

TDS TELECOM

Our formula of providing excellent customer service with local operations has again produced strong operating results.



James Barr III
President and Chief Executive Officer
TDS Telecommunications Corporation

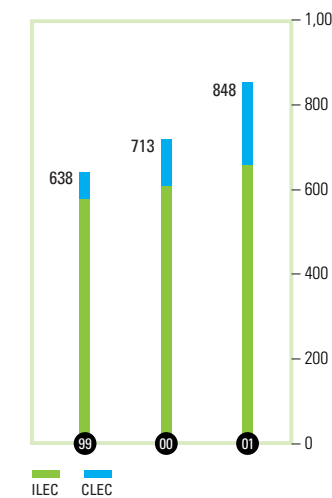
Communications services have become an indispensable element of both our daily business and home lives. As consumers' dependence on communications increases, so too do their choices. Today, telephony services compete not only with wireless, but also with cable and multiple Internet service providers for the consumer's communications dollar. That's why the reliability and service quality of TDS TELECOM products is essential to our continued success.

Service quality and customer care are our sustainable competitive advantages. Our unwavering focus on customer care is the only element of our business that isn't constantly changing.

It also sets our local telephone companies apart from other providers and enables TDS TELECOM to continue to grow in all of its markets – from rural communities to suburban areas, to mid-size cities.

TDS TELECOM Access Lines

Thousands of Units



Connecting People

Each day, TDS TELECOM's thousands of miles of copper and coaxial cable help people to connect with each other. We save lives, share joys, call our mothers, transfer funds, send e-mails and faxes, and close business deals. In essence, TDS TELECOM enables people to lead more fulfilling lives at work and at home.

Of course, we also work hard to provide increased value for our shareholders and I am pleased to report strong operating results again in 2001 for TDS TELECOM. We owe our success to well-planned expansion of our Competitive Local Exchange Carrier ("CLEC") operations and disciplined management of our Incumbent Local Exchange Carrier ("ILEC") operations. Operating cash flow grew by 3% over 2000 to \$268 million. TDS TELECOM's core ILEC

business revenues increased 9%, with a 10% increase in operating cash flow. Continued expense management and an ever-tightening focus on Return on Capital ("ROC") resulted in 9.3% ROC for the ILEC business in 2001, up from 8.1% in 2000, contributing to the year's excellent results. TDS METROCOM and USLink also met the very high expectations we set for them in 2001, bucking a negative industry trend. CLEC revenues grew 40% in 2001.

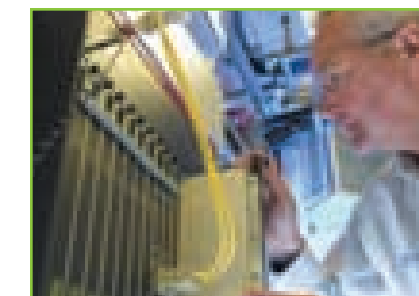
Over the decades, we have brought telecommunications services to thousands of customers and all of our employees should be proud of the outstanding service and customer care we stand for. In this report, I recognize three employees who exemplify our spirit of service. Thank you, Julie Schuelke, Dale Freeman and Joe Kirk. You are part of an outstanding team. By featuring you in this report, I am thanking all TDS TELECOM employees who share your passion for service. We appreciate the extra effort you have shown at each stage of your career to make our company more successful.

What it Takes to Win

Decades of experience have taught us how to win. When you pick up business periodicals it's all too common to read a story about a failed CLEC, a defunct Digital Subscriber Line ("DSL") provider, or even a telephone company that has spread itself too thin across too many "over-hyped" business opportunities. The competitive business market is getting more complicated every day. TDS TELECOM has been able



TDS TELECOM employees have an unwavering focus on service and customer care.



We continue to roll out DSL services to meet customer demands for high-speed Internet services.



Julie Schuelke
Director-Business Office Support
Madison, WI

Julie has seen many technological innovations that have improved customer service during her twenty-plus years at TDS TELECOM. She characterizes her daily work as "responding to issues that may have an impact on customers. Our job is to provide tools that help Customer Sales and Sales Representatives ("CSSRs") serve our customers more effectively."

Her greatest career accomplishment has been being a part of the creation and implementation of TDS TELECOM's Virtual Business Office ("VBO"). "Our distribution call center and extended customer care centers are built on information-sharing systems developed specifically for our geographically dispersed environment. This technology allows every customer to be served by a CSSR at the customer's convenience, and it allows us to staff our local offices – which is so important to our customers – at reasonable levels rather than for peak workloads."