was $678.1 million and $950.2 million, respectively.

The Company maintains a portfolio of available-for-sale marketable equity securities which resulted from acquisitions and the sale of non-strategic investments. The market value of these investments, principally VOD ADRs, amounted to $377.9 million at December 31, 2000. A hypothetical 10% decrease in the share prices of these investments would result in a $37.8 million decline in the market value of the investments.

Private Securities Litigation Reform Act of 1995 Safe Harbor Cautionary Statement

This Management's Discussion and Analysis of Results of Operations and Financial Condition and other sections of this Annual Report to Shareholders contains statements that are not based on historical fact, including the words "believes", "anticipates", "intends", "expects" and similar words. These statements constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, events or developments to be significantly different from any future results, events or developments expressed or implied by such forward-looking statements. Such factors include, but are not limited to:

- *general economic and business conditions, both nationally and in the regions in which the Company operates;*
- *technology changes;*
- *competition;*
- *changes in business strategy or development plans;*
- *acquisitions/divestitures of properties and/or licenses;*
- *changes in governmental regulations;*
- *availability of future financing; and*
- *changes in growth in cellular customers, penetration rates, churn rates and roaming rates.*

The Company undertakes no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise. Readers should evaluate any statements in light of these important factors.

Consolidated financial Statements

Consolidated Statements of Income

(Dollars in thousands, except per share amounts)	Year Ended December 31, 2000	1999	1998
Operating Revenues			
Service	$1,653,922	$1,525,660	$1,276,522
Equipment sales	62,718	50,769	39,013
Total Operating Revenues	1,716,640	1,576,429	1,315,535
Operating Expenses			
System operations	350,507	368,070	346,693
Marketing and selling	303,721	272,729	228,844
Cost of equipment sold	139,654	124,058	94,378
General and administrative	364,747	325,758	262,766
Depreciation	205,916	184,830	167,150
Amortization of intangibles	59,782	45,142	39,629
Total Operating Expenses	1,424,327	1,320,587	1,139,460
Operating Income	292,313	255,842	176,075
Investment and Other Income			
Investment income	43,727	30,374	42,451
Amortization of licenses related to investments	(1,365)	(1,186)	(1,039)
Interest income	17,049	8,893	5,695
Other income (expense), net	2,844	590	(4,413)
Minority share of income	(7,629)	(7,148)	(6,039)
Gain on cellular and other investments	96,075	266,744	215,154
Total Investment and Other Income	150,701	298,267	251,809
Income Before Interest and Income Taxes	443,014	554,109	427,884
Interest Expense	36,608	38,099	39,772
Income Before Income Taxes	406,406	516,010	388,112
Income tax expense	171,968	215,252	171,165
Income Before Extraordinary Item and Cumulative Effect of Accounting Change	234,438	300,758	216,947
Extraordinary item – loss on extinguishment of debt, net of tax	(36,870)	—	—
Cumulative effect of accounting change, net of tax	(4,661)	—	—
Net Income	$ 192,907	$ 300,758	$ 216,947
Basic Weighted Average Common and Series A Common Shares (000s)	86,355	87,478	87,323
Basic Earnings Per Common and Series A Common Share			
Income Before Extraordinary Item and Cumulative Effect of Accounting Change	$ 2.71	$ 3.44	$ 2.48
Extraordinary Item	(0.43)	—	—
Cumulative Effect of Accounting Change	(0.05)	—	—
Net Income	$ 2.23	$ 3.44	$ 2.48
Diluted Earnings Per Common and Series A Common Share			
Income Before Extraordinary Item and Cumulative Effect of Accounting Change	$ 2.68	$ 3.28	$ 2.39
Extraordinary Item	(0.41)	—	—
Cumulative Effect of Accounting Change	(0.05)	—	—
Net Income	$ 2.22	$ 3.28	$ 2.39

The accompanying notes to consolidated financial statements are an integral part of these statements.

Consolidated Statements of Cash Flows

(Dollars in thousands)	Year Ended December 31, 2000	1999	1998
Cash Flows from Operating Activities			
Net income	$ 192,907	$ 300,758	$ 216,947
Add (Deduct) adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	265,698	229,972	206,779
Deferred income tax provision	23,612	134,130	107,201
Investment income	(43,727)	(30,374)	(42,451)
Minority share of income	7,629	7,148	6,039
Extraordinary item	36,870	—	—
Cumulative effect of accounting change	4,661	—	—
Gain on cellular and other investments	(96,075)	(266,744)	(215,154)
Other noncash expense	26,519	18,017	24,660
Proceeds from litigation settlement	42,457	—	—
Change in accounts receivable	(22,462)	(38,970)	(26,998)
Change in inventory	(19,053)	(13,303)	(4,817)
Change in accounts payable	54,200	(14,711)	61,977
Change in accrued taxes	30,378	(5,896)	(26,246)
Change in customer deposits and deferred revenues	12,876	9,067	6,523
Change in other assets and liabilities	4,840	4,083	(3,361)
	521,330	333,177	311,099
Cash Flows from Investing Activities			
Additions to property, plant and equipment	(295,308)	(248,722)	(274,375)
System development costs	(10,109)	(28,728)	(46,042)
Acquisitions, excluding cash acquired	(57,569)	(29,841)	(119,957)
Proceeds from cellular and other investments	72,973	95,988	148,329
Distributions from unconsolidated entities	20,582	24,427	27,740
Investments in and advances (to)/from unconsolidated entities	(13,044)	5,497	(185)
Change in notes receivable	(42,243)	(10,000)	—
Change in temporary investments and marketable non-equity securities	357	236	468
Other investing activities	2,693	738	(6,227)
	(321,668)	(190,405)	(270,249)
Cash Flows from Financing Activities			
Repayment of debt	(99,356)	(267)	—
Repurchase of common shares	(223,847)	—	—
Borrowings from Revolving Credit Facility	61,000	—	57,000
Repayment of Revolving Credit Facility	(6,000)	—	(57,000)
Repayment of notes payable	—	—	(1,302)
Common Shares issued	4,033	9,290	2,567
Capital (distributions) to minority partners	(8,886)	(6,095)	(3,991)
	(273,056)	2,928	(2,726)
Net (Decrease) Increase in Cash and Cash Equivalents	(73,394)	145,700	38,124
Cash and Cash Equivalents –			
Beginning of period	197,675	51,975	13,851
End of period	$ 124,281	$ 197,675	$ 51,975

The accompanying notes to consolidated financial statements are an integral part of these statements.

Consolidated financial Statements

Consolidated Balance Sheets – Assets

(Dollars in thousands)	December 31, 2000	1999
Current Assets		
Cash and cash equivalents		
General funds	$ 69,956	$ 29,169
Affiliated cash equivalents	54,325	168,506
	124,281	197,675
Temporary investments	7	148
Accounts receivable		
Customers, less allowance of $9,678 and $10,029, respectively	142,783	124,145
Roaming	62,928	61,915
Affiliates	60	15
Other	13,312	9,584
Inventory	48,798	29,999
Note receivable	—	10,000
Prepaid expenses	10,796	10,081
Other current assets	6,398	5,221
	409,363	448,783
Investments		
Licenses, net of accumulated amortization of $218,333 and $188,076, respectively	1,130,802	1,156,175
Marketable equity securities	377,900	540,711
Investments in unconsolidated entities, net of accumulated amortization of $5,027 and $3,934, respectively	188,859	124,573
Notes and interest receivable – long-term	84,566	10,736
Marketable non-equity securities	—	216
	1,782,127	1,832,411
Property, Plant and Equipment		
In service and under construction	1,801,377	1,579,278
Less accumulated depreciation	655,754	508,273
	1,145,623	1,071,005
Deferred Charges		
System development costs, net of accumulated amortization of $43,427 and $17,580, respectively	119,724	135,462
Other, net of accumulated amortization of $9,108 and $8,662 respectively	10,197	12,434
	129,921	147,896
Total Assets	$3,467,034	$3,500,095

The accompanying notes to consolidated financial statements are an integral part of these statements.

Consolidated Balance Sheets – Liabilities and Shareholders' Equity

(Dollars in thousands)	December 31, 2000	1999
Current Liabilities		
Revolving Credit Facility	$ 55,000	$ —
Accounts payable		
Affiliates	9,124	3,127
Other	203,223	143,967
Customer deposits and deferred revenues	53,855	36,882
Accrued interest	7,449	7,064
Accrued taxes	32,529	7,517
Accrued compensation	19,550	16,555
Other current liabilities	17,597	11,867
	398,327	226,979
Long-term Debt		
6% zero coupon convertible debentures	185,817	296,322
7.25% unsecured notes	250,000	250,000
Other	13,000	—
	448,817	546,322
Deferred Liabilities and Credits		
Net deferred income tax liability	357,775	401,983
Other	12,611	9,199
	370,386	411,182
Minority Interest	34,933	40,971
Common Shareholders' Equity		
Common Shares, par value $1 per share; authorized 140,000,000 shares; issued and outstanding 55,046,268 and 54,713,101 shares, respectively	55,046	54,713
Series A Common Shares, par value $1 per share; authorized 50,000,000 shares; issued and outstanding 33,005,877 shares	33,006	33,006
Additional paid-in capital	1,321,193	1,331,274
Treasury Shares, at cost, 2,176,294 shares	(145,542)	—
Accumulated other comprehensive (loss) income	(16,296)	81,391
Retained earnings	967,164	774,257
	2,214,571	2,274,641
Total Liabilities and Shareholders' Equity	$ 3,467,034	$ 3,500,095

The accompanying notes to consolidated financial statements are an integral part of these statements.

Consolidated

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Statements

Consolidated Statements of Changes in Common Shareholders' Equity

(Dollars in thousands)	Common Shares	Series A Common Shares	Additional Paid-In Capital	Treasury Shares	Comprehensive Income	Accumulated Other Comprehensive (Loss) Income	Retained Earnings
Balance, December 31, 1997	$ 54,232	$ 33,006	$ 1,285,530	$ —	$ —	$ —	$ 256,552
Add							
Acquisition of cellular interests	46	—	1,257	—	—	—	—
Employee benefit plans	87	—	2,480	—	—	—	—
Sale of interests transferred from TDS	—	—	30,628	—	—	—	—
Net income	—	—	—	—	$ 216,947	—	216,947
Other Comprehensive Income:							
Unrealized gain on marketable equity securities	—	—	—	—	69,465	69,465	—
Comprehensive income	—	—	—	—	$ 286,412	—	—
Balance, December 31, 1998	54,365	33,006	1,319,895	—		69,465	473,499
Add (Deduct)							
Employee benefit plans	298	—	9,337	—	—	—	—
Conversion of 6% zero coupon convertible debentures	50	—	2,046	—	—	—	—
Capital stock expense	—	—	(4)	—	—	—	—
Net income	—	—	—	—	$ 300,758	—	300,758
Other Comprehensive Income:							
Net unrealized gain on marketable equity securities	—	—	—	—	11,926	11,926	—
Comprehensive income	—	—	—	—	$ 312,684	—	—
Balance, December 31, 1999	54,713	33,006	1,331,274	—		81,391	774,257
Add (Deduct)							
Acquisition of cellular interests	27	—	2,805	—	—	—	—
Employee benefit plans	201	—	11,648	2,220	—	—	—
Conversion and repurchase of 6% zero coupon convertible debentures	105	—	(24,624)	87,078	—	—	—
Capital stock expense	—	—	90	—	—	—	—
Repurchase Common Shares	—	—	—	(234,840)	—	—	—
Net income	—	—	—	—	$ 192,907	—	192,907
Other Comprehensive Income:							
Net unrealized (loss) on marketable equity securities	—	—	—	—	(97,687)	(97,687)	—
Comprehensive income	—	—	—	—	$ 95,220	—	—
Balance, December 31, 2000	$ 55,046	$ 33,006	$ 1,321,193	$ (145,542)		$ (16,296)	$ 967,164

The accompanying notes to consolidated financial statements are in integral part of these statements.

notes
to Consolidated Financial Statements

Note 1 Summary of Significant Accounting Policies

United States Cellular Corporation (the "Company" or "U.S. Cellular"), a Delaware Corporation, is currently an 82.4%-owned subsidiary of Telephone and Data Systems, Inc. ("TDS").

Nature of Operations

U.S. Cellular owns, manages and invests in cellular systems throughout the United States and is the nation's eighth largest wireless telephone company in terms of customers. The Company owned interests in 175 cellular markets, representing approximately 26.6 million population equivalents ("pops"), as of December 31, 2000. U.S. Cellular's 139 majority-owned and managed markets, primarily mid-sized and rural markets, served 3,061,000 customers in 24 states as of December 31, 2000. U.S. Cellular's Midwest Regional Market Cluster, which includes markets in Iowa, Wisconsin, Illinois, Indiana and Missouri, served 1,355,000 customers at December 31, 2000, representing approximately 44% of U.S. Cellular's total customers served as of that date.

Principles of Consolidation

The accounting policies of U.S. Cellular conform to generally accepted accounting principles. The consolidated financial statements include the accounts of U.S. Cellular, its majority-owned subsidiaries, and general partnerships in which U.S. Cellular has a majority partnership interest. All material intercompany accounts and transactions have been eliminated.

U.S. Cellular includes as investments the value of the consideration given and all direct and incremental costs relating to acquisitions accounted for as purchases. All costs relating to unsuccessful negotiations for acquisitions are charged to expense.

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect (a) the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and (b) the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Certain amounts reported in prior years have been reclassified to conform to current period presentation.

Cash and Cash Equivalents and Temporary Investments

Cash and cash equivalents include cash and those short-term, highly-liquid investments with original maturities of three months or less. Those investments with original maturities of more than three months to 12 months are classified as Temporary investments. Temporary investments are stated at cost. Those investments with original maturities of more than 12 months are classified as Marketable non-equity securities and are stated at amortized cost.

The carrying amounts of Cash and cash equivalents and Temporary investments approximate their fair value due to the short-term nature of these investments.

Outstanding checks in excess of cash balances totaled $26.2 and $26.3 million at December 31, 2000 and 1999, respectively, and are classified as Accounts payable in the Consolidated Balance Sheets. Sufficient funds were available to fund these outstanding checks when presented for payment.

Accounts Receivable

Accounts receivable consists of amounts owed by customers for both service provided and equipment sales, by other wireless carriers whose customers have used U.S. Cellular's cellular systems, by affiliated entities and by other partners for capital distributions.

Notes and Interest Receivable – Long-Term

Notes receivable – long-term as of December 31, 2000 primarily consists of loans to Black Crow Wireless, L.P. (in which a subsidiary of the Company is an 85% limited partner) ($41.7 million) and Kington Management Corporation ($37.3 million). The terms of the notes range in length from five to twelve years and bear interest at rates ranging from 6% to 11% per year. The weighted average life of the notes is 7.4 years and the weighted average interest rate is 9.4%. The carrying amount reported in the balance sheet for Notes and interest receivable – long-term approximates the fair value.

Deferred Charges

Deferred system development costs represent costs incurred for the development of new information systems. Capitalized costs of information systems development are amortized over a five- or seven-year period, starting when each new system is placed in service.

Other deferred charges primarily represent legal and other charges incurred relating to the preparation of the agreements related to the Company's various borrowing instruments, and are amortized over the respective financing periods of each instrument (seven to 20 years).

Revenue Recognition

Revenues from operations primarily consist of charges for access, airtime, roaming and value added services provided for the Company's retail customers; charges to customers of other systems who use the Company's cellular systems when roaming; charges for long-distance calls made on the Company's systems; end user equipment sales; and sales of accessories. Revenues are recognized as services are rendered. Unbilled revenues, resulting from cellular service provided from the billing cycle date to the end of each month and from other cellular carriers' customers using U.S. Cellular's cellular systems for the last half of each month, are estimated and recorded. Equipment and accessory sales are recognized upon delivery to the customer and reflect charges to customers for equipment purchased.

notes
to Consolidated Financial Statements

Effective January 1, 2000, the Company changed its method of accounting for certain activation fees charged to its customers when initiating service through its retail and direct channels and reconnect fees charged to its customers when resuming service after suspension. This accounting change is in compliance with Staff Accounting Bulletin ("SAB") No. 101, "Revenue Recognition in Financial Statements." Based upon the new guidance, the Company recognizes these fees as revenue ratably over the average customer service periods (ranging from six to 48 months). Prior to implementing SAB No. 101, the Company recorded these fees as operating revenues in the period they were charged to the customer. In 2000, the Company recorded a one-time, non-cash earnings reduction of $4.7 million ($.05 per basic or diluted share), net of taxes of $3.2 million and minority interest of $550,000 to reflect the cumulative effect of the accounting change on periods prior to 2000.

Results for the first three quarters of 2000 have been restated to reflect the effect of this change, resulting in a decrease to operating revenues and operating income of $504,000, $1.0 million and $2.0 million in the quarters ended March 31, June 30 and September 30, 2000, respectively. Net income decreased by $300,000, $601,000 and $1.2 million in the quarters ended March 31, June 30 and September 30, 2000, respectively. Basic and diluted earnings per share decreased by $.01 in each of the quarters ended March 31, June 30 and September 30, 2000, respectively.

Had results been restated in prior years, the effect of this change would have been to decrease operating revenues and operating income by $4.5 million and $4.1 million in 1999 and 1998, respectively. Net income would have been decreased by $2.6 million and $2.3 million in 1999 and 1998, respectively. Basic and diluted earnings per share would have been decreased by $.03 and $.02 in 1999 and 1998, respectively.

Pursuant to SAB No. 101, operating revenues include charges to the Company's retail customers when they use systems other than their local systems. Prior to implementing SAB No. 101, these charges were included as an offset to system operations expense. Operating revenues for 1999 and 1998 have been changed to reflect the current period presentation. The effect of this change was to increase operating revenues by $144.9 million, $159.2 million and $153.1 million in 2000, 1999 and 1998, respectively. There was no effect on operating income.

Advertising Costs

The Company expenses advertising costs as incurred. Advertising costs totaled $69.0 million, $64.4 million and $52.4 million for the years ended December 31, 2000, 1999 and 1998, respectively.

Pension Plan

Telephone and Data Systems, Inc. Wireless Companies' Pension Plan (the "Pension Plan"), a qualified noncontributory defined contribution pension plan, was adopted effective January 1, 1994. It provides pension benefits for the employees of U.S. Cellular and its subsidiaries. Under this plan, pension benefits and costs are calculated separately for each participant and are funded currently. Pension costs were $3.6 million, $3.6 million and $3.3 million in 2000, 1999 and 1998, respectively.

Extraordinary Item

During 2000, U.S. Cellular retired a total of $152.6 million face value ($63.6 million carrying value) of its Liquid Yield Option Notes ("LYONs") for $99.4 million in cash. These retirements resulted in an extraordinary loss of $36.9 million, $.43 per basic or $.41 per diluted share. There were no income tax benefits due to the conversion feature associated with these LYONs.

Recent Accounting Pronouncements

Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended, was effective January 1, 2001. SFAS No. 133 establishes accounting and reporting standards for derivative instruments and hedging activities by requiring that entities recognize all derivatives as either assets or liabilities at fair market value on the balance sheet. The implementation of SFAS No. 133 will have no material effect on the results of operations or financial position of the Company.

Note 2 Income Taxes

U.S. Cellular is included in a consolidated federal income tax return with other members of the TDS consolidated group. TDS and U.S. Cellular are parties to a Tax Allocation Agreement (the "Agreement"). The Agreement provides that U.S. Cellular and its subsidiaries be included with the TDS affiliated group in a consolidated federal income tax return and in state income or franchise tax returns in certain situations. U.S. Cellular and its subsidiaries calculate their income and credits as if they comprised a separate affiliated group. Under the Agreement, U.S. Cellular remits its applicable income tax payments to TDS.

Income tax provisions charged to net income are summarized as follows:

	Year Ended December 31,		
(Dollars in thousands)	2000	1999	1998
Federal income taxes			
Current	$ 132,093	$ 67,116	$ 52,613
Deferred	20,208	112,463	91,671
State income taxes			
Current	16,263	14,006	11,351
Deferred	3,404	21,667	15,530
Total income tax expense	$ 171,968	$ 215,252	$ 171,165

The statutory federal income tax rate is reconciled to the Company's effective income tax rate as follows:

	Year Ended December 31, 2000	1999	1998
Statutory federal income tax rate	35.0%	35.0%	35.0%
State income taxes, net of federal benefit	3.2	4.5	4.4
Amortization of license acquisition costs	.7	.6	.6
Corporations not included in consolidated federal income tax return	—	.1	.4
Changes in tax basis	—	—	1.7
Sale of cellular interests	2.2	—	.7
Resolution of prior period tax issues	1.0	1.0	.8
Other	.2	.5	.5
Effective income tax rate	42.3%	41.7%	44.1%

Deferred income taxes are provided for the temporary differences between the amount of the Company's assets and liabilities for financial reporting purposes and their tax basis.

U.S. Cellular had current deferred tax assets totaling $3.0 million and $2.7 million at December 31, 2000 and 1999, respectively, resulting primarily from the allowance for customer receivables.

The temporary differences that gave rise to the noncurrent deferred tax assets and liabilities are as follows:

(Dollars in thousands)	December 31, 2000	1999
Deferred Tax Asset		
Taxes on acquisitions	$ 34,143	$ 34,143
Partnership investments	27,356	17,541
Net operating loss carryforward	14,335	13,593
	75,834	65,277
Less valuation allowance	12,015	11,696
Total Deferred Tax Asset	63,819	53,581
Deferred Tax Liability		
Marketable equity securities	138,891	201,672
Property, plant and equipment	101,734	94,430
Licenses	115,770	88,706
Equity investments	63,650	63,650
Other	1,549	7,106
Total Deferred Tax Liability	421,594	455,564
Net Deferred Income Tax Liability	$ 357,775	$ 401,983

The amount of state net operating loss ("NOL") carryforward (generating an $11.1 million deferred tax asset) available to offset future taxable income is primarily from the individual subsidiaries which generated the loss. The aggregate NOL is approximately $155.3 million at December 31, 2000 and expires between 2001 and 2020. A valuation allowance has been provided when it is more likely than not that some portion of the deferred tax asset will not be realized.

U.S. Cellular has certain subsidiaries which are not included in the federal consolidated income tax return, but file separate tax returns. These subsidiaries had a federal NOL carryforward (generating a $3.2 million deferred tax asset) available to offset future taxable income aggregating approximately $8.4 million at December 31, 2000 which expires between 2006 and 2015.

Included in Investments in Licenses and Investments in unconsolidated entities is goodwill related to various acquisitions structured to be tax-free aggregating $227.6 million and $38.3 million, respectively, at December 31, 2000 and $232 million and $1 million, respectively, at December 31, 1999. No deferred taxes have been provided on this goodwill.

The financial reporting basis of the marketable equity securities was greater than the tax basis at the date of acquisition, generating $149.8 million of deferred tax liability. Additionally, the value of the marketable equity securities has declined since acquisition, resulting in a $10.9 million decrease in the deferred tax liability.

Note 3 Earnings Per Share

The amounts used in computing Earnings per Common and Series A Common Shares and the effect on income and the weighted average number of Common and Series A Common Shares of dilutive potential common stock are as follows:

(Dollars and shares in thousands)	Year Ended December 31, 2000	1999	1998
Income used in Basic Earnings per Share	$ 234,438	$ 300,758	$ 216,947
Extraordinary item	(36,870)	—	—
Cumulative effect of accounting change	(4,661)	—	—
Net Income available to Common used in Basic Earnings per Share	$ 192,907	$ 300,758	$ 216,947
Income used in Basic Earnings per Share	$ 234,438	$ 300,758	$ 216,947
Interest expense eliminated as a result of the pro forma conversion of Convertible Debentures, net of tax	9,096	10,053	9,032
Income used in Diluted Earnings per Share	243,534	310,811	225,979
Extraordinary item	(36,870)	—	—
Cumulative effect of accounting change	(4,661)	—	—
Net Income available to Common used in Diluted Earnings per Share	$ 202,003	$ 310,811	$ 225,979
Weighted Average Number of Common Shares used in Basic Earnings per Share	86,355	87,478	87,323
Effect of Dilutive Securities:			
Stock options and stock appreciation rights	377	347	48
Conversion of convertible debentures	4,142	7,054	7,059
Weighted Average Number of Common Shares used in Diluted Earnings per Share	90,874	94,879	94,430

	Year Ended December 31, 2000	1999	1998
Basic Earnings per Share			
Continuing Operations			
Excluding Gains	$ 2.12	$ 1.61	$ 1.02
Gains	.59	1.83	1.46
	2.71	3.44	2.48
Extraordinary item-loss on extinguishment of debt	(.43)	—	—
Cumulative effect of accounting change	(.05)	—	—
	$ 2.23	$ 3.44	$ 2.48
Diluted Earnings per Share			
Continuing Operations			
Excluding Gains	$ 2.12	$ 1.59	$ 1.02
Gains	.56	1.69	1.37
	2.68	3.28	2.39
Extraordinary item-loss on extinguishment of debt	(.41)	—	—
Cumulative effect of accounting change	(.05)	—	—
	$ 2.22	$ 3.28	$ 2.39

Note 4 Investment in Licenses

Investment in licenses consists of the costs incurred in acquiring Federal Communications Commission licenses to provide cellular service. These costs include amounts paid to license applicants and owners of interests in cellular entities that own licenses and all direct and incremental costs relating to acquiring the licenses. These costs are capitalized and amortized through charges to expense over 40 years upon commencement of operations. Amortization expense amounted to $33.8 million, $33.8 million and $32.7 million in 2000, 1999 and 1998, respectively. Costs applicable to unsuccessful license applications are charged to expense.

Note 5 Marketable Equity Securities

Marketable equity securities are classified as available-for-sale, and are stated at fair market value. Information regarding the Company's marketable equity securities is summarized as follows:

(Dollars in thousands)	December 31, 2000	1999
Vodafone AirTouch plc 10,245,370 ADRs	$ 366,913	$ 507,146
Rural Cellular Corporation 370,882 Common Shares	10,987	33,565
Aggregate Fair Value	377,900	540,711
Historical Cost	405,061	405,061
Gross Unrealized Holding (Losses) Gains	(27,161)	135,650
Tax Effect	(10,865)	54,259
Net Unrealized Holding (Losses) Gains	$ (16,296)	$ 81,391

The Company's net unrealized holding (losses) gains are included as a (decrease) increase to Accumulated other comprehensive (loss) income. Realized gains and losses are determined on the basis of specific identification. During 1999, cash proceeds from the exchange of available-for-sale securities totaled $36.9 million and gross realized gains totaled $259.5 million.

Note 6 Investments in Unconsolidated Entities

Investments in unconsolidated entities consist of amounts invested in cellular entities in which U.S. Cellular holds a minority interest. These investments are accounted for using either the equity or cost method, as shown in the following table:

(Dollars in thousands)	December 31, 2000	1999
Equity method investments:		
Capital contributions, loans and advances	$ 27,538	$ 24,381
Licenses, net of amortization	76,945	34,495
Cumulative share of income	244,566	211,112
Cumulative share of distributions	(163,512)	(148,014)
	185,537	121,974
Cost method investments:		
Capital contributions, net of partnership distributions	2,837	1,239
Licenses, net of amortization	485	1,360
	3,322	2,599
Total investments in unconsolidated entities	$ 188,859	$ 124,573

As of December 31, 2000, U.S. Cellular followed the equity method of accounting for minority interests in 30 markets where the Company's ownership interest is 3% or greater. This method recognizes, on a current basis, U.S. Cellular's proportionate share of the income and losses accruing to it under the terms of the respective partnership and shareholder agreements. Income and losses from the entities are reflected in the Consolidated Statements of Income on a pretax basis as investment income. Investment income totaled $43.7 million, $30.4 million and $42.5 million in 2000, 1999 and 1998, respectively. As of December 31, 2000, U.S. Cellular followed the cost method of accounting for its investments in six markets where the Company's ownership interest is less than 3%.

Investments in unconsolidated entities include license costs. These costs are being amortized over 40 years. Amortization expense amounted to $1.4 million, $1.2 million and $1.0 million in 2000, 1999 and 1998, respectively.

The following summarizes the unaudited combined assets, liabilities and equity, and the unaudited combined results of operations of the wireless entities in which U.S. Cellular's investments are accounted for by the equity method:

(Unaudited, dollars in thousands)	December 31, 2000	1999
Assets		
Current	$ 274,695	$ 236,231
Due from affiliates	7,238	2,755
Property and other	1,148,569	984,738
	$1,430,502	$1,223,724
Liabilities and Equity		
Current liabilities	239,098	226,322
Due to affiliates	10,214	15,649
Deferred credits	3,740	4,062
Long-term debt	813	30,800
Partners' capital and shareholders' equity	1,176,637	946,891
	$1,430,502	$1,223,724

(Unaudited, dollars in thousands)	Year Ended December 31, 2000	1999	1998
Results of Operations			
Revenues	$1,769,203	$1,557,943	$1,460,318
Operating expenses	1,093,757	961,073	820,326
Operating cash flow	675,446	596,870	639,992
Depreciation and amortization	161,107	261,418	153,980
Operating income	514,339	335,452	486,012
Other (expense) income	(16,692)	(6,589)	337
Net income	$ 497,647	$ 328,863	$ 486,349

Note 7 Property, Plant and Equipment

Property, plant and equipment is stated at the original cost of construction including capitalized costs of certain taxes and payroll-related expenses. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The provision for depreciation as a percentage of depreciable property, plant and equipment was 12.6%, 12.9% and 13.6% in 2000, 1999 and 1998, respectively.

The Company records renewals and betterments of units of property as additions to plant in service. The original cost of depreciable property and related accumulated depreciation of depreciable property retired is removed from plant in service and, together with removal cost less any salvage realized, is charged to depreciation expense. Repairs and renewals of minor units of property are charged to system operations expense.

Property, plant and equipment in service and under construction consists of:

(Dollars in thousands)	December 31, 2000	1999
Cell site-related equipment	$1,041,670	$ 939,797
Land, buildings and leasehold improvements	305,617	280,306
Switching-related equipment	201,202	153,984
Office furniture and equipment	114,399	104,901
Other operating equipment	71,159	67,021
Work in process	67,330	33,269
	$1,801,377	$1,579,278

Note 8 Supplemental Cash Flow Disclosures

U.S. Cellular acquired certain cellular licenses and other cellular interests during 2000, 1999 and 1998. In conjunction with these acquisitions, the following assets were acquired, liabilities assumed and Common Shares issued:

(Dollars in thousands)	Year Ended December 31, 2000	1999	1998
Property, plant and equipment, net	$ —	$ 3,444	$ 18,417
Cellular licenses	17,711	22,567	97,228
Increase (Decrease) in investment in unconsolidated entities	63,054	(546)	(2,317)
Decrease in note receivable	(10,000)	—	—
Long-term debt	(13,000)	—	—
Accounts receivable	—	1,762	4,551
Accounts payable	—	(637)	(370)
Other assets and liabilities, excluding cash acquired	2,637	3,251	3,751
Common Shares issued and issuable	(2,833)	—	(1,303)
Decrease in cash due to acquisitions	$ 57,569	$ 29,841	$119,957

Following are supplemental cash flow disclosures regarding interest and income taxes paid and certain noncash transactions:

(Dollars in thousands)	Year Ended December 31, 2000	1999	1998
Interest paid	$ 19,440	$ 20,150	$ 18,966
Income taxes paid	108,800	90,307	101,041
Noncash interest expense	16,448	17,132	16,157
Net change to equity for conversion of LYONs	$ 62,560	$ 2,096	$ —

Note 9 Acquisitions and Divestitures

As part of its development strategy, U.S. Cellular acquired cellular interests for cash, promissory notes and U.S. Cellular and TDS Common Shares. U.S. Cellular also divested cellular interests for cash, notes receivable and marketable equity securities and has completed exchanges of cellular interests with other cellular companies.

Completed Acquisitions

During 2000, U.S. Cellular completed the acquisition of majority interests in two markets and several minority interests, representing approximately 387,000 pops, for consideration totaling $86.5 million as shown in the following table:

(Dollars in millions)	
Consideration	
Increase in Long-term Debt, Accounts Payable	$15.6
Repayment of Note Receivable	10.4
Common Shares Issued	2.9
Cash	57.6
Total	$86.5

Of the $15.6 million increase in long-term debt/accounts payable, $13.0 million is reported on the balance sheet as Long-term debt – other. This debt has a term of ten years and bears interest at 9% per year, with interest payable annually. The carrying value and estimated fair value of the Company's Long-term debt – other were $13.0 million and $14.1 million at December 31, 2000. The fair value was estimated using discounted cash flow analysis.

During 1999, U.S. Cellular completed the acquisition of a majority interest in one market and several minority interests, representing approximately 245,000 pops, for cash totaling $31.5 million.

Completed Divestitures

The gains recorded in 2000, 1999 and 1998 reflect the sales and other transactions related to non-strategic cellular and certain other investments. In 2000, U.S. Cellular sold its majority interest in one market and minority interests in two other markets. In 1999, U.S. Cellular recognized a $259.5 million gain as a result of the AirTouch Communications Inc. ("AirTouch") merger with Vodafone Group plc and from the divestitures of minority interests in three markets. U.S. Cellular recognized a gain on the difference between the historical basis of its investment in AirTouch common shares and the value of the Vodafone AirTouch plc ADRs ("VOD") plus cash received from the merger. In 1998, U.S. Cellular sold its majority interest in one market, and minority interests in several markets in exchange for 4.1 million AirTouch Common Shares and cash, and received cash from TDS pursuant to an agreement between TDS and the Company. In addition to the VOD ADRs received in 1999 and the AirTouch Common Shares received in 1998, these transactions generated net cash proceeds of $73.0 million, $96.0 million and $148.3 million in 2000, 1999 and 1998, respectively.

Pending Acquisitions

At December 31, 2000, U.S. Cellular had entered into an agreement with a third party to acquire a majority interest in one market, representing 123,000 pops, for $56.2 million in cash. This transaction is expected to be completed during the first half of 2001.

Pending Divestitures

At December 31, 2000, U.S. Cellular had entered into an agreement to sell its minority interests in three markets, representing 7,000 pops, for $2.3 million in receivables. The Company expects to complete this transaction during the first half of 2001.

Note 10 Revolving Credit Facility

U.S. Cellular has a $500 million revolving credit facility with a group of banks ("Revolving Credit Facility"). At December 31, 2000, $445 million was unused.

The terms of the Revolving Credit Facility provide for borrowings with interest at the London InterBank Offered Rate ("LIBOR") plus a margin percentage based on the Company's credit rating. At December 31, 2000, the margin percentage was 19.5 basis points (for a rate of 6.8%). Interest and principal are due the last day of the borrowing period, as selected by U.S. Cellular, of either seven days or one, two, three or six months. U.S. Cellular pays facility and administration fees at an aggregate annual rate of 0.142% of the total $500 million facility. These payments totaled $710,000 for the years ended December 31, 2000, 1999 and 1998, respectively. The Revolving Credit Facility expires in August 2004.

Note 11 6% Zero Coupon Convertible Debentures

The Company sold $745 million principal amount at maturity of zero coupon 6% yield to maturity convertible debt due in 2015. This 20-year fixed rate debt, in the form of Liquid Yield Option Notes ("LYONs"), is subordinated to all senior indebtedness of the Company. At December 31, 2000 and 1999, U.S. Cellular's senior indebtedness totaled $250.0 million.

Each LYON is convertible at the option of the holder at any time at a conversion rate of 9.475 U.S. Cellular Common Shares per $1,000 of LYONs. Upon conversion, U.S. Cellular may elect to deliver its Common Shares or cash equal to the market value of the Common Shares. In 2000, conversions and repurchases of LYONs totaled $302.0 million face value ($126.2 million carrying value). The Company paid $99.4 million cash and issued 1.4 million Common Shares to satisfy these conversions and repurchases. In 1999, conversions of LYONs totaled $5.8 million face value ($2.3 million carrying value). The Company paid $267,000 in cash and issued 50,000 Common Shares to satisfy these conversions.

Beginning June 15, 2000, U.S. Cellular may redeem the LYONs for cash at the issue price plus accrued original issue discount through the date of redemption. Holders have the right to exercise their conversion option prior to the redemption date. The shares converted for cash resulted in an extraordinary loss, see Note 1 for a description of these transactions.

The carrying value and estimated fair value of U.S. Cellular's 6% zero coupon convertible debentures were $185.8 million and $418.4 million at December 31, 2000 and $296.3 million and $706.9 million at December 31, 1999, respectively. The fair values were estimated using discounted cash flow analysis.

Note 12 7.25% Unsecured Notes

During 1997, the Company sold $250 million principal amount of 7.25% notes ("Notes"), priced to yield 7.33% to maturity. The Notes were sold under the Company's $400 million shelf registration. The Notes are unsecured and become due on August 15, 2007. Interest on the Notes is payable on February 15 and August 15 of each year. The Notes will be redeemable, in whole or in part, at the option of the Company at any time on or after August 15, 2004, at a redemption price equal to 100% of the principal amount of the Notes to be redeemed, plus accrued interest thereon, if any, to the date of redemption.

The carrying value and estimated fair value of the Company's 7.25% unsecured notes were $250.0 million and $245.6 million at December 31, 2000 and $250.0 million and $243.3 million at December 31, 1999, respectively. The fair values were estimated using discounted cash flow analysis.

Note 13 Common Shareholders' Equity

Common Stock

Employee Benefit Plans. The following table summarizes Common Shares issued for the employee benefit plans described as follows:

	Year Ended December 31, 2000	1999	1998
Tax-Deferred Savings Plan	36,702	49,770	33,532
Employee stock options, stock appreciation rights and awards	149,001	241,693	58,523
Employee Stock Purchase Plan	14,905	6,997	16,739
	200,608	298,460	108,794

Tax-Deferred Savings Plan

U.S. Cellular has reserved 201,651 Common Shares for issuance under the TDS Tax-Deferred Savings Plan, a qualified profit-sharing plan pursuant to Sections 401(a) and 401(k) of the Internal Revenue Code. Participating employees have the option of investing their contributions in U.S. Cellular Common Shares, TDS Common Shares, or seven nonaffiliated funds.

Employee Stock Options, Stock Appreciation Rights and Awards

U.S. Cellular accounts for stock options, stock appreciation rights ("SARs") and employee stock purchase plans under Accounting Principles Board ("APB") Opinion No. 25. No compensation costs have been recognized for the stock option and employee stock purchase plans. Compensation expense for SARs, measured on the difference between the SAR prices and the year-end market price of the Common Shares, aggregated $(141,000), $1.0 million and $440,000 in 2000, 1999 and 1998, respectively. Had compensation cost for all plans been determined consistent with SFAS No. 123 "Accounting for Stock-Based Compensation," the Company's net income and earnings per Common Share would have been reduced to the following pro forma amounts:

(Dollars in thousands, except per share amounts)	Year Ended December 31, 2000	1999	1998
Net Income:			
As Reported	$192,907	$300,758	$216,947
Pro Forma	191,925	298,941	214,810
Basic Earnings Per Common Share:			
As Reported	2.23	3.44	2.48
Pro Forma	2.22	3.42	2.46
Diluted Earnings Per Common Share:			
As Reported	2.22	3.28	2.39
Pro Forma	$ 2.21	$ 3.26	$ 2.37

A summary of the status of the Company's stock option plans at December 31, 2000, 1999 and 1998 and changes during the years then ended is presented in the table and narrative as follows:

	Weighted Number of Shares	Weighted Average Option Price	Weighted Average Fair Values
Stock Options			
Outstanding December 31, 1997 (293,418 exercisable)	554,283	$ 24.23	
Granted	325,492	$ 17.89	$ 21.93
Exercised	(83,515)	$ 8.92	
Canceled	(13,608)	$ 29.16	
Outstanding December 31, 1998 (317,611 exercisable)	782,652	$ 22.21	
Granted	291,004	$ 32.64	$ 23.45
Exercised	(378,871)	$ 21.87	
Canceled	(22,171)	$ 25.23	
Outstanding December 31, 1999 (106,104 exercisable)	672,614	$ 24.79	
Granted	214,056	$ 44.71	$ 32.80
Exercised	(232,987)	$ 16.98	
Canceled	(51,287)	$ 22.77	
Outstanding December 31, 2000 (127,012 exercisable)	602,396	$ 35.15	

U.S. Cellular has established Stock Option plans that provide for the grant of stock options to officers and employees and has reserved 1,357,294 Common Shares for options granted and to be granted to key employees. The options under the 1998 plan are exercisable from the date of vesting through November 9, 2004 to March 31, 2010, or 30 days following the date of the employee's termination of employment, if earlier. Under the 1998 Stock Option Plan, 127,012 stock options were exercisable at December 31, 2000, have exercise prices between $0 and $54.19 with a weighted average exercise price of $32.65 per share, and a weighted average remaining contractual life of 5.9 years. The remaining 475,384 options, which are not exercisable, have exercise prices between $0 and $71.00 with a weighted average exercise price of $35.82, and a weighted average remaining contractual life of 6.1 years. The fair value of each option grant was estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions used for grants in 2000 and 1999, respectively: risk-free interest rates of 5.1% and 6.7%; expected dividend yields of zero for both years; expected lives of 7.6 years and 5.0 years; and expected volatility of 34.5% and 24.2%.

Stock Appreciation Rights allow the grantee to receive an amount in Common Shares or cash, or a combination thereof, equivalent to the difference between the exercise price and the fair market value of the Common Shares on the exercise date. At December 31, 2000, there were no SARs outstanding. During 1999 and 1998, 3,800 and 31,250 Common Share SARs were exercised, respectively. During 2000 and 1999, 9,600 and 26,400 Series A Common Share SARs were exercised, respectively. There were no SARs granted in 2000, 1999 or 1998.

Employee Stock Purchase Plan

U.S. Cellular had 82,980 Common Shares reserved under the 1999 Employee Stock Purchase Plan ("1999 ESPP"). The 1999 ESPP became effective July 1, 1999, and provides for eligible employees of the Company and its subsidiaries to purchase a limited number of USM Common Shares on a quarterly basis. The per share cost to each participant is at 85% of the market value of the Common Shares as of the end of the corresponding quarter.

Series A Common Shares

Series A Common Shares are convertible on a share-for-share basis into Common Shares. In matters other than the election of directors, each Series A Common Share is entitled to ten votes per share, compared to one vote for each Common Share. The Series A Common Shares are entitled to elect 75% of the directors, and the Common Shares elect 25% of the directors. As of December 31, 2000, all of U.S. Cellular's outstanding Series A Common Shares were held by TDS.

Common Share Repurchase Program

In 2000, the Company authorized the repurchase of up to 4.2 million USM Common Shares through three separate 1.4 million share programs. The Company may use repurchased shares to fund acquisitions and for other corporate purposes.

The Company repurchased 3.5 million Common Shares in 2000 for $234.8 million. The Company reissued 1.3 million Common Shares in 2000, primarily to satisfy conversions of convertible debt securities.

Accumulated Other Comprehensive (Loss) Income

The cumulative balance of unrealized (losses) gains on securities and related income tax effects included in accumulated other comprehensive (loss) income are as follows:

(Dollars in thousands)	Year Ended December 31, 2000	1999
Balance, beginning of period	$ 81,391	$ 69,465
Add:		
Unrealized (losses) gains on securities	(162,811)	279,341
Income tax effect	65,124	(111,736)
Net unrealized (losses) gains on securities	(97,687)	167,605
Deduct:		
Recognized gains on sales of securities	—	259,464
Income tax expense	—	(103,785)
Net recognized gains included in Net Income	—	155,679
Net change in unrealized (losses) gains included in Comprehensive Income	(97,687)	11,926
Balance, end of period	$ (16,296)	$ 81,391

Note 14 Related Parties

U.S. Cellular is billed for all services it receives from TDS, consisting primarily of information processing and general management services. Such billings are based on expenses specifically identified to U.S. Cellular and on allocations of common expenses. Such allocations are based on the relationship of U.S. Cellular's assets, employees, investment in plant and expenses to the total assets, employees, investment in plant and expenses of TDS. Management believes the method used to allocate common expenses is reasonable and that all expenses and costs applicable to U.S. Cellular are reflected in the accompanying financial statements on a basis which is representative of what they would have been if U.S. Cellular operated on a stand-alone basis. Billings to U.S. Cellular from TDS totaled $49.1 million, $47.5 million and $44.8 million in 2000, 1999 and 1998, respectively.

U.S. Cellular has a Cash Management Agreement with TDS under which U.S. Cellular may from time to time deposit its excess cash with TDS for investment under TDS's cash management program. Deposits made under the agreement are available to U.S. Cellular on demand and bear interest each month at the 30-day Commercial Paper Rate as reported in The Wall Street Journal, plus 1/4%, or such higher rate as TDS may at its discretion offer on such deposits. Interest income from such deposits was $11.3 million, $5.6 million and $2.1 million in 2000, 1999 and 1998, respectively.

All markets managed by U.S. Cellular are billed for services they receive from U.S. Cellular. Such billings are based on expenses specifically identified to each market and on allocations of common expenses. Such allocations are primarily based on the relationships of each market's assets and revenues to the total assets and revenues of all the markets managed by U.S. Cellular. Management believes that all expenses and costs applicable to each market are representative of what they would have been if each managed market operated on a stand-alone basis.

Note 15 Commitments and Contingencies

Construction and Expansion

The partnerships and corporations in which U.S. Cellular is a partner or shareholder are in various stages of development. U.S. Cellular expects to spend $425 million to $450 million during 2001, primarily to build additional cell sites to expand and enhance coverage, including adding digital service capabilities to its systems.

From time to time U.S. Cellular may acquire attractive markets to maximize its clustering strategy. See Note 9 – Acquisitions and Divestitures for a discussion of pending acquisitions and divestitures.

Lease Commitments

U.S. Cellular and certain of its majority-owned partnerships and subsidiaries lease certain office and cell site locations under operating leases. Future minimum rental payments required under operating leases that have noncancelable lease terms in excess of one year as of December 31, 2000 are as follows:

(Dollars in thousands)	Minimum Future Rentals
2001	$ 26,224
2002	21,407
2003	16,965
2004	14,263
2005	9,705
Thereafter	$ 54,670

Rent expense totaled $32.8 million, $27.8 million and $24.2 million in 2000, 1999 and 1998, respectively.

Legal Proceedings

The Company is involved in legal proceedings before the Federal Communications Commission and various state and federal courts from time to time. Management does not believe that any of such proceedings should have a material adverse impact on the financial position, results of operations or cash flows of the Company.

Other Commitments

U.S. Cellular is a limited partner in Black Crow Wireless L.P. which was a successful bidder for 17 licenses in 13 markets in the most recent FCC spectrum auction. The cost for the 17 licenses amounted to $283.9 million. As a result of its 85% economic interest in Black Crow, U.S. Cellular, as of December 31, 2000, has contributed a total of $8.9 million in capital, loaned $41.7 million of the partnership and loaned $563,000 to the general partner of Black Crow. The exact nature of U.S. Cellular's financial commitment going forward will be developed as Black Crow develops its long-term business and financing plans. U.S. Cellular is committed to contributing capital along the lines of its partnership interest, and has committed to loan the general partner up to $20 million. U.S. Cellular has no other loan commitments, but it is possible that U.S. Cellular will provide guarantees or other financial undertakings to support Black Crow's efforts at raising debt financing.

report
of Independent Public Accountants

To the Shareholders and Board of Directors of United States Cellular Corporation:

We have audited the accompanying consolidated balance sheets of United States Cellular Corporation (a Delaware corporation and an 82.4%-owned subsidiary of Telephone and Data Systems, Inc.) and Subsidiaries (the "Company") as of December 31, 2000 and 1999, and the related consolidated statements of income, changes in common shareholders' equity and cash flows for each of the three years in the period ended December 31, 2000. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of United States Cellular Corporation and Subsidiaries as of December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

As explained in Note 1 of Notes to Consolidated Financial Statements, effective January 1, 2000, the Company changed certain of its accounting principles for revenue recognition as a result of the adoption of Staff Accounting Bulletin No. 101 "Revenue Recognition in Financial Statements."

Arthur Andersen LLP

Chicago, Illinois
January 24, 2001

Consolidated quarterly Income Information (Unaudited)

(Dollars in thousands, except per share amounts)	Quarter Ended March 31	June 30	Sept. 30	Dec. 31
2000				
Revenues	$ 394,157	$ 432,995	$ 451,441	$ 438,047
Operating Income	60,649	93,945	92,546	45,173
Gain on Cellular and Other Investments	17,851	—	78,224	—
Net Income	42,179	50,079	70,574	30,075
From Operations	30,897	50,079	31,507	30,075
From Gains	$ 11,282	$ —	$ 39,067	$ —
Weighted Average Common and Series A Common Shares (000s)	87,599	86,277	85,685	85,861
Basic Earnings Per Common and Series A Common Share	$ .48	$ .58	$ .82	$ .35
Diluted Earnings Per Common and Series A Common Share	.47	.56	.80	.35
From Operations	.40	.63	.63	.44
From Gains	.12	—	.43	—
From Extraordinary Item	—	(.07)	(.26)	(.09)
From Cumulative Effect of Accounting Change	$ (.05)	$ —	$ —	$ —
1999				
Revenues	$ 360,400	$ 399,718	$ 425,521	$ 390,790
Operating Income	52,114	72,452	95,560	35,716
Gain on Cellular and Other Investments	—	260,698	6,046	—
Net Income	27,826	194,876	57,063	20,993
From Operations	27,826	38,495	53,265	20,993
From Gains	$ —	$ 156,381	$ 3,798	$ —
Weighted Average Common and Series A Common Shares (000s)	87,390	87,461	87,484	87,576
Basic Earnings Per Common and Series A Common Share	$ .32	$ 2.23	$ .65	$ .24
Diluted Earnings Per Common and Series A Common Share	.32	2.09	.63	.24
From Operations	.32	.43	.59	.24
From Gains	$ —	$ 1.66	$ .04	$ —

Net Income for 2000 and 1999 included significant gains from cellular and other investments. The table above summarizes the effect of the gains on Net Income and Diluted Earnings per Common and Series A Common Share.

The Company's management believes U.S. Cellular's operating results reflect seasonality in both service revenues, which tend to increase more slowly in the first and fourth quarters, and operating expenses, which tend to be higher in the fourth quarter due to increased marketing activities and customer growth. This seasonality may cause operating cash flow and operating income to vary from quarter to quarter.

Results for quarters prior to the quarter ended December 31, 2000 have been changed to conform to current period presentation. See Note 1 (Summary of Significant Accounting Policies – Revenue Recognition) in the Notes to Consolidated Financial Statements for a description of these changes.

eleven-year

Summaries

Eleven-Year Statistical Summary

(Dollars in thousands, except per share and per customer amounts)	2000	1999	1998	1995	1990
	Year Ended or at December 31,				
Market and Customer Statistics					
Markets owned or acquirable	176	180	182	201	155
Population equivalents owned or acquirable (1)	26,646,000	26,544,000	26,535,000	25,418,000	15,582,000
Majority-owned and managed markets	139	139	138	137	32
Cellular units in service	3,061,000	2,602,000	2,183,000	710,000	57,300
Total market population	25,075,000	25,044,000	24,683,000	22,309,000	6,314,000
Market penetration	12.21%	10.39%	8.84%	3.18%	0.91%
Net customer additions – marketing	483,000	404,000	454,000	255,000	21,200
Postpay churn rate per month	1.8%	1.9%	1.9%	2.1%	1.9%
Average monthly service revenue per customer	$ 49	$ 54	$ 55	$ 82	$ 101
Average monthly local minutes of use per customer	157	115	105	95	138
Marketing cost per net customer addition	788	856	626	515	673
Marketing cost per gross customer addition	$ 330	$ 346	$ 317	$ 335	$ 448
Operating Statistics					
System operations expense					
Per customer per month	$ 10	$ 13	$ 15	$ 22	$ 36
As a percent of service revenues	21.2%	24.1%	27.2%	26.6%	36.1%
Cell sites in service	2,501	2,300	2,065	1,116	107
Capital expenditures and system development costs	$ 305,417	$ 277,450	$ 320,417	$ 206,182	$ 14,547
General and administrative expense					
Per customer per month	$ 11	$ 11	$ 11	$ 20	$ 45
As a percent of service revenues	22.1%	21.3%	20.6%	24.3%	44.9%
Number of employees	5,250	4,800	4,800	3,175	670
Operating cash flow	$ 558,011	$ 485,814	$ 382,854	$ 132,213	$ 2,509
Operating cash flow as a percent of service revenues	33.7%	31.8%	30.0%	24.6%	4.6%
Operating income (loss)	$ 292,313	$ 255,842	$ 176,075	$ 42,755	$ (9,141)
Operating income (loss) as a percent of service revenues	17.7%	16.8%	13.8%	8.0%	(16.8%)
Balance Sheet Information					
Property, plant and equipment	$ 1,801,377	$ 1,579,278	$ 1,400,597	$ 674,450	$ 53,622
Investment in licenses	1,349,135	1,344,251	1,354,587	1,124,249	148,903
Total assets	3,467,034	3,500,095	3,047,636	1,880,144	279,844
Total debt outstanding	448,817	546,322	531,487	355,748	142,195
Common Shares outstanding	55,046	54,713	54,365	49,966	8,530
Series A Common Shares outstanding	33,006	33,006	33,006	33,006	20,407
Common shareholders' equity	$ 2,214,571	$ 2,274,641	$ 1,950,230	$ 1,329,454	$ 112,380
Return on equity	10.4%	14.2%	12.1%	8.2%	(15.2%)
Common equity per share	$ 25.15	$ 25.93	$ 22.32	$ 16.02	$ 3.88
Price/earnings ratio (2)	28.4	63.5	37.3	64.9	(37.3)

The above summary provides information regarding the Company's most recent three years as well as the information required to calculate five- and ten-year compound rates of growth.

(1) Based on 2000 Claritas Estimates
(2) Based on Diluted Earnings per Share from Operations

Amounts prior to 2000 have been changed as discussed in Note 1 (Summary of Significant Accounting Policies – Revenue Recognition) in the Notes to Consolidated Financial Statements.

Eleven-Year Summary of Earnings

(Dollars in thousands, except per share amounts)	2000	1999	1998	1995	1990
			Year Ended December 31,		
Operating Revenues					
Service	$1,653,922	$1,525,660	$1,276,522	$537,034	$54,370
Equipment sales	62,718	50,769	39,013	15,761	7,522
Total Operating Revenues	1,716,640	1,576,429	1,315,535	552,795	61,892
Operating Expenses					
System operations	350,507	368,070	346,693	142,921	19,612
Marketing and selling	303,721	272,729	228,844	92,180	4,887
Cost of equipment sold	139,654	124,058	94,378	54,948	10,476
General and administrative	364,747	325,758	262,766	130,533	24,408
Depreciation	205,916	184,830	167,150	57,302	4,363
Amortization of intangibles	59,782	45,142	39,629	32,156	7,287
Total Operating Expenses	1,424,327	1,320,587	1,139,460	510,040	71,033
Operating Income (Loss)	292,313	255,842	176,075	42,755	(9,141)
Investment and Other Income					
Investment income	43,727	30,374	42,451	39,833	6,998
Amortization of licenses related to investments	(1,365)	(1,186)	(1,039)	(1,089)	(846)
Interest income	17,049	8,893	5,695	5,008	1,744
Other income (expense), net	2,844	590	(4,413)	(2,578)	(2,591)
Minority share of income	(7,629)	(7,148)	(6,039)	(7,902)	(155)
Gain on cellular and other investments	96,075	266,744	215,154	83,494	842
Total Investment and Other Income	150,701	298,267	251,809	116,766	5,992
Income (Loss) Before Interest and Income Taxes	443,014	554,109	427,884	159,521	(3,149)
Interest Expense					
Interest expense – other	36,608	38,099	39,772	16,881	1,405
Interest expense – affiliate	—	—	—	10,406	10,087
Total Interest Expense	36,608	38,099	39,772	27,287	11,492
Income (Loss) Before Income Taxes	406,406	516,010	388,112	132,234	(14,641)
Income tax expense	171,968	215,252	171,165	32,492	82
Income (Loss) Before Extraordinary Item and Cumulative Effect of Accounting Change	234,438	300,758	216,947	99,742	(14,723)
Extraordinary item – loss on debt extinguishment	(36,870)	—	—	—	—
Cumulative Effect of Accounting Change	(4,661)	—	—	—	—
Net Income (Loss)	$ 192,907	$ 300,758	$ 216,947	$ 99,742	$(14,723)
Basic Weighted Average Common and Series A Common Shares (000s)	86,355	87,478	87,323	82,320	28,644
Basic Earnings Per Common and Series A Common Share	$ 2.23	$ 3.44	$ 2.48	$ 1.21	$ (.51)
Diluted Earnings Per Common and Series A Common Share	$ 2.22	$ 3.28	$ 2.39	$ 1.19	$ (.51)
Diluted Earnings Per Common and Series A Common Share from Operations	$ 2.12	$ 1.59	$ 1.02	$ .52	$ (.51)

The above summary provides information regarding the Company's most recent three years as well as the information required to calculate five- and ten-year compound rates of growth.

Amounts prior to 2000 have been changed as discussed in Note 1 (Summary of Significant Accounting Policies – Revenue Recognition) in the Notes to Consolidated Financial Statements.

financial

Data

Selected Consolidated Financial Data

(Dollars in thousands, except per share amounts)	2000	1999	1998	1997	1996
	Year Ended or at December 31,				
Operating Data					
Service Revenues	$ 1,653,922	$ 1,525,660	$ 1,276,522	$ 969,149	$ 762,289
Operating Income	292,313	255,842	176,075	129,543	87,366
Investment income, net of related amortization expense	42,362	29,188	41,412	75,037	50,127
Gain on sale of cellular and other investments	96,075	266,744	215,154	30,318	132,718
Income Before Income Taxes	406,406	516,010	388,112	195,487	241,569
Net Income	$ 192,907	$ 300,758	$ 216,947	$ 111,539	$ 129,929
Weighted Average Common and Series A Common Shares (000s)	86,355	87,478	87,323	86,346	85,797
Basic Earnings Per Common and Series A Common Share	$ 2.23	$ 3.44	$ 2.48	$ 1.29	$ 1.51
Diluted Earnings Per Common and Series A Common Share	$ 2.22	$ 3.28	$ 2.39	$ 1.29	$ 1.51
Pretax Profit on Service Revenues	24.6%	33.8%	30.4%	20.2%	31.7%
Operating Cash Flow Interest Coverage	27.7x	23.2x	16.2x	18.5x	22.4x
Pretax Interest Coverage Before Gains	8.5x	7.5x	5.3x	6.6x	5.7x
Effective Income Tax Rate	42.3%	41.7%	44.1%	42.9%	46.2%
Balance Sheet Data					
Working Capital	$ 11,036	$ 221,804	$ (15,468)	$ (28,872)	$ (17,835)
Property, Plant and Equipment, net	1,145,623	1,071,005	1,010,843	940,253	650,754
Investments –					
Licenses, net of accumulated amortization	1,130,802	1,156,175	1,200,653	1,079,080	963,052
Marketable equity securities	377,900	540,711	300,754	—	—
Unconsolidated entities, net of accumulated amortization	188,859	124,573	136,391	200,654	267,880
Total Assets	3,467,034	3,500,095	3,047,636	2,508,916	2,085,899
Vendor Financing, excluding current portion	—	—	—	—	80,589
6% Zero Coupon Convertible Debentures	185,817	296,322	281,487	265,330	250,107
7.25% Unsecured Notes	250,000	250,000	250,000	250,000	—
Other Long-Term Financing	13,000	—	—	—	—
Common Shareholders' Equity	$ 2,214,571	$ 2,274,641	$ 1,950,230	$ 1,629,320	$ 1,476,202
Current Ratio	1.03	1.98	.94	.86	.88
Return on Equity	10.4%	14.2%	12.1%	7.2%	9.3%

shareholders' Information

United States Cellular Stock and Dividend Information

The Company's Common Shares are listed on the American Stock Exchange under the symbol "USM" and in the newspapers as "US Cellu." As of February 28, 2001, the Company's Common Shares were held by 467 record owners. All of the Series A Common Shares were held by TDS. No public trading market exists for the Series A Common Shares. The Series A Common Shares are convertible on a share-for-share basis into Common Shares.

The high and low sales prices of the Common Shares as reported by the American Stock Exchange were as follows:

	2000 Common Shares		1999 Common Shares	
Calendar Period	High	Low	High	Low
First Quarter	$104.00	$52.94	$ 45.63	$37.00
Second Quarter	72.50	56.00	53.50	43.25
Third Quarter	78.00	60.75	68.00	52.56
Fourth Quarter	70.87	50.34	125.75	66.32

The Company has not paid any cash dividends and currently intends to retain all earnings for use in the Company's business.

Investor Relations

Our Annual Report, Form 10-K, Prospectuses and News Releases are available to our investors, security analysts and other members of the investment community. These reports are provided, without charge, upon request to our Corporate Office. Our Corporate Office can also help with questions regarding lost, stolen or destroyed certificates, consolidation of accounts, transferring of shares and name or address changes. All inquiries should be directed to:

United States Cellular Corporation
Gerry Mundt, Accounting Manager – External Reporting
8410 West Bryn Mawr, Suite 700
Chicago, Illinois 60631

773/399-8900 • 773/399-8936 (fax)

General inquiries by our investors, securities analysts and other members of the investment community should be directed to:

United States Cellular Corporation
Kenneth R. Meyers, Executive Vice President – Finance
(Chief Financial Officer) and Treasurer
8410 West Bryn Mawr, Suite 700
Chicago, Illinois 60631

773/399-8900 • 773/399-8936 (fax)

Annual Meeting

USM's Annual Meeting of Shareholders will be held on May 15, 2001 at 10:00 a.m. in Chicago, Illinois.

U.S. Cellular will be a **dynamic** organization that understands its vision, goals and standards so well that its values are obvious, and its behaviors are automatically an outcome of the beliefs that have been instilled. **associates** relentlessly and zealously direct their efforts to gaining, retaining and serving the customers. • Associates operate close to their customers and are free from the distractions of running the business. The support systems required to **serve** customers are provided for them. • Leaders passionately display and continuously promote the vision, **values,** standards of conduct and achievements of a winning organization. • Leaders lead through **inspiration,** not by regulation, and ensure that their managers do likewise. • The organization provides a challenging, learning, rewarding experience for those who work in it; it is fun working here. • The organization is goal driven, not task oriented. The **customer's** experience with the company is more important than the product provided. • Associates – especially leaders – have a customer's perspective and the ability to visualize the ideal customer experience.

U.S. Cellular

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