

TELEPHONE & DATA SYSTEMS INC /DE/
 Form DEFA14A
 May 01, 2015

UNITED STATES	
SECURITIES AND EXCHANGE COMMISSION	
Washington, D.C. 20549	
SCHEDULE 14A	
Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934 (Amendment No.)	
Filed by the Registrant <input checked="" type="checkbox"/>	
Filed by a Party other than the Registrant <input type="checkbox"/>	
Check the appropriate box:	
<input type="checkbox"/>	Preliminary Proxy Statement
<input type="checkbox"/>	Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
<input type="checkbox"/>	Definitive Proxy Statement
<input checked="" type="checkbox"/>	Definitive Additional Materials
<input type="checkbox"/>	Soliciting Material Pursuant to §240.14a-12
Telephone and Data Systems, Inc.	
(Name of Registrant as Specified In Its Charter)	
(Name of Person(s) Filing Proxy Statement, If other than the Registrant)	
Payment of Filing Fee (Check the appropriate box):	
<input checked="" type="checkbox"/>	No fee required.
<input type="checkbox"/>	Fee computed on table below per Exchange Act Rules 14a 6(i)(1) and 0-11.
(1)	Title of each class of securities to which transaction applies:
(2)	Aggregate number of securities to which transaction applies:
(3)	Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0 11 (set forth the amount on which the filing fee is calculated and state how it was determined):
(4)	Proposed maximum aggregate value of transaction:
(5)	Total fee paid:
<input type="checkbox"/>	Fee paid previously with preliminary materials.
<input type="checkbox"/>	Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
(1)	Amount Previously Paid:
(2)	Form, Schedule or Registration Statement No.:

		(3)	Filing Party:
		(4)	Date Filed:

EXPLANATORY NOTE

The purpose of this Schedule 14A is to file a press release issued by Telephone and Data Systems, Inc. (“TDS”) on May 1, 2015 relating to earnings for the first quarter of 2015. Also, attached is an excerpt from the script for the TDS earnings call on May 1, 2015 relating to the TDS annual meeting of shareholders and election of directors.

IMPORTANT INFORMATION: TDS and its directors, executive officers and other members of its management and employees may be deemed to be participants in the solicitation of proxies from the shareholders of TDS in connection with the TDS 2015 annual meeting of shareholders. Information regarding TDS directors and executive officers and other participants that may be soliciting proxies on behalf of the TDS board of directors and their respective interests in TDS by security holdings or otherwise is set forth in TDS’s definitive proxy statement relating to its 2015 annual meeting, as filed with the Securities and Exchange Commission (“SEC”) on April 17, 2015. The 2015 proxy statement, other solicitation material and other reports that TDS files with the SEC, when available, can be obtained free of charge at the SEC’s web site at www.sec.gov or from TDS as provided on its website at www.tdsinc.com. TDS SHAREHOLDERS ARE ADVISED TO READ CAREFULLY THE PROXY STATEMENT AND OTHER SOLICITATION MATERIAL FILED BY TDS IN CONNECTION WITH THE TDS 2015 ANNUAL MEETING OF SHAREHOLDERS BEFORE MAKING ANY VOTING DECISION BECAUSE THEY CONTAIN OR WILL CONTAIN IMPORTANT INFORMATION RELATING TO THE ELECTION OF DIRECTORS OF TDS.

Exhibit 99.1 NEWS RELEASE

As previously announced, TDS will hold a teleconference May 1, 2015 at 9:30 a.m. CDT. Interested parties may listen to the call live via the Events & Presentations page of investors.tdsinc.com.

FOR IMMEDIATE RELEASE

TDS reports first quarter 2015 results

U.S. Cellular increases guidance for operating cash flow and adjusted EBITDA

CHICAGO, (May 1, 2015) — Telephone and Data Systems, Inc. (NYSE:TDS) reported total operating revenues of \$1,251.6 million for the first quarter of 2015, versus \$1,196.0 million for the comparable period one year ago. Net income attributable to TDS shareholders and related diluted earnings per share were \$145.7 million and \$1.33, respectively, for the first quarter of 2015, compared to \$18.3 million and \$0.16, respectively, in the comparable period one year ago.

“Both of our businesses had encouraging first quarters and made good progress on their strategic objectives,” said LeRoy T. Carlson, Jr., TDS president and CEO. “U.S. Cellular continued to grow its postpaid customer base and improve loyalty. TDS Telecom achieved strong growth in IPTV customers, and we continued to move forward with our cable, broadband, and hosted and managed services strategies.

“U.S. Cellular maintained strong momentum from its turnaround in customer growth last year, adding more postpaid customers and reducing churn. More customers are adopting shared data plans and adding connected devices to those accounts, leading to increases in revenue. We will bring 4G LTE speeds to 98 percent of U.S. Cellular customers this year, and we plan to drive continued substantial growth in smartphone penetration, connected devices, and data use.

“TDS Telecom achieved continued success with its IPTV service in the recent quarter, adding residential customers and increasing residential revenue per connection. As we complete the integration of our cable acquisitions, Baja Broadband and BendBroadband, we are focused on increasing residential and commercial broadband penetration. We also continue to seek and evaluate potential cable acquisitions. Our hosted and managed services company, OneNeck IT Solutions, has had some recent sales success. We believe there is strong potential for growth at OneNeck as more businesses and organizations seek to outsource more of their IT needs.”

2015 Estimated Results

Estimates of full-year 2015 results for U.S. Cellular, TDS Telecom, and TDS are shown below. Such estimates represent management's view as of May 1, 2015. Such forward-looking statements should not be assumed to be current as of any future date. TDS undertakes no duty to update such information, whether as a result of new information, future events, or otherwise. There can be no assurance that final results will not differ materially from such estimated results.

		2015 Estimated Results							
		U.S. Cellular		TDS Telecom		TDS(2)			
		Current	Previous	Current	Previous	Current	Previous	Current	Previous
(Dollars in millions)									
Total operating revenues		\$4,000-\$4,200	Unchanged	\$1,130-\$1,180	Unchanged	\$5,145-\$5,395	Unchanged		
Operating cash flow (1)		\$400-\$500	\$350-\$450	\$280-\$310	Unchanged	\$685-\$815	\$635-\$765		
Adjusted EBITDA (1)		\$580-\$680	\$530-\$630	\$280-\$310	Unchanged	\$870-\$1,000	\$820-\$950		
Capital expenditures		\$600	Unchanged	\$220	Unchanged	\$830	Unchanged		

(1) Operating cash flow is defined as net income, adjusted for the items set forth in the reconciliation below. Adjusted EBITDA is defined as net income, adjusted for the items set forth in the reconciliation below. Operating cash flow and Adjusted EBITDA exclude these items in order to show operating results on a more comparable basis from period to period. From time to time, TDS may exclude other items from Operating cash flow and/or Adjusted EBITDA if such items help reflect operating results on a more comparable basis. TDS does not intend to imply that any such items that are excluded are non-recurring, infrequent or unusual; such items may occur in the future. Operating cash flow and Adjusted EBITDA are not measures of financial performance under Generally Accepted Accounting Principles in the United States ("GAAP") and should not be considered as alternatives to net income as indicators of the company's operating performance or as alternatives to cash flows from operating activities, determined in accordance with GAAP, as indicators of cash flows or as measures of liquidity. TDS believes Operating cash flow and Adjusted EBITDA are useful measures of TDS' operating results before significant recurring non-cash charges, gains and losses, and other items as indicated below. The following tables provide a reconciliation to Operating cash flow and Adjusted EBITDA for 2015 estimated results, actual results for the three months ended March 31, 2015 and 2014 actual results:

		2015 Estimated Results (3)					
		U.S. Cellular		TDS Telecom		TDS(2)	

(Dollars in millions)							
Net income (loss) (GAAP)		N/A		N/A		N/A	
Add back:							
	Income tax expense (benefit)	N/A		N/A		N/A	
Income (loss) before income taxes (GAAP)		\$140-\$240		\$45-\$75		\$140-\$270	
Add back:							
	Interest expense	\$80				\$140	
	Depreciation, amortization and accretion expense	\$580		\$235		\$825	
EBITDA		\$800-\$900		\$280-\$310		\$1,105-\$1,235	
Add back:							
	(Gain) loss on sale of business and other exit costs, net	(\$110)				(\$125)	
	(Gain) loss on license sales and exchanges, net	(\$125)				(\$125)	
	(Gain) loss on assets disposals, net	\$15				\$15	
Adjusted EBITDA		\$580-\$680		\$280-\$310		\$870-\$1,000	
Deduct:							
	Equity in earnings of unconsolidated entities	(\$130)				(\$130)	
	Interest and dividend income	(\$50)				(\$55)	
Operating cash flow (4)		\$400-\$500		\$280-\$310		\$685-\$815	

		Actual Results								
		Three months ended March 31, 2015				Year ended December 31, 2014				
		U.S. Cellular	TDS Telecom	TDS (2)	U.S. Cellular	TDS Telecom	TDS (2)			
(Dollars in millions)										
Net income (loss) (GAAP)		\$165	\$13	\$176	(\$47)	(\$24)	(\$147)			
Add back:										
	Income tax expense (benefit)	\$108	\$8	\$116	(\$12)	\$18	(\$5)			
Income (loss) before income taxes (GAAP)		\$273	\$21	\$292	(\$59)	(\$7)	(\$153)			
Add back:										
	Interest expense	\$20	—	\$34	\$57	(\$1)	\$111			
	Depreciation, amortization and accretion expense	\$147	\$57	\$207	\$606	\$220	\$837			
EBITDA		\$440	\$78	\$533	\$605	\$212	\$796			
Add back:										
	Loss on impairment of assets	—	—	—	—	\$84	\$88			
	(Gain) loss on sale of business and other exit costs, net	(\$111)	—	(\$124)	(\$33)	(\$2)	(\$16)			
	(Gain) loss on license sales and exchanges, net	(\$123)	—	(\$123)	(\$113)	—	(\$113)			
	(Gain) loss on assets disposals, net	\$4	\$1	\$5	\$21	\$5	\$27			
Adjusted EBITDA		\$209	\$80	\$291	\$480	\$298	\$781			
Deduct:										
	Equity in earnings of unconsolidated entities	(\$34)	—	(\$35)	(\$130)	—	(\$132)			
	Interest and dividend income	(\$8)	—	(\$8)	(\$12)	(\$2)	(\$17)			
Operating cash flow (4)		\$167	\$80	\$248	\$338	\$296	\$632			
Note: Totals may not foot due to rounding differences.										

(2) The TDS column includes U.S. Cellular, TDS Telecom and also the impacts of consolidating eliminations, corporate operations and non-reportable segments, all of which are not presented above.

(3) In providing 2015 Estimated Results, TDS has not completed the above reconciliation to net income because it does not provide guidance for income taxes. TDS believes that the impact of income taxes cannot be reasonably predicted; therefore, the company is unable to provide such guidance. Accordingly, a reconciliation to net income is not available without unreasonable effort.

(4) A reconciliation of Operating cash flow (Non-GAAP) to operating income (GAAP) for March 31, 2015 actual results can be found on the company's website at investors.tdsinc.com.

Stock Repurchase Summary

TDS began repurchasing stock under its \$250 million repurchase authorization on Aug. 5, 2013. The following represents repurchases of TDS Common Shares.

Repurchase Period	# Shares	Cost (in millions)
2015 (first quarter)	-	\$ -
2014 (full year)	1,541,850	\$ 39.1
Total	1,541,850	\$ 39.1

Conference Call Information

TDS will hold a conference call on May 1, 2015 at 9:30 a.m. Central Time.

- Access the live call on the Events & Presentations page of investors.tdsinc.com or at <http://www.videonewswire.com/event.asp?id=102201> .
- Access the call by phone at 877-407-8029 (US/Canada), no pass code required.

Before the call, certain financial and statistical information to be discussed during the call will be posted to investors.tdsinc.com. The call will be archived on the Events & Presentations page of investors.tdsinc.com.

About TDS

Telephone and Data Systems, Inc. (TDS), a Fortune 1000™ company, provides wireless; cable and wireline broadband, TV and voice; and hosted and managed services to approximately 6.0 million customers nationwide through its business units, U.S. Cellular, TDS Telecom, OneNeck IT Solutions, Baja Broadband and BendBroadband. Founded in 1969 and headquartered in Chicago, TDS employed 10,600 people as of March 31, 2015.

Visit www.tdsinc.com for comprehensive financial information, including earnings releases, quarterly and annual filings, shareholder information and more.

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Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995: All information set forth in this news release, except historical and factual information, represents forward-looking statements. This includes all

statements about the company's plans, beliefs, estimates, and expectations. These statements are based on current estimates, projections, and assumptions, which involve certain risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. Important factors that may affect these forward-looking statements include, but are not limited to: impacts of any pending acquisition and divestiture transactions, including, but not limited to, the ability to obtain regulatory approvals, successfully complete the transactions and the financial impacts of such transactions; the ability of the company to successfully manage and grow its markets; the overall economy; competition; the access to and pricing of unbundled network elements; the ability to obtain or maintain roaming arrangements with other carriers on acceptable terms; the state and federal telecommunications regulatory environment; the value of assets and investments; adverse changes in the ratings afforded TDS and U.S. Cellular debt securities by accredited ratings organizations; industry consolidation; advances in telecommunications technology; uncertainty of access to the capital markets; pending and future litigation; changes in income tax rates, laws, regulations or rulings; acquisitions/divestitures of properties and/or licenses; changes in customer growth rates, average monthly revenue per user, churn rates, roaming revenue and terms, the availability of wireless devices, or the mix of products and services offered by U.S. Cellular and TDS Telecom. Investors are encouraged to consider these and other risks and uncertainties that are discussed in the Form 8-K Current Report used by TDS to furnish this press release to the Securities and Exchange Commission ("SEC"), which are incorporated by reference herein.

For more information about TDS and its subsidiaries, visit:

TDS: www.tdsinc.com

U.S. Cellular: www.uscellular.com

TDS Telecom: www.tdstelecom.com

OneNeck IT Solutions: www.oneneck.com

United States Cellular Corporation											
Summary Operating Data (Unaudited)											
As of or for the Quarter Ended		3/31/2015		12/31/2014		9/30/2014		6/30/2014		3/31/2014	
Retail Customers											
Postpaid											
	Total at end of period	4,307,000		4,298,000		4,200,000		4,148,000		4,174,000	
	Gross additions	200,000		302,000		251,000		190,000		197,000	
	Net additions (losses)	9,000		98,000		52,000		(26,000)		(93,000)	
	ARPU (1)	\$ 54.87		\$ 56.51		\$ 56.37		\$ 56.82		\$ 57.59	
	ARPA (2)	\$ 134.94		\$ 136.13		\$ 132.99		\$ 131.95		\$ 132.03	
	Churn rate (3)	1.5%		1.6%		1.6%		1.7%		2.3%	
	Smartphone penetration (4)	66.9%		64.8%		61.7%		58.4%		55.8%	
Prepaid											
	Total at end of period	360,000		348,000		350,000		352,000		356,000	
	Gross additions	73,000		60,000		64,000		65,000		85,000	
	Net additions (losses)	12,000		(2,000)		(2,000)		(4,000)		13,000	
	ARPU (1)	\$ 35.72		\$ 35.33		\$ 34.40		\$ 34.02		\$ 32.22	
	Churn rate (3)	5.8%		5.9%		6.3%		6.5%		6.9%	
Total customers at end of period		4,775,000		4,760,000		4,674,000		4,653,000		4,684,000	
Billed ARPU (1)		\$ 52.29		\$ 53.63		\$ 53.24		\$ 53.36		\$ 53.93	
Service revenue ARPU (1)		\$ 58.01		\$ 60.10		\$ 60.92		\$ 60.32		\$ 60.19	
Smartphones sold as a percent of total handsets sold		85.7%		86.5%		80.8%		79.0%		78.2%	
Total population											
	Consolidated markets (5)	45,737,000		50,906,000		54,817,000		54,817,000		54,817,000	
	Consolidated operating markets (5)	31,814,000		31,729,000		31,729,000		31,729,000		31,729,000	
Market penetration at end of period											
	Consolidated markets (6)	10.4%		9.4%		8.5%		8.5%		8.5%	

	Consolidated operating markets (6)		15.0%		15.0%		14.7%		14.7%		14.8%
Capital expenditures (000s)		\$	66,460	\$	181,655	\$	142,452	\$	143,927	\$	89,581
Total cell sites in service			6,219		6,220		6,209		6,183		6,165
Owned towers (7)			3,955		4,281		4,487		4,457		4,448

(1) Average Revenue Per User (“ARPU”) metrics are calculated by dividing a revenue base by an average number of customers by the number of months in the period. These revenue bases and customer populations are shown below:

- a. Postpaid ARPU consists of total postpaid service revenues and postpaid customers.
- b. Prepaid ARPU consists of total prepaid service revenues and prepaid customers.
- c. Billed ARPU consists of total postpaid, prepaid and reseller service revenues and postpaid, prepaid and reseller customers.
- d. Service revenue ARPU consists of total postpaid, prepaid and reseller service revenues, inbound roaming and other service revenues and postpaid, prepaid and reseller customers.

(2) Average Revenue Per Account (“ARPA”) metric is calculated by dividing total postpaid service revenues by the average number of postpaid accounts by the number of months in the period.

(3) Churn metrics represent the percentage of the postpaid or prepaid customers that disconnect service each month. These metrics represent the average monthly postpaid or prepaid churn rate for each respective period.

(4) Smartphones represent wireless devices which run on an Android, Apple, BlackBerry or Windows Mobile operating system, excluding connected devices. Smartphone penetration is calculated by dividing postpaid smartphone customers by total postpaid handset customers.

(5) The decrease in the population of Consolidated markets is due primarily to the license exchange transactions of certain non-operating licenses in North Carolina in December 2014 and Illinois and Indiana in March 2015. Total Population is used only to calculate market penetration of consolidated markets and consolidated operating markets, respectively. See footnote (6) below.

(6) Market penetration is calculated by dividing the number of wireless customers at the end of the period by the total population of consolidated markets and consolidated operating markets, respectively, as estimated by Claritas. The increase in consolidated markets penetration is due primarily to a lower denominator as a result of the license divestitures described in footnote (5) above.

(7) During the quarters ended March 31, 2015 and December 31, 2014, sold 359 and 236 towers, respectively, in divested markets.

TDS Telecom									
Summary Operating Data (Unaudited)									
Quarter Ended		3/31/2015	12/31/2014	9/30/2014	6/30/2014	3/31/2014			
TDS Telecom									
Wireline									
Residential connections									
	Voice (1)	333,400	335,900	340,300	346,100	348,700			
	Broadband (2)	229,400	229,200	231,600	232,700	229,000			
	IPTV (3)	25,600	23,400	20,700	18,200	15,900			
	Wireline residential connections	588,400	588,500	592,600	597,000	593,600			
	Total residential revenue per connection (4)	\$ 42.32	\$ 41.56	\$ 41.47	\$ 41.05	\$ 40.79			
Commercial connections									
	Voice (1)	187,500	193,200	199,300	206,200	212,200			
	Broadband (2)	24,300	24,700	25,300	26,000	26,600			
	managedIP (5)	143,200	140,200	137,700	133,300	131,000			
	Wireline commercial connections	355,000	358,100	362,300	365,500	369,800			
	Total Wireline connections	943,400	946,600	954,900	962,500	963,400			
Cable									
Cable Connections									
	Video (6)	109,700	110,400	109,100	69,700	68,700			
	Broadband (7)	112,200	110,900	106,400	63,200	63,000			
	Voice (7)	49,100	46,000	41,800	17,800	17,700			
	Cable connections	271,000	267,300	257,300	150,700	149,400			

(1) The individual circuit connecting customers to TDS Telecom's central office facilities.

- (2) The number of customers provided high-capacity data circuits via various technologies, including DSL and dedicated internet circuit technologies.
- (3) The number of customers provided video services using IP networking technology.
- (4) Total residential revenue per connection is calculated by dividing the average residential revenue for the period by the average number of residential connections for the period.
- (5) The number of telephone handsets, data lines and IP trunks providing communications using IP networking technology.
- (6) Generally, a home or business receiving video programming counts as one video connection. In counting bulk residential or commercial connections, such as an apartment building or hotel, connections are counted based on the number of units/rooms within the building receiving service.
- (7) Broadband and voice connections reflect billable number of lines into a building for high speed data and voice services, respectively.

TDS Telecom									
Capital Expenditures (000s)									
Quarter Ended	3/31/2015	12/31/2014	9/30/2014	6/30/2014	3/31/2014				
Wireline	\$ 20,400	\$ 51,400	\$ 34,200	\$ 27,400	\$ 22,900				
Cable	11,600	14,600	7,600	7,200	6,200				
HMS	4,900	13,400	9,800	10,600	2,800				
	\$ 36,900	\$ 79,400	\$ 51,600	\$ 45,200	\$ 31,900				

Telephone and Data Systems, Inc.									
Consolidated Statement of Operations Highlights									
Three Months Ended March 31,									
(Unaudited, dollars and shares in thousands, except per share amounts)									
				2015		2014		Change	
								Amount	Percent
Operating revenues									
	U.S. Cellular		\$	965,245	\$	925,811	\$	39,434	4%
	TDS Telecom			279,985		262,416		17,569	7%
	All Other (1)			6,363		7,735		(1,372)	(18%)
				1,251,593		1,195,962		55,631	5%
Operating expenses									
	U.S. Cellular								
		Expenses excluding depreciation, amortization and accretion		797,946		846,645		(48,699)	(6%)
		Depreciation, amortization and accretion		147,085		167,753		(20,668)	(12%)
		(Gain) loss on asset disposals, net		4,251		1,934		2,317	>100%
		(Gain) loss on sale of business and other exit costs, net		(111,477)		(6,900)		(104,577)	>100%
		(Gain) loss on license sales and exchanges, net		(122,873)		(91,446)		(31,427)	(34%)
				714,932		917,986		(203,054)	(22%)
	TDS Telecom								
		Expenses excluding depreciation, amortization and accretion		200,460		190,303		10,157	5%
		Depreciation, amortization and accretion		57,163		53,775		3,388	6%
		(Gain) loss on asset disposals, net		1,130		344		786	>100%
				258,753		244,422		14,331	6%
	All Other (1)								
		Expenses excluding depreciation and amortization		5,262		9,326		(4,064)	(44%)
		Depreciation and amortization		2,327		3,391		(1,064)	(31%)
		(Gain) loss on asset disposals, net		(4)		152		(156)	>(100%)
		(Gain) loss on sale of business and other exit costs, net (2)		(12,306)		-		(12,306)	N/M
				(4,721)		12,869		(17,590)	>(100%)

		Total operating expenses	968,964		1,175,277		(206,313)		(18%)
Operating income (loss)									
		U.S. Cellular	250,313		7,825		242,488		>100%
		TDS Telecom	21,232		17,994		3,238		18%
		All Other (1)	11,084		(5,134)		16,218		>(100%)
			282,629		20,685		261,944		>100%
Investment and other income (expense)									
		Equity in earnings of unconsolidated entities	34,641		37,327		(2,686)		(7%)
		Interest and dividend income	8,385		2,486		5,899		>100%
		Interest expense	(33,830)		(28,707)		(5,123)		(18%)
		Other, net	(4)		160		(164)		>(100%)
		Total investment and other income	9,192		11,266		(2,074)		(18%)
Income before income taxes									
		Income tax expense (benefit)	116,020		11,657		104,363		>100%
Net income									
		Less: Net income attributable to noncontrolling interests, net of tax	30,061		2,040		28,021		>100%
Net income attributable to TDS shareholders									
		TDS Preferred dividend requirement	(12)		(12)				
Net income available to common shareholders									
			\$ 145,728		\$ 18,242		\$ 127,486		>100%
Basic weighted average shares outstanding									
			108,169		108,988		(819)		(1%)
Basic earnings per share attributable to TDS shareholders									
			\$ 1.35		\$ 0.17		\$ 1.18		>100%
Diluted weighted average shares outstanding									
			108,946		109,672		(726)		(1%)
Diluted earnings per share attributable to TDS shareholders									
			\$ 1.33		\$ 0.16		\$ 1.17		>100%

(1) Consists of TDS corporate, intercompany eliminations and all other business operations not included in the U.S. Cellular and TDS Telecom segments.

(2) Compared to U.S. Cellular, TDS recognized an incremental gain of \$11.9 million on the tower sale as a result of a lower basis in the assets disposed.

N/M – Percentage change not meaningful

Telephone and Data Systems, Inc.					
Consolidated Balance Sheet Highlights					
(Unaudited, dollars in thousands)					
ASSETS					
		March 31,		December 31,	
		2015		2014	
Current assets					
	Cash and cash equivalents	\$	635,120	\$	471,901
	Accounts receivable from customers and others		658,888		683,681
	Inventory, net		178,313		273,707
	Net deferred income tax asset		92,791		107,686
	Prepaid expenses		97,707		86,506
	Income taxes receivable		853		113,708
	Other current assets		29,132		29,766
			1,692,804		1,766,955
Assets held for sale					
			29,771		103,343
Investments					
	Licenses		1,837,238		1,453,574
	Goodwill		771,674		771,352
	Franchise rights		244,300		244,300
	Other intangible assets, net		59,708		64,499
	Investments in unconsolidated entities		343,382		321,729
	Other investments		485		508
			3,256,787		2,855,962
Property, plant and equipment, net					
	U.S. Cellular		2,645,117		2,728,217
	TDS Telecom		1,077,924		1,093,671
	Other		23,793		24,237
			3,746,834		3,846,125
Other assets and deferred charges					
			270,042		334,554
Total assets					
		\$	8,996,238	\$	8,906,939

Telephone and Data Systems, Inc.							
Consolidated Balance Sheet Highlights							
(Unaudited, dollars in thousands)							
LIABILITIES AND EQUITY							
				March 31,	December 31,		
				2015	2014		
Current liabilities							
		Current portion of long-term debt	\$	805	\$	808	
		Accounts payable		312,091		387,125	
		Customer deposits and deferred revenues		338,076		324,318	
		Accrued interest		17,376		7,919	
		Accrued taxes		174,043		46,734	
		Accrued compensation		68,838		114,549	
		Other current liabilities		145,871		181,803	
				1,057,100		1,063,256	
Liabilities held for sale							
				406		21,643	
Deferred liabilities and credits							
		Net deferred income tax liability		878,809		941,519	
		Other deferred liabilities and credits		441,745		430,774	
Long-term debt							
				1,993,457		1,993,586	
Noncontrolling interests with redemption features							
				6,619		1,150	
Equity							
	TDS shareholders' equity						
		Series A Common and Common Shares, par value \$.01		1,327		1,327	
		Capital in excess of par value		2,344,274		2,336,511	
		Treasury shares, at cost		(745,590)		(748,199)	
		Accumulated other comprehensive loss		6,012		6,452	
		Retained earnings		2,460,323		2,330,187	
		Total TDS shareholders' equity		4,066,346		3,926,278	
		Preferred shares		824		824	
		Noncontrolling interests		550,932		527,909	
		Total equity		4,618,102		4,455,011	

Total liabilities and equity				\$	8,996,238		\$	8,906,939

Balance Sheet Highlights											
March 31, 2015											
(Unaudited, dollars in thousands)											
			U.S.		TDS		TDS		Intercompany		TDS
			Cellular		Telecom		& Other		Eliminations		Consolidated
Cash and cash equivalents	\$		336,893	\$	68,221	\$	230,006	\$		\$	635,120
Affiliated cash investments					407,200				(407,200)		
	\$		336,893	\$	475,421	\$	230,006	\$	(407,200)	\$	635,120
Licenses, goodwill and other intangible assets	\$		2,197,253	\$	853,625	\$	(137,958)	\$		\$	2,912,920
Investment in unconsolidated entities			304,501		3,805		39,898		(4,822)		343,382
Long-term and other investments					484						485
	\$		2,501,754	\$	857,914	\$	(98,060)	\$	(4,822)	\$	3,256,787
Property, plant and equipment, net	\$		2,645,117	\$	1,077,924	\$	23,990	\$	(197)	\$	3,746,834
Long-term debt:											
Current portion	\$		57	\$	25	\$	723	\$		\$	805
Non-current portion			1,151,901		1,406		840,150				1,993,457
	\$		1,151,958	\$	1,431	\$	840,873	\$		\$	1,994,262

Telephone and Data Systems, Inc.						
Consolidated Statement of Cash Flows						
Three Months Ended March 31,						
(Unaudited, dollars in thousands)						
			2015		2014	
Cash flows from operating activities						
	Net income (loss)		\$	175,801	\$	20,294
	Add (deduct) adjustments to reconcile net income to cash flows					
	from operating activities					
	Depreciation, amortization and accretion			206,575		224,919
	Bad debts expense			29,849		21,559
	Stock-based compensation expense			8,096		6,759
	Deferred income taxes, net			(47,466)		(14,510)
	Equity in earnings of unconsolidated entities			(34,641)		(37,327)
	Distributions from unconsolidated entities			12,988		12,820
	(Gain) loss on asset disposals, net			5,377		2,430
	(Gain) loss on sale of business and other exit costs, net			(123,783)		(6,900)
	(Gain) loss on license sales and exchanges, net			(122,873)		(91,446)
	Noncash interest expense			670		506
	Other operating activities			-		47
	Changes in assets and liabilities from operations					
	Accounts receivable			21,240		90,555
	Equipment installment plans receivable			(36,498)		2,394
	Inventory			95,395		19,656
	Accounts payable			(13,592)		(53,403)
	Customer deposits and deferred revenues			13,319		(1,447)
	Accrued taxes			251,510		(1,634)
	Accrued interest			9,460		9,136
	Other assets and liabilities			(96,121)		(99,471)
				355,306		104,937
Cash flows from investing activities						
	Cash used for additions to property, plant and equipment			(166,461)		(150,890)
	Cash paid for acquisitions and licenses			(280,710)		(8,254)
	Cash received from divestitures and exchanges			274,131		103,042

	Cash received for investments				—		10,000
	Other investing activities				2,765		1,623
					(170,275)		(44,479)
Cash flows from financing activities							
	Repayment of long-term debt				(247)		(392)
	TDS Common Shares reissued for benefit plans, net of tax payments				213		(50)
	U.S. Cellular Common Shares reissued for benefit plans, net of tax payments				487		316
	Repurchase of TDS Common Shares				—		(3,342)
	Repurchase of U.S. Cellular Common Shares				(2,302)		(2,000)
	Dividends paid to TDS shareholders				(15,232)		(14,582)
	Payment of debt issuance costs				(3,018)		—
	Distributions to noncontrolling interests				(225)		(346)
	Other financing activities				(1,488)		2,834
					(21,812)		(17,562)
Net increase in cash and cash equivalents					163,219		42,896
Cash and cash equivalents							
	Beginning of period				471,901		830,014
	End of period				\$ 635,120		\$ 872,910

TDS Telecom Highlights											
Three Months Ended March 31,											
(Unaudited, dollars in thousands)											
								Change			
				2015		2014		Amount		Percent	
Wireline											
Operating revenues											
	Residential			\$ 74,686		\$ 72,505		\$ 2,181		3%	
	Commercial			55,762		57,980		(2,218)		(4%)	
	Wholesale			45,243		46,448		(1,205)		(3%)	
	Total service revenues			175,691		176,933		(1,242)		(1%)	
	Equipment sales			444		553		(109)		(20%)	
				176,135		177,486		(1,351)		(1%)	
Operating expenses											
	Cost of services			62,427		64,400		(1,973)		(3%)	
	Cost of equipment sold			563		483		80		17%	
	Selling, general and administrative expenses			45,669		46,520		(851)		(2%)	
	Depreciation, amortization and accretion			42,009		42,736		(727)		(2%)	
	(Gain) loss on asset disposals, net			518		245		273		>100%	
				151,186		154,384		(3,198)		(2%)	
	Operating income			\$ 24,949		\$ 23,102		\$ 1,847		8%	
Cable											
Operating revenues											
	Residential			\$ 35,046		\$ 18,253		\$ 16,793		92%	
	Commercial			8,435		4,250		4,185		98%	
	Total service revenues			43,481		22,503		20,978		93%	
	Equipment sales			88		—		88		N/M	
				43,569		22,503		21,066		94%	
Operating expenses											
	Cost of services			19,948		10,955		8,993		82%	
	Cost of equipment sold			60		—		—			
	Selling, general and administrative expenses			12,625		6,378		6,247		98%	
	Depreciation, amortization and accretion			8,719		4,361		4,358		100%	
	(Gain) loss on asset disposals, net			682		65		617		>100%	
				42,034		21,759		20,275		93%	

	Operating income	\$	1,535	\$	744	\$	791	>100%
HMS								
Operating revenues								
	Service revenues	\$	28,416	\$	27,376	\$	1,040	4%
	Equipment sales		32,545		35,732		(3,187)	(9%)
			60,961		63,108		(2,147)	(3%)
Operating expenses								
	Cost of services		20,028		16,946		3,082	18%
	Cost of equipment sold		27,130		30,467		(3,337)	(11%)
	Selling, general and administrative expenses		12,690		14,835		(2,145)	(14%)
	Depreciation, amortization and accretion		6,435		6,678		(243)	(4%)
	(Gain) loss on asset disposals, net		(70)		34		(104)	>(100)%
			66,213		68,960		(2,747)	(4%)
	Operating (loss)	\$	(5,252)	\$	(5,852)	\$	600	10%
	Intercompany revenues	\$	(680)	\$	(681)	\$	1	
	Intercompany expenses		(680)		(681)		1	
	Total TDS Telecom operating income	\$	21,232	\$	17,994	\$	3,238	18%

Telephone and Data Systems, Inc.							
Financial Measures and Reconciliations							
(Unaudited, dollars in thousands)							
TDS Consolidated							
Three Months Ended							
March 31,							
				2015		2014	
Cash flows from operating activities				\$	355,306	\$	104,937
Add: Sprint Cost Reimbursement					15,712		11,254
Less: Cash used for additions to property, plant and equipment					166,461		150,889
Adjusted free cash flow (1)				\$	204,557	\$	(34,698)

(1) Adjusted free cash flow is defined as Cash flows from operating activities (which includes cash outflows related to the Sprint decommissioning), as adjusted for cash proceeds from the Sprint Cost Reimbursement (which are included in Cash flows from investing activities in the Consolidated Statement of Cash Flows), less Cash used for additions to property, plant and equipment. Adjusted free cash flow is a non-GAAP financial measure which TDS believes may be useful to investors and other users of its financial information in evaluating the amount of cash generated by business operations (including cash proceeds from the Sprint Cost Reimbursement), after Cash used for additions to property, plant and equipment.

The following is an excerpt from the script for the TDS earnings conference call on May 1, 2015 relating to the TDS annual meeting of shareholders and election of directors. A transcript of the entire call will be filed on a Schedule 14A after the call.

Jane McCahon: “We invite you to join us or listen to the webcast of our Annual Meetings. U.S. Cellular’s meeting is on May 19 in Milwaukee and TDS’ is on May 21 in Madison. We also ask our shareholders to support our extremely qualified slate of director nominees at both TDS and U.S. Cellular. We will be on the road and reaching out to our shareholders to discuss our progress over the coming weeks.”

