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MORGAN STANLEY 9TH ANNUAL GLOBAL MEDIA & COMMUNICATIONS CONFERENCE
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Good afternoon. It's a pleasure to meet with you today. I'd like to thank Simon Flannery and Vance Edelson and their team for inviting us to speak with you share some key points. Also with me today from U.S. Cellular, our 82% owned wireless subsidiary, are Jack Rooney, president and CEO and Ken Meyers, EVP and CFO.

Please be sure to review the Safe Harbor provisions in your handouts, which are provided as supplemental information, and which are posted to our web site.

Today, I will briefly overview our strategy at TDS Telecom, after which Jack will do the same for U.S. Cellular. We will then take your questions.

TDS TELECOM -STRATEGY

TDS Telecom is our wireline business, with both ILEC and CLEC operations. Our strategy at TDS Telecom is, like that of U.S. Cellular, based on providing outstanding customer satisfaction.

TDS Telecom's strategy focuses on four areas: market development, which includes its growth strategy; market fortification; public-policy advocacy; and productivity improvements.

MARKET DEVELOPMENT

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

VoIP is one example of a new technology the company is actively exploring to develop new markets. But it can also be used to fortify existing markets and potentially reduce their cost structure.

TDS Telecom is planning several technical trials for VoIP this year to determine how the company can best utilize the technology.

The company is also trialing fixed-wireless data this year, which it is considering offering in combination with VoIP, as well as well as fiber to the premise, or FTTP, which enables a triple-play service offering of voice, data and video.

TDS Telecom expects to use fiber to the home as the technology of choice for new subdivisions, as the cost to install fiber for new construction is only approximately 20 percent more than for traditional copper lines, which is worth the opportunities FTTP provides.

And for those areas where FTTP is not feasible, the company is actively exploring ways to enhance its partnership with EchoStar, a direct broadcast satellite provider, which allows us to provide customers a video option through their DISH Network offering.

MARKET FORTIFICATION

Developing new products and services is one component of TDS Telecom's market fortification strategy. The company is also enhancing existing services and working to increase their penetration and profitability levels.

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

TDS Telecom is firmly convinced that the future for wireline services lies in providing high-speed data capability together with voice services. Long-distance is one of those services that is also proving to be a valuable tool for TDS Telecom.

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.

Because, even though the ILEC produced moderate equivalent access line growth in the first and second quarters, it can no longer rely on strong access line growth as it did in the past.

TDS Telecom foresaw this moderating ILEC trend several years ago, and it was one of the main reasons it launched its CLEC, TDS Metrocom. The CLEC has been a substantial growth engine for the company, becoming a business of more than \$200 million in annual revenues in only seven years and operating cash flow positive in the last year.

PUBLIC POLICY ADVOCACY

The third area of focus for TDS Telecom is public policy advocacy, of particular importance to the company due to the complex and convoluted **telecom regulatory environment**.

Several key issues are currently under review or appeal, including the Triennial Review Order, the Universal Service Fund and state access reform. Outcomes on these and other regulatory issues could have considerable effects on TDS Telecom's ILEC and CLEC 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.

Productivity improvement is another key focus area for TDS Telecom, which continues to work on being more efficient and reducing its cost structure without jeopardizing the level of service it provides customers.

PROFITABLE GROWTH

We place a great deal of emphasis at TDS on profitable growth for all of our businesses. We continue to see reasonable levels of growth at TDS Telecom.

The ILEC continues to produce healthy profit margin levels, of note especially given the growth of our lower-margin DSL and long-distance services. At the CLEC, profitability continues to improve as we gain scale.

Before turning the floor over to Jack, I'll conclude my remarks by saying that we believe TDS is very well positioned. We're focused on profitable growth and utilize a disciplined financial approach. We have a strong balance sheet. We have targeted and effective strategies. And we have excellent employees and management teams in place to deliver those strategies.

Jack is here to now share with you U.S Cellular's strategy. Jack...

[Jack Rooney]

U.S. CELLULAR

U.S. Cellular is the eighth largest wireless provider in the U.S., serving 4.7 million customers in 26 states.

Our strategy at U.S. Cellular revolves around customer satisfaction and profitable growth, and consists of four basic components.

First, we've positioned U.S. Cellular as a **regional carrier focused on profitable growth**, with particular emphasis on our Midwest markets.

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're **upgrading our network technology to CDMA1X** in all of our markets.

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

We've made significant progress on our strategy, which we've had in place for the last several years. I'll brief you on some of the many accomplishments, focusing first on the excellent progress we've made toward strengthening the footprint.

STRENGTHENING THE FOOTPRINT

As you may know, we acquired the Chicago market in 2002 – it was a natural fit for us, solidifying our footprint in the Midwest.

I'm proud to report that we've done very well since we launched. We've built brand awareness at an amazing rate, and although we do not break out individual market data, we have gained market share and solid customer growth since we launched, a trend which has been continuing.

More recently, last year we traded markets in northern Florida and Georgia with AT&T Wireless for wireless properties in seven states that are either adjacent 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 most recently Portland, Maine, which we launched two weeks ago. We're now building out some of the Missouri markets, which we plan to launch in 2005.

We also divested our South Texas markets in February this year, selling them to AT&T Wireless for \$97 million.

Most recently, we announced in August the proposed sale to ALLTEL of two small markets, one in Florida and the other in Ohio, as well as several investment interests. We expect the sale to close before the end of the year.

CDMA

So, as you can see, we've been very busy in terms of strengthening our footprint. But that's not all we've been doing. We are close to completing the roll-out of

CDMA 1X, and I am pleased to say that we are ahead of schedule and below our original spending plan for the project. We expect to have all markets upgraded by year end.

Easyedge

The upgraded network enables us to support our **easyedge** suite of data services. **Easyedge** consists of two main services – download applications and picture messaging – which are available in all of our CDMA 1X markets.

We launched our initial **easyedge** services late last year. Customer uptake so far is above expectations. We project continued strong growth for data, and so continue to enhance the data services we offer.

WNP

At this point, I'll briefly mention WNP and its impact – or relative lack of impact – on U.S. Cellular. We've had no significant issues so far with WNP, a fact that we attribute not only to our extensive planning for WNP, but also to our emphasis on customer satisfaction.

Churn

Our churn rate provides solid evidence that our customer-satisfaction strategy works. Not only has it been very low over a period of several years, but it remains low despite WNP. Our postpay churn rate for the second quarter was 1.5%, the same as second quarter 2003.

Furthermore, we've seen an impressive spike in our net customer additions during the first half of the year, which also indicates to us the success of our customer-satisfaction business model.

Profitable Growth

The principal reason we focus on customer satisfaction is that it leads to profitable growth. At this point, due to our recent launch of several new markets, including the Chicago market just under two years ago, we are still in the growth mode. However, we take very seriously our commitment to growing the company profitably, and we are working diligently toward achieving that goal.

In addition to profitable growth, we are committed to maintaining a strong balance sheet and ample liquidity. Toward that aim, we have implemented several financing activities over the last 12 months, which are summarized in your handouts.

These transactions have enabled us not only to reduce potential dilution and simplify the balance sheet, but they have also lengthened the maturity schedules of our debt.

Some of you may be wondering if we have any plans on the acquisition front. At this point, having completed several major transactions over the last two years, we do not foresee any significant acquisitions over the near term. However, if we were presented with an attractive opportunity that allowed us to further strengthen our footprint and improve our competitive position, we would be willing to consider it.

USM: EXCELLENT PROSPECTS

In closing, we are excited about our prospects going forward. We have a proven strategy in place, a strategy based on satisfying the customer while at the same time focused on long-term profitable growth. Furthermore, we're delivering on our strategy, as our positive and strong results of the past few quarters attest. We're strong financially and we have very capable, committed associates. We

see that as a winning combination.

And with that, we'd be happy to take your questions.