Management's Discussion and Analysis of Results of Operation and Financial Condition

Contractual Obligations	2002	2003	2004	2005	2006	After 5 years
			(Dollars in Millions)			
Long-term Debt Repayments(1)	$ 67.5	$ 17.2	$ 18.2	$ 21.7	$219.2	$ 1,402.2
Average Interest Rate on Debt	8.53%	7.23%	7.23%	7.47%	7.02%	7.26%
Trust Originated Securities	$ —	$ —	$ —	$ —	$ —	$ 300.0
Operating Leases	62.9	56.9	51.5	47.3	41.7	168.9
Acquisitions	90.4	—	—	—	—	—
	$220.8	$ 74.1	$ 69.7	$ 69.0	$260.9	$ 1,871.1

(1) Scheduled debt repayments include long-term debt, the current portion of long-term debt and excludes the unamortized discount on the zero coupon debentures (LYONs).

At December 31, 2001, TDS and its subsidiaries are in compliance with all covenants and other requirements set forth in long-term debt indentures. TDS does not have any rating downgrade triggers that would accelerate the maturity dates of its debt. However, a downgrade in TDS's credit rating could adversely affect the terms on which it is able to renew existing, or obtain access to new, credit facilities in the future.

TDS and its subsidiaries had cash and cash equivalents totaling $140.7 million at December 31, 2001. In January 2002, TDS replaced its $500 million revolving credit facility, all of which was unused at December 31, 2001, with a new $600 million facility that expires in January 2007. Borrowings will bear interest at the London Interbank Borrowing Rate ("LIBOR") plus a margin based on the Company's credit rating (30 basis points at inception).

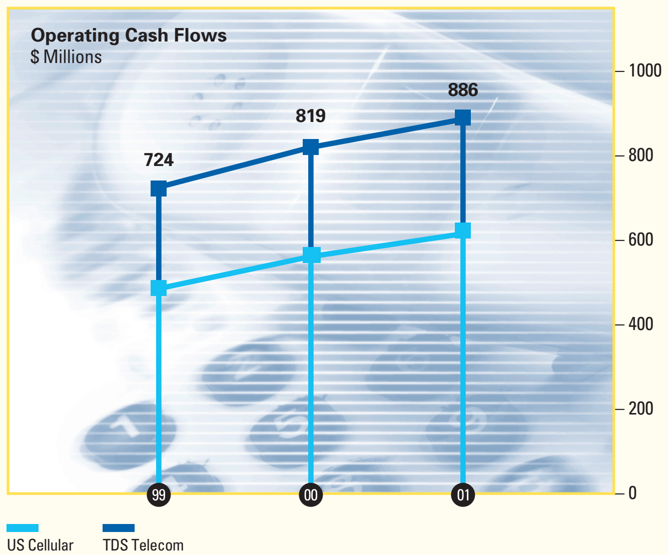
TDS's interest cost would increase if TDS's credit rating goes down which would increase TDS's cost of financing, but such credit facility would not cease to be available solely as a result of a decline in its credit rating. However, the continued availability of this revolving credit facility requires TDS to comply with certain negative and affirmative covenants, maintain certain financial ratios and to represent certain matters at the time of each borrowing. At December 31, 2001, TDS was in compliance with all covenants and other requirements set forth in the credit agreement.

TDS also had $87 million of bank lines of credit for general corporate purposes at December 31, 2001, all of which was unused. These line of credit agreements provide for borrowings at negotiated rates up to the prime rate.

U.S. Cellular's capital additions budget for 2002 is approximately $620-$640 million, primarily to add additional cell sites to expand and enhance coverage, to provide additional digital service capabilities including the initial steps toward the migration to CDMA technology, and to enhance office systems. The conversion to CDMA is expected to be completed by 2004, at an approximate cost of $400-$450 million, spread over the next three years. The estimated capital additions in 2002 include $80-$95 million related to this conversion. U.S. Cellular plans to finance its construction expenditures primarily with internally generated cash and short-term debt. U.S. Cellular's operating cash flow (operating income plus depreciation and amortization) totaled $617.9 million in 2001, up 11% ($59.9 million) from 2000. In addition, at December 31, 2001, U.S. Cellular had a $500 million of bank revolving line of credit for general corporate purposes, $236 million of which was unused. This line of credit provides for borrowing at LIBOR plus a contractual spread, based on U.S. Cellular's credit rating. The contractual spread was 19.5 basis points as of December 31, 2001.

U.S. Cellular's interest cost would increase if its credit rating goes down which would increase its cost of financing, but such line of credit would not cease to be available solely as a result of a decline in its credit rating. However, the continued availability of this revolving line of credit requires U.S. Cellular to comply with certain negative and affirmative covenants, maintain certain financial ratios and to represent certain matters at the time of each borrowing. At December 31, 2001, U.S. Cellular was in compliance with all covenants and other requirements set forth in the credit agreement.

TDS Telecom's capital additions budget for 2002 is approximately $170-$190 million. TDS Telecom expects the local telephone companies to spend approximately $115-$125 million to provide for normal growth and to upgrade plant and equipment to provide enhanced services. The competitive local exchange companies are expected to spend approximately $55-$65 million to build switching and other network facilities to expand its markets. TDS Telecom plans to finance its construction expenditures using primarily internally generated cash. Operating cash flow totaled $268.3 million in 2001, up 3% ($7.1 million) from 2000.



As of December 31, 2001, TDS gave notice to the note holders of its intent to retire $51.0 million of Medium-Term Notes in the first quarter of 2002 that were called at par value. This amount was classified as current portion of long-term debt on the December 31, 2001 balance sheet. TDS may consider retiring debt, when it becomes redeemable, when and if financial market conditions and other factors warrant. The table below indicates the long-term debt which could be retired in 2002 and the initial call dates of the remaining TDS long-term debt to show the amounts that TDS could redeem in advance of the maturity date if it chose to do so.

Redemption Amounts	Total	2002	2003	2004	2005	2006
			(Dollars in Millions)			
TDS Medium-Term Notes	$ 173.7	$ 51.0	$ 65.5	$ —	$ 17.2	$ 40.0
TDS 7% Notes	200.0	200.0	—	—	—	—
TDS 7.6% Series A Notes	500.0	—	—	—	—	500.0
U.S. Cellular 7.25% Notes	250.0	—	—	250.0	—	—
U.S. Cellular LYONs	140.2	140.2	—	—	—	—
TDS TELECOM Debt	288.9	288.9	—	—	—	—
Other Debt	22.5	9.5	—	—	3.0	10.0
Mandatory Redeemable Preferred Securities	300.0	150.0	150.0	—	—	—
	$1,875.3	$839.6	$ 215.5	$ 250.0	$ 20.2	$ 550.0

TDS reviews attractive opportunities to acquire additional telecommunications companies and wireless spectrum, which add value to the business. At December 31, 2001, the Company had agreements to acquire two telephone companies serving 25,500 access lines, and certain PCS licenses for aggregate consideration of $90.4 million in cash.

On November 1, 2000, the United States Bankruptcy Court for the Western District of Wisconsin confirmed a plan of financial reorganization for Airadigm Communications, Inc., a Wisconsin-based wireless service provider. Under the terms of the plan of reorganization, TDS and an unrelated entity have committed to provide funding to meet certain obligations of Airadigm. Airadigm continues to operate as an independent company providing wireless services. Pursuant to the plan of reorganization, under certain circumstances and subject to the FCC's rules and regulations, TDS and the unrelated entity, or their respective designees, may each acquire certain PCS licenses for areas of Wisconsin and Iowa as well as other Airadigm assets. As of December 31, 2001, TDS had provided funding of $52.7 million to Airadigm. Under the plan of reorganization, TDS's portion of the funding and the cost of the assets to be acquired could possibly aggregate up to an additional $145 million.

U.S. Cellular is a limited partner in a joint venture that was a successful bidder for 17 licenses in 13 markets in the January 2001 FCC spectrum auction. The cost for the 17 licenses totaled $283.9 million. Although legally the general partner controls the joint venture, the Company has included the joint venture in its consolidated financial statements because U.S. Cellular is considered to have controlling financial interest for financial reporting purposes. The joint venture has acquired 5 of such licenses in 4 markets for a total of $4.1 million and has deposits with the FCC totaling $56.1 million for the remaining licenses (classified as a current asset at December 31, 2001). Subject to the final outcome of the proceedings discussed below, the joint venture's portion of the funding could possibly aggregate up to an additional $223.7 million to fund the acquisition of the remaining licenses. In addition, U.S. Cellular has agreed to loan the general partner up to $20 million that could be used by the general partner to fund its investment in the licenses.

With respect to the remaining 12 licenses in 9 markets, such licenses had been reauctioned by the FCC after defaults by winning bidders in a prior auction and were made subject by the FCC to the final outcome of certain legal proceedings initiated by the prior winning bidders. Following the reauction, one of the prior winning bidders obtained a court ruling that the FCC's actions were illegal. In an effort to resolve this matter, on November 15, 2001, the joint venture and other bidders in the reauction entered into a settlement agreement with the prior winning bidder and the FCC. However, the settlement agreement terminated due to the failure to satisfy a condition to obtain certain Congressional action by December 31, 2001. The U.S. Supreme Court has agreed to review this matter. In the event the prior winning bidder is successful in this litigation, the joint venture would receive a refund of its deposit of $56.1 million made to the FCC for such 12 licenses. The joint venture's financial requirements would then be limited to the 5 licenses in 4 markets that it acquired in 2001. If the FCC is successful in this litigation or the matter is otherwise resolved in a manner that will permit the joint venture to acquire the remaining licenses, the joint venture would likely be required to pay to the FCC the balance of the auction price for such licenses. The joint venture would then have significant financial requirements to build out such markets. The exact nature of U.S. Cellular's financial commitment going forward will be determined as the joint venture develops its long-term business and financing plans.

TDS paid total dividends on its common and preferred stock of $32.1 million in 2001, $30.5 million in 2000 and $29.4 million in 1999. TDS does not anticipate any change in its policy of paying dividends. TDS paid quarterly dividends of $0.135, $0.125 and $0.115 in 2001, 2000 and 1999, respectively.

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