

The TDS mission is to provide outstanding communications services to our customers, and to meet the needs of our shareholders, our people and our communities. In pursuing this mission, we seek to continuously grow our businesses, create opportunities for our associates and employees, and steadily build value over the long term for our shareholders.

### CONSOLIDATED OPERATING RESULTS

TDS increased revenues and improved profitability in 2011, as our primary business units—U.S. Cellular and TDS Telecom—made solid progress on their strategies, enhancing customer experiences and improving operational efficiency.

- U.S. Cellular achieved growth in average revenue per customer by increasing smartphone penetration, data use, and adoption of higher-revenue data plans, and through growth in inbound roaming revenues. U.S. Cellular also effectively managed device subsidies, even as the number of smartphones sold increased significantly.
- U.S. Cellular improved profitability through revenue growth and effective cost management, though costs remained stable due in part to fewer customer additions.
- TDS Telecom increased data revenues and penetration of broadband services among its residential customers.
- TDS Telecom grew its *managed*IP customer base and expanded its hosted and managed services portfolio through acquisitions and organic growth.
- TDS simplified its capital structure and improved its financial flexibility through a Share Consolidation.
- TDS increased its dividend for the 37<sup>th</sup> consecutive year, and recently announced its 38<sup>th</sup> increase.

### BUILDING VALUE FOR SHAREHOLDERS

TDS is committed to growing shareholder value over the long term, and to maintaining an open dialogue with its investors.

In 2011, to simplify our capital structure and reduce the trading discount on the TDS Special Common Shares, relative to the TDS Common Shares, TDS proposed a Share Consolidation amendment to its Restated Certificate of Incorporation to reclassify each Special Common Share as a Common Share on a one-for-one basis. The amendment also proposed to reclassify each Common Share as 1.087 Common Shares, and each Series A Common Share as 1.087 Series A Common Shares. Additionally, the proposal included a Vote Amendment to fix the percentage voting power in certain matters, and amendments to eliminate obsolete and inoperative provisions of the Restated Certificate of Incorporation.

Shareholders approved the amendments on January 13, 2012, and the Share Consolidation became effective on January 24, 2012. On behalf of TDS and the board of directors, we thank our investors for their support. We continue to look for and evaluate operational and strategic opportunities to strengthen and build the company and create shareholder value, and we welcome suggestions from our investors.

In the first quarter of 2011, TDS repurchased 407,000 Special Common Shares for \$11.6 million, and U.S. Cellular repurchased 357,000 Common Shares for approximately \$17.4 million. Due to the Share Consolidation, TDS and U.S. Cellular ceased repurchasing shares for the remainder of 2011.

### STRENGTHENING OUR FINANCIAL FOUNDATION

TDS continued to strengthen its balance sheet and increase its financial flexibility in 2011. To further reduce future interest expense and extend maturity dates, TDS issued \$300 million of 7 percent senior notes and used the proceeds to redeem \$282.5 million of 7.6 percent Series A notes. U.S. Cellular issued \$342 million of 6.95 percent senior notes and used the proceeds to redeem \$330 million of 7.5 percent senior notes. TDS will consider issuing additional debt if favorable interest rates continue in the long-term bond market, and there is a compelling business use for such funds.

We ended 2011 with a strong balance sheet and ample liquidity, giving us the flexibility to support our businesses by investing in infrastructure improvement and growth opportunities. TDS also

increased efficiency by identifying opportunities to share services and resources across the enterprise. We believe that U.S. Cellular and TDS Telecom have effective strategies that will enable them to build toward their respective return on capital targets over the long term.

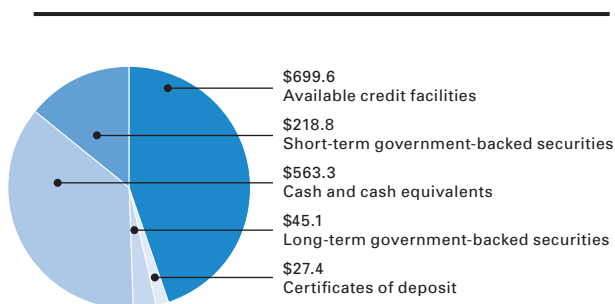
### ADVOCATING FOR OUR BUSINESSES

For wireless and wireline carriers, 2011 was very active on the regulatory front, as the Federal Communications Commission (FCC) revised the rules for universal service funding and intercarrier compensation and proposed further rules to advance reform. The new rules issued by the FCC in November offer both benefits and challenges for our companies, and many areas are still under review and discussion, such as the availability of support for the new Mobility Fund, and issues related to rate-of-return wireline companies, such as TDS Telecom.

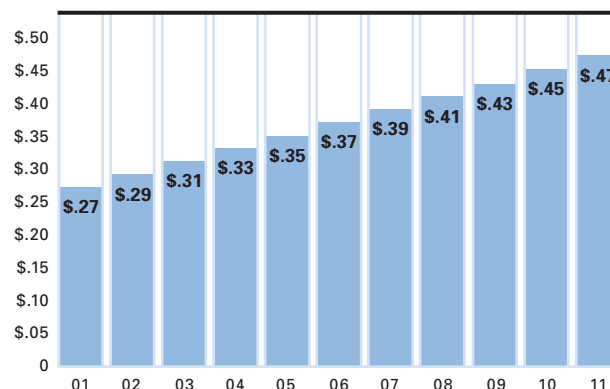
We continue to advocate on the issues that impact our ability to compete and to serve our customers effectively, including spectrum availability, special access costs, device exclusivity and interoperability, and data roaming.

### LIQUIDITY

(in millions)



### QUARTERLY DIVIDENDS PER SHARE



In 2011, U.S. Cellular improved its financial performance, increasing revenues and improving profitability, despite intense competition.

**J.D. Power Customer Service Champion, 2011 and 2012**

**DIFFERENTIATING THROUGH THE CUSTOMER EXPERIENCE**

U.S. Cellular consistently raises the standards for outstanding customer experiences, and the company was named a J.D. Power Customer Service Champion in 2011 and 2012.

U.S. Cellular continues to differentiate itself from other wireless carriers through the Belief Project™, which rewards customers for their loyalty with relevant and meaningful benefits, such as early phone upgrades and free accessories.

At the end of 2011, 3.1 million new and existing customers—55 percent of retail customers—had selected Belief Plans, including higher-revenue data plans, which helped to increase average revenue per customer.

To drive subscriber growth, U.S. Cellular is also improving the effectiveness of its advertising, marketing and promotions. In 2011, U.S. Cellular launched innovative social business programs that leverage the “word-of-mouth” power of its most loyal customers to increase awareness and drive potential customers to the company’s retail stores and website.

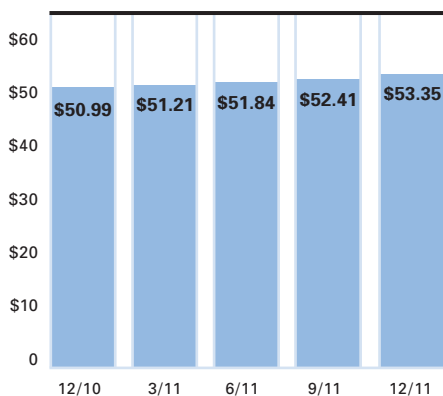
**INCREASING SMARTPHONE SALES AND DATA USE**

As customer demand for smartphones and data services continues to rise, U.S. Cellular is increasing smartphone penetration by offering a competitive range of Android®, Windows Mobile®- and BlackBerry®-based devices, including smartphones, tablets and modems, at a variety of price points.

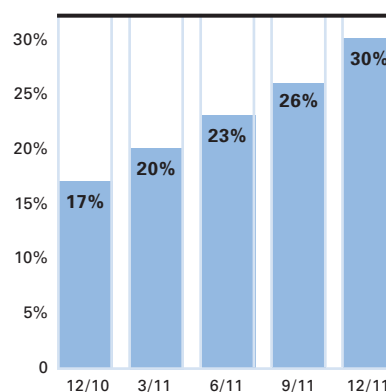
At the end of 2011, smartphone customers were 30 percent of U.S. Cellular’s postpaid base, compared to 17 percent at the end of 2010. And smartphones were 52 percent of total devices sold in the fourth quarter of 2011, and 44 percent of devices sold in the year. This drove corresponding growth in data use—and in adoption of higher-revenue data plans—which, along with an increase in data roaming revenues, led to higher average revenue per customer.

As the industry moved toward tiered data pricing, U.S. Cellular prepared to introduce its own tiered plans in 2012, including entry-level plans to encourage customers to upgrade to their first smartphones.

**AVERAGE MONTHLY REVENUE PER POSTPAID CUSTOMER**



**SMARTPHONE CUSTOMERS AS A PERCENTAGE OF POSTPAID CUSTOMERS**



**“Highest Network Quality Performance Among Wireless Cell Phone Users in North Central Region”**

– J.D. Power and Associates

**ENSURING OUTSTANDING COMMUNICATIONS EXPERIENCES**

Even though growth in data use has significantly increased traffic across U.S. Cellular’s network, the company kept pace with that growth and received its twelfth consecutive award for wireless call quality from J.D. Power and Associates in 2011, and received its thirteenth award in early 2012.

In conjunction with its partner, King Street Wireless, U.S. Cellular prepared its 4G LTE network and devices to support demand for data services and provide faster and more satisfying data experiences, while significantly reducing the cost to carry data traffic.

The company also added capacity to its 3G network and strengthened overall network capacity and coverage by adding 237 new cell sites.

**IMPROVING AGILITY AND EFFICIENCY**

As part of its commitment to investing for the future, U.S. Cellular continued to improve its operational systems in 2011 through major enablement initiatives designed to help the company develop, market, sell and deliver services faster and more effectively.

U.S. Cellular enhanced the online customer experience with web-only promotions, instant Online Sales Support, a Data Estimator Tool, and Ask & Answer self-help capability. By early 2012, U.S. Cellular customers could purchase devices and accessories, change plans and redeem rewards online. The company implemented more customer targeting features of the Enterprise Data Warehouse/Customer Relationship Management system, including adding data related to customer transactions, prepaid customers, and marketing and demographics.

U.S. Cellular also made strong progress on its new billing and operational support system, which will include a new point-of-sale system and consolidate billing on one platform. The system is expected to be fully operational in 2013.

**TDS TELECOM**



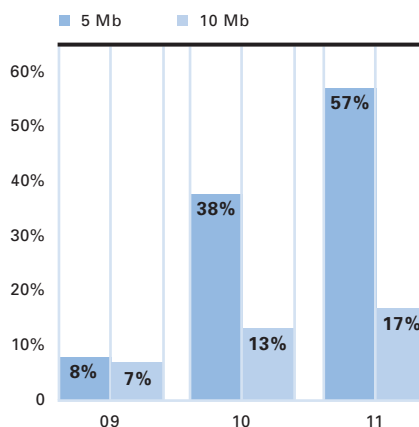
TDS Telecom performed well in 2011, increasing revenues through growth in data services, and reducing operational costs and increasing efficiency. The company kept physical access line losses moderate.

**DRIVING BROADBAND GROWTH**

TDS Telecom increased its ILEC data revenues 34 percent in 2011 through hosted and managed services acquisitions and strong broadband penetration, driven by increases in the broadband speeds available to customers. At the end of 2011, more than 57 percent of the company’s ILEC residential customers had 5 Mb or higher speeds, compared to 38 percent in 2010, and 17 percent had at least 10 Mb service. More than 60 percent of primary ILEC residential lines had DSL service at the end of 2011.

To increase broadband access in unserved rural communities, TDS Telecom prepared to make substantial progress on its 44 broadband stimulus projects in 2012.

**ILEC RESIDENTIAL CUSTOMERS BY BROADBAND SPEED**



**INCREASING RESIDENTIAL CUSTOMER LOYALTY**

Broadband service is key to TDS Telecom’s residential bundling strategy. The company’s most loyal customers are those who buy a combination of services. Nearly 67 percent of TDS Telecom’s residential ILEC customers had double- or triple-play bundles at the end of 2011, compared to 62 percent in 2010.

The monthly churn rate is roughly half of a percent for customers who purchase triple-play bundles of voice, broadband and video from TDS Telecom—which is less than one-third of the churn rate for customers with only voice service.

TDS Telecom also prepared its network to launch a proprietary IPTV service, TDS TV®, in 2012. This video service, along with the DISH Network™ offering, will be a strong component of the company’s bundling strategy going forward, helping to increase both revenues and customer retention.

**BUILDING A STRONG COMMERCIAL BASE**

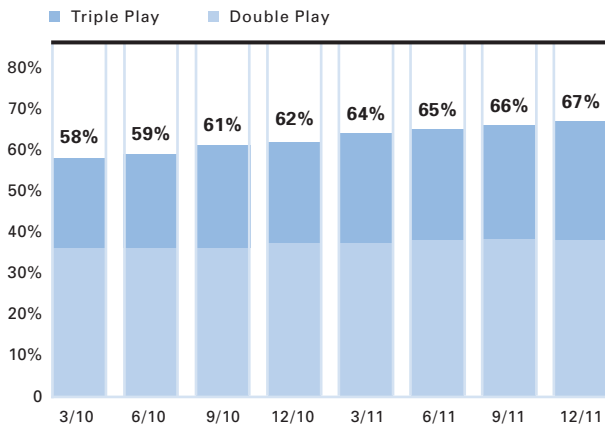
Meeting the data services needs of commercial customers is a significant growth focus for TDS

Telecom. In 2011, the company expanded both the feature set and availability of its flagship commercial voice and data communications solution, *managedIP*—now in 15 states—and achieved a 57 percent increase in the number of *managedIP* customer stations. In the current economic environment, business customers appreciate that *managedIP* can help them improve productivity without requiring a large capital investment.

To capitalize on the growing demand for hosted and managed services, TDS in 2011 acquired OneNeck IT Services, an IT outsourcing and managed services provider with a global client list. OneNeck joins VISI, Inc. and TEAM Technologies, data center and managed services providers acquired in 2010, which are operated by TDS Telecom. Both TEAM and VISI expanded their data center capacity in 2011 to meet customer needs.

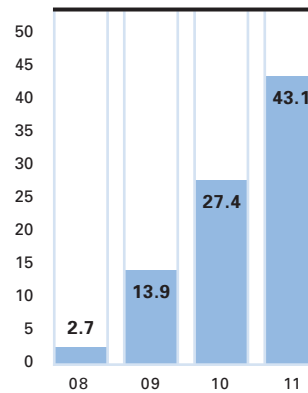
We are actively seeking additional opportunities to build the hosted and managed services business and expand our portfolio of solutions and services, as we believe there is tremendous growth potential in these areas, and it is a natural fit with our core competencies.

**ILEC RESIDENTIAL BUNDLE PENETRATION**



**managedIP STATIONS**

(in thousands)



**SUTTLE-STRAUS**



**AIRADIGM COMMUNICATIONS**



Suttle-Straus, TDS’ majority-owned marketing and graphic communications solutions provider, improved its performance in 2011 by adding significant new commercial clients, and by emphasizing its bundled packages of marketing services, from creative development through print and distribution. Suttle-Straus continues to increase efficiency and maintain a lean cost structure through continuous improvement initiatives.

In the third quarter of 2011, TDS acquired 63 percent of Airadigm Communications, Inc., which provides mobile services to subscribers in Wisconsin through its AirFire Mobile brand, as well as machine-to-machine and roaming services. Airadigm operates independently of U.S. Cellular, and TDS does not currently plan to combine the operations of these companies.

Profitable growth for U.S. Cellular and TDS Telecom depends on attracting new customers and building customer loyalty. Our companies are united in their goal to improve performance by enhancing the quality of the customer experience. We are also committed to improving our operational systems and processes, and reallocating resources, to boost efficiency and reduce our cost structures. And, we continue to evaluate new revenue opportunities that would leverage our core competencies.

## U.S. CELLULAR

U.S. Cellular's highest priorities in 2012 are to increase customer additions, revenues and profitability. U.S. Cellular is competing to win with innovative customer experiences that attract new customers, build loyalty and help to increase revenue per customer. In 2012, the company plans to:

- Grow net postpaid customer additions by providing outstanding customer experiences, along with competitive devices, attractive price plans, and effective advertising and marketing programs.
- Increase the focus on the small-and-medium business customer segment.
- Drive smartphone penetration and use of data services with a competitive portfolio of devices and plans, including at least 13 new Android<sup>®</sup>-, Windows Mobile<sup>®</sup>-, and BlackBerry<sup>®</sup>-based smartphones, and tiered data plans to meet a wide range of customer needs. U.S. Cellular will introduce at least 20 total devices in 2012, and continue to balance higher-end smartphones with lower-cost devices to manage costs.
- Strengthen existing distribution and explore new points of distribution.
- Bring 4G LTE access to at least 50 percent of customers and introduce at least six new LTE-enabled devices, while maintaining its award-winning network quality.
- Through strategic enablement initiatives, continue to enhance the online customer experience and develop deeper customer understanding, and make substantial progress on the new billing and operational support system.

## TDS TELECOM

TDS Telecom plans to increase its residential and commercial market share through competitive new services and products, enhanced network reliability, and outstanding customer service. The company's goals in 2012 are to:

- Build residential market share by increasing data speeds, offering attractive service bundles, and building loyalty through superior customer service.
- Launch TDS TV<sup>®</sup> in 19 markets to increase residential bundle penetration and reduce churn.
- Aggressively grow the TDS *managed*IP commercial customer base by introducing new features and services and expanding availability.
- Build the scale and scope of the hosted and managed services offerings through organic growth and carefully targeted acquisitions.
- Make significant progress toward completing 44 broadband stimulus projects to increase broadband access in rural communities.

The TDS companies have many opportunities ahead. While we operate in an environment of economic and competitive challenges, we are well-prepared to compete effectively and improve profitability over the long term. We will continue to enhance our customers' experiences, offer innovative services and products, and improve operational systems and processes across the enterprise. We will also continue to participate actively in the regulatory environment on issues that could impact our companies.

We want to take this opportunity to thank each of the 12,300 associates and employees of the TDS companies for your many accomplishments in 2011, and for the work you are now doing to move U.S. Cellular, TDS Telecom, Suttle-Straus and Airadigm forward. We also express our deep appreciation to our shareholders and debt holders for your continuing support.

Cordially yours,



LeRoy T. Carlson, Jr.  
President and Chief  
Executive Officer



Walter C.D. Carlson  
Chairman of the Board