



DEAR SHAREHOLDERS

TDS' mission is to provide outstanding communication services to our customers and 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.

Building on 2015 successes

At TDS we strive to differentiate ourselves from the national telecommunication giants by providing the best services and products together with exceptional customer service. We focus our efforts on America's suburban and rural markets, including some of the most remote areas of the country. We have strengthened and expanded our high-quality networks and improved our data and communications service offerings. Combined with our customer-focused culture, our networks and service offerings are the foundation upon which we are growing and building value for our shareholders.

TDS businesses achieved significant milestones in 2015:

- U.S. Cellular completed 4G LTE deployment.
- U.S. Cellular began Voice over LTE (VoLTE) trials. VoLTE will bring customer benefits, including enabling both voice and data to be delivered simultaneously to devices.
- TDS Telecom continued to deploy fiber technology in key markets, reaching 21% of its ILEC service addresses.
- OneNeck IT Solutions opened one and expanded another data center.

At TDS we strive to differentiate ourselves from the national telecommunications giants by providing the best services and products together with exceptional customer service.

In a very competitive industry dominated by large players, we take a personal approach to our customers and to the communities in which we operate. Our prominent local presence in these markets is a competitive advantage. From sponsoring high school sports teams to staffing call centers in our markets, we have built local presence that allows us to know and better serve our customers and their changing needs.

A further strength, that is an advantage, is that we have expanded our business into a diversified portfolio of data and communications companies. We are growing and prospering by sharing expertise and capabilities from wireless, wireline, cable, and hosted and managed services to develop services for the customers in our markets.



U.S. Cellular exists to provide exceptional wireless communication services which enhance consumers' lives, increase the competitiveness of local businesses, and improve the efficiency of government operations in the mid-sized and rural markets we serve.

As a mid-sized operator, we seek to use our relatively smaller size to our competitive advantage. This starts with a network that provides high-quality services in the "Middle of Anywhere" and is complemented by our associates, who take a more personal approach to knowing and serving our customers. This local focus is a unique differentiator that allows our associates to deliver outstanding customer service by treating customers like neighbors, not numbers.

We achieved two important goals in 2015: we reignited customer growth and improved profitability, laying the foundation for continued success.

Operating on a network quality foundation

In 2015, we continued our investment in our network to provide more capacity to meet growing demands for data services and to provide better in-home coverage. With 4G LTE, we can provide our customers, even in the more remote rural areas, with all the benefits of our data services, also creating new growth opportunities for us. We secured 4G LTE roaming agreements with national carriers to further enhance our customers' data experience.

Building on the strength of our newly completed 4G LTE network, we are further refining our network strategy and are planning to begin the multi-year rollout of VoLTE. We are designing VoLTE to bring even more quality products and services to our customers over the next few years, and increase our flexibility to pursue attractive new revenue opportunities.

Reigniting customer growth

Customer growth has been and will continue to be our number one priority. We are proud of our 2015 accomplishments and excited about our prospects, even while acknowledging that adding new customers is increasingly difficult in the wireless industry.

We plan to grow by focusing on what our customers desire: competitive pricing and promotions that showcase our high-quality 4G LTE network. Supporting this effort, we are redesigning our stores into retail destinations that can enhance the customer experience and further boost sales. We successfully repositioned our company to grow our customer base again, even in the face of a very competitive wireless market. We saw a steady and meaningful improvement in our churn levels as we delivered high levels of customer satisfaction. We also continued to see former customers return to U.S. Cellular, representing approximately 20% of new accounts.

We continue to manage our expense levels, which contributed to stronger margins and growth in operating cash flow in 2015. Growing our customer base and revenue also is crucial to improving our margins and profitability. We see opportunity for revenue growth with further smartphone penetration allowing us to monetize data usage. In addition, sales of our Shared Connect data plans create more devices per account. These plans, and the increasing use of connected devices like tablets by our customers, drive them to choose larger data buckets resulting in revenue growth.

Completing the 4G LTE deployment was the culmination of a four-year effort, and one of our major priorities for the year.

The rapidly growing small and medium business (SMB) market and regional government agencies are a natural fit for U.S. Cellular given our local focus. We have reorganized our sales channel and expanded our business pricing portfolio to include shared data and machine-to-machine offerings. As the needs of our SMB customers grow, we continue to expand our Business Solutions Product Catalog with products like international roaming, fleet management applications, wireless priority service, and more.

TDS TELECOM



TDS Telecom seeks to own and offer our customers “the best data pipe” into their homes and businesses through a portfolio of broadband offerings. The TDS Telecom businesses—wireline, cable, and hosted and managed services—pursue communications and data market opportunities to provide compelling services, solutions, and products to both residential and commercial consumers.

Wireline

In our wireline business, our targeted investments in fiber technology have strengthened our triple play bundle offerings and resulted in higher average revenue per connection and low churn rates. Take rates for our IPTV service, TDS TV, have exceeded expectations in 2015, with 98% of all TDS TV customers subscribing to triple play bundles. We have now launched TDS TV in 27 markets, enabling 167,000 service addresses, which is roughly 23% of our total footprint. By mid-year 2016, we intend to deepen our fiber build to reach approximately 25% of our residential ILEC footprint.

In order to accelerate sales, we have continued our Fiberville marketing campaign, which markets high-speed broadband and TDS TV in new neighborhoods prior to build-outs. The campaign has been increasingly effective over the past year, as we have seen 10-20% market penetration in advance of turning up service.

Cable

We are pleased with the progress of our cable business since we entered the industry in 2013. Cable is a natural extension of TDS Telecom’s original wireline business that enables us to leverage our existing expertise and infrastructure. Both wireline and cable share the common strategy to “own the best data pipe in the market.” As part of this broadband strategy, we plan to continue growing high-margin broadband services bundled with video and voice products.

We are seeing our cable customer base continue to grow, accelerated by the attractive demographics in these markets, with household growth greater than the national average. We continue to evaluate additional strategic cable acquisitions that can further augment our growth and profitability.

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HMS

Our hosted and managed services (HMS) business, OneNeck IT Solutions, is another key element of our strategy to expand our business as it builds upon our core capabilities. As a communications service provider, we have foundational expertise in building and managing data networks and IT infrastructure.

HMS plays an important role in TDS Telecom’s growth strategy. We are in the advanced stages of integrating the five HMS businesses we acquired. In 2015, we completed both the construction of a new data center in Denver, Colorado and an expansion of another data center in Madison, Wisconsin. With this additional capacity up and running, combined with a highly motivated sales force trained on our extensive line of services and products, we are poised for more growth.

While we saw higher equipment sales in 2015, there’s still progress to be made in increasing recurring sales revenues. We believe the HMS industry has attractive long-term growth potential as mid-market companies look to outsource their IT needs.



Creating long-term value

At the corporate level of TDS, we are continually looking to build value in the TDS portfolio of businesses. We intend to supplement organic growth through strategic acquisitions. Our long-term strategy calls for the majority of our capital to be reinvested in our operating businesses to strengthen their growth and competitive positions. We also return value to TDS shareholders through the payment of regular quarterly cash dividends and through share repurchases.

In 2015, TDS primarily focused on investing in the networks that we believe will strengthen our competitive position and improve operating performance. Looking forward, we will continue to execute on our strategies to build strong, competitive businesses providing high-quality, data-focused products and services.

Since August of 2013, TDS has invested \$581.4 million, primarily through the acquisition of cable companies, and has returned \$195.8 million to shareholders through payments of \$147.0 million in cash dividends and \$48.8 million in stock repurchases.

Regulatory

TDS and its subsidiaries are active participants in the public policy arena, engaging policy makers on issues that directly impact our customers and our businesses. We advocated in Washington that the government auction of new spectrum later this year be structured to benefit all carriers and not just the very largest ones. We are thoroughly considering our participation in this 600 MHz auction. We also are advocating in support of programs to fund the ongoing needs for high-quality wireless and wired broadband communications in rural communities.

Upgrading our Annual Report

We have changed the format of our annual report this year, revising the Management's Discussion and Analysis section by adding charts and other graphics to more plainly and clearly present our business and our performance. We hope you find this information and format helpful and, as always, welcome your feedback.

Honoring Our Visionary Founder and Looking Ahead

As TDS begins its 48th year of business, we look forward to celebrating the legacy of our centenarian founder, LeRoy T. (Roy) Carlson. From our humble origins in rural Wisconsin to our nationwide presence today, we continue to operate and serve with Roy's basic principle, that "the customer is king." It is the foundation upon which we intend to continue building shareholder value with our growing portfolio of businesses.

Thank you

Thank you to each of the associates and employees of the TDS companies for your dedication and innovation in providing outstanding services, products, and total customer experiences to each of our customers across the nation.

Thank you also to each of our shareholders and our debt holders for your continuing support of our long-term growth and development.

Sincerely,

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

Walter C. D. Carlson
Chairman of the Board