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**JACK**

**1. INTRO**

Good morning. It's good to be here with you today to talk about U.S. Cellular and a pleasure as well to get a break from winter in Chicago! I'd like to thank Mike Rollins and Ed McCormick for inviting us to speak with you today. Also presenting with me today is Ted Carlson, president and CEO of TDS, majority owner of U.S. Cellular. Ken Meyers, EVP and CFO of U.S. Cellular, and Mark Steinkrauss, who manages Investor Relations for both companies, are with us today as well.

**2. SAFE HARBOR**

We may be discussing forward-looking information today, so please review these Safe Harbor provisions, which are on both companies' websites, as are the slides and webcast.

I will begin today's presentation with an overview of U.S. Cellular, after which Ted will then discuss TDS's wireline operations. We will then take your questions.

**3. U.S. CELLULAR**

Moving now to our presentation, U.S. Cellular is the seventh largest wireless provider in the U.S., serving 4.8 million customers in 25 states, primarily on a recently upgraded CDMA 1X network.

**4. MAP**

We have 4 main operating regions at U.S. Cellular, with the largest and most contiguous region in the Midwest, as well as operations in New England, the Mid Atlantic area and the Northwest.

## **5. CHURN RATE**

Our strategy at U.S. Cellular is all about customer satisfaction. It's a successful strategy, as our low churn rate shows. It's been low and steady for quite a while, and remains so, despite the introduction of wireless number portability and a continued high level of competition in the wireless sector. We want our customers to stay with us – as it costs a lot more to add new customers than to keep the ones we already have.

## **6. U.S. CELLULAR STRATEGY**

The strategy consists of four basic components.

**First**, we've positioned U.S. Cellular as a **regional carrier**, with particular emphasis on our Midwest markets, which accounts for more than 60% of our customers.

**Second**, we differentiate from the competition with **exceptional customer service**, whether in the form of the high caliber of service our associates deliver, our high-quality, reliable network, or the various calling plans and products we offer through our broad distribution system. Our aim is a totally satisfied customer every time.

**Third**, we've recently completed a major **upgrade of our network technology to CDMA 1X** in all of our markets.

And **fourth**, we are focused on **strengthening our footprint**, building on our existing markets and exiting those that do not necessarily complement our regional focus.

## **7. STRENGTHENING THE FOOTPRINT**

We've made significant progress on our strategy, which we've had in

place for the last several years. I'll briefly highlight the achievements in each area, beginning with the footprint.

### **8. CHICAGO UPDATE**

We've completed five transactions over the last two years. The first was acquiring the Chicago market in 2002, a natural fit for us, as it solidified our footprint in the Midwest. I'm pleased to report that we've done very well in Chicago. We've upgraded and enhanced the network, grown distribution and built brand awareness at an impressive rate. While we don't break out individual market results, I will tell you we've gained market share since we launched. Our customer base, which is now principally on contract, continues to grow, and billed revenue per customer continues to increase.

### **9. AWE PROPERTY EXCHANGE**

In 2003 we traded markets with AT&T Wireless – exchanging our northern Florida and Georgia markets for unbuilt wireless licenses in seven states that are either next to or overlapping our existing markets.

We've completed the build-out and launch of three of the markets from that exchange -- Oklahoma City, Lincoln, Nebraska, and Portland, Maine – and each is doing well. We're now building out the Missouri markets, and plan to launch commercial service there in the second half of 2005. We already have roughly 200 new cell sites up and running in the Missouri markets, enabling us to serve U.S. Cellular customers traveling in the area.

In addition to these markets, we launched service in eight other markets in 2003 – all in the Midwest – further strengthening our footprint there.

### **10. DIVESTITURES**

We've also divested markets that were no longer strategic, deploying the funds from the sales to areas with better long-term returns. In February last year, we sold our South Texas operations to AT&T Wireless for \$97 million. Then in December, we sold wireless assets, including two small operating

markets, to Alltel for \$80 million. Finally, also in December, we closed the sale of our Daytona Beach license to MetroPCS for \$8.5 million.

### **11. TRANSACTION SUMMARY MAP**

This map illustrates the five transactions, showing how we've built on our existing footprint and shed properties no longer strategic for the company.

### **12. CDMA 1X INITIATIVE**

We've made progress in other areas of our strategy as well. We recently completed the roll-out of CDMA 1X, ahead of schedule and below our original spending plan. The technology upgrade, which we started in 2002, benefits both customers and the company in the form of improved quality, coverage and voice capacity.

### **13. DATA - easyedge<sup>SM</sup>**

The upgraded network enables us to support our **easyedge** suite of data services in all of our markets. **easyedge** consists of two main services – download applications and picture messaging. We also offer our business customers a wireless modem service under the **easyedge** brand of data services.

Our data services are doing very well, with customer uptake above our expectations. Data represented over 2.5% of total service revenue, or \$19M, in the third quarter, and has been growing at a very good rate.

We expect this growth to continue as more and more customers become familiar with the concept and increase their usage, and as we continue to enhance our **easyedge** services. We recently added **nweb**, a feature that allows Internet browsing, to our download applications service. And we plan to add instant messaging to our **easyedge** services this year. We expect this to be a very popular feature, especially with the youth segment.

### **14. FINANCING ACTIVITIES**

The ultimate aim of our focus on customer satisfaction is growing the

company profitably. Our launch of several new markets over the last two years means that we are still in the growth mode. However, we take the commitment to growing the company profitably very seriously, and are working diligently to achieve it.

We are also committed to maintaining a strong balance sheet and ample liquidity. Toward that aim, we have completed several financing activities over the last year or so that have enabled us to reduce potential dilution and simplify the balance sheet, as well as lengthening the maturity schedules of our debt.

### **15. USM: EXCELLENT PROSPECTS**

In closing, we are excited about U.S. Cellular's prospects going forward. We have a proven strategy in place, a strategy based on satisfying the customer in order to drive long-term profitable growth. Furthermore, we're delivering on that strategy, as our strong results of the past few quarters attest. We're sound financially and we have very capable, committed associates. We see that as a winning combination.

And now I'll turn the floor over to Ted. Ted...

**TED**

### **16. TED CARLSON SLIDE**

Good morning everyone, and I'd like to reiterate our thanks to Mike Rollins and Ed McCormick. It's a pleasure to be with you today.

### **17. TDS OVERVIEW**

You've heard from Jack about U.S. Cellular, which is TDS's wireless operation and which represented 77% of our consolidated revenues as of September 30. Today I'll be discussing TDS Telecom, TDS's wholly-owned wireline operation.

### **18. TDS TELECOM MAP**

TDS Telecom has both ILEC and CLEC operations.

### **19. TDS TELECOM - ILEC**

The ILEC operations represent the seventh largest independent telecommunications company in the U.S., with 72 percent of customers in rural markets and the remainder in suburban areas.

### **20. TDS TELECOM - CLEC**

TDS Telecom's CLEC operations are in five states in the Midwest. The CLEC primarily uses its own switches, and provisions mainly from one Regional Bell Operating Company, or RBOC, considerably expediting the provisioning process.

### **21. TDS TELECOM – OVERALL STRATEGY**

The overall strategy at TDS Telecom is, like that of U.S. Cellular, based on providing outstanding customer satisfaction. TDS Telecom aims to meet the needs and desires of its customers today and tomorrow.

That's why one of the main thrusts at TDS Telecom today is positioning the company for the future as a broadband company. We firmly believe that high-speed data is the differentiator for wireline, and therefore the way of the future for the wireline segment of the industry.

### **22. STRATEGIC AREAS OF FOCUS**

Determining how the company will best support broadband going forward is an integral part of TDS Telecom's strategy, which focuses on four areas: market development, which includes its growth strategy, market fortification, public-policy advocacy and productivity improvements.

### **23. MARKET DEVELOPMENT**

In terms of market development, TDS Telecom aims to grow the business through a combination of acquisitions, build-out variations and the deployment of new technologies in targeted clusters.

One technology TDS Telecom is focusing on is FTTP, or fiber to the premise. FTTP is particularly important to TDS Telecom, as its deployment will enable the company to offer customers a robust triple-play service of voice, data and video over its own network. While TDS Telecom does currently offer a video product now in partnership with EchoStar, a direct broadcast satellite provider, we want to be able to provide customers the entertainment option through our own network.

The company launched FTTP trials last year through initial deployments in three markets, using either a complete fiber build-out or a combination of FTTP and advanced DSL. TDS Telecom plans to begin offering triple-play service to these markets this year.

TDS Telecom expects to use FTTP as the technology of choice for new subdivisions. The cost to install fiber for new construction is approximately 20 percent more than for traditional copper lines – a moderate cost compared to the opportunities FTTP provides – and the economics are expected to improve given the RBOCs' adoption of passive optical network standards.

The company is also considering how best to deploy Voice Over IP, or Internet telephony. One possibility is to deploy the technology to markets outside of TDS Telecom's traditional geographic serving areas – an example of a build-out strategy using new technology.

#### **24. MARKET FORTIFICATION**

VoIP is not limited to market development, however. It can also be used to fortify existing markets and potentially reduce their cost structure. TDS Telecom is conducting several technical trials for VoIP to determine how to best utilize this new technology. It's also working to develop a hosted VoIP service offering targeted at commercial customers as a substitution for Centrex or other traditional business telecommunication systems.

TDS Telecom is also considering offering VoIP in combination with fixed-wireless data services, and is trialing this combination technology at a few sites in Wisconsin. Take rates have been very good so far.

Another component of TDS Telecom's market fortification strategy is in developing new products and services, as well as offering customers the ability to customize the services they receive through bundling options. For example, we offer a product called "Total Talk" in 26 of the 28 states we operate. It's a one-price service alternative built around large minute long distance plans with the ability to bundle 3 to 4 ancillary services. Initial acceptance has been good to date. The company continues to enhance existing services and increase their penetration and profitability levels.

## **25. DSL**

DSL is one such service. Although DSL is a lower-margin business at this point in its life cycle, it is proving very successful for the company, with strong and growing demand for the service. Furthermore, DSL is a powerful tool for addressing competition from cable carriers.

Long-distance is another service that is proving to be a valuable tool for TDS Telecom. The company continues to work for greater penetration of the long-distance market through effective cross-selling and by offering big-minute plans. As of September 20, penetration stood at 48% and we expect that percentage to continue to grow.

Strong DSL and long-distance demand are drivers of revenue growth for the ILEC, very important given the slowing equivalent access line growth all traditional wireline service providers are facing.

TDS Telecom foresaw this moderating ILEC trend several years ago, which was one of the main reasons it launched TDS Metrocom in 1998. The CLEC has been a substantial growth engine for TDS Telecom,

becoming a business of more than \$200 million in annual revenues in just over six years.

## **26. PUBLIC POLICY ADVOCACY**

The third area of focus for TDS Telecom is public policy advocacy. This is of great importance to TDS Telecom because of the particularly complex and convoluted telecom regulatory environment. Several key issues are currently under review or appeal, such as the Universal Service Fund and inter-carrier compensation. Outcomes on these and other regulatory issues could have considerable impact on TDS Telecom's operations.

We have a very strong regulatory group at TDS Telecom that asserts the company's positions and aggressively pursues the issues on the company's behalf.

## **27. PRODUCTIVITY IMPROVEMENT**

Productivity improvement is another key focus for TDS Telecom, which is working on ways to be more efficient and reduce its cost structure without jeopardizing the level of service quality it provides its customers.

## **28. TDS – FINANCIAL STRATEGIES**

As you heard from Jack, we place a great deal of emphasis at TDS on profitable growth for all of our businesses. Our ultimate aim is to generate profitable growth and build shareholder value, while at the same time maintaining financial strength and liquidity. We have four financial objectives in support of these aims, and are committed to meeting them over the long term. The objectives are noted on this slide and have not changed substantially over the last several years.

## **29. TDS: EXCELLENT PROSPECTS**

In summary, we believe TDS is very well positioned. We're focused on profitable growth and use a disciplined financial approach to development. We have a strong balance sheet. We have targeted and

effective strategies. And we have excellent employees and management teams in place at our business units that deliver on those strategies.

Before taking your questions, I will mention that we will be announcing our fourth-quarter and full-year results in February, when we will also provide full-year guidance for 2005. Therefore, as I am sure you are well aware, we will not address either 2004 results or 2005 guidance until then. I will say, however, that we expect the positive momentum we've built up in 2004 to continue this year, and we look forward to another good year. And because many of you are not aware of our large holdings in Deutsche Telekom and Vodafone, I'll mention that we are anticipating a significant increase in the dividend income we receive from those holdings – it's something to look forward to! And with that positive note, Jack and I will now be happy to take your questions.