TELEPHONE & DATA SYSTEMS INC /DE/
Form 10-Q/A
February 17, 2004

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q/A

(Amendment No. 1)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

ý	**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2003

OR

o	**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number 001-14157

TELEPHONE AND DATA SYSTEMS, INC.

(Exact name of registrant as specified in its charter)

Delaware	**36-2669023**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

30 North LaSalle Street, Chicago, Illinois 60602
(Address of principal executive offices) (Zip Code)

Registrant s telephone number, including area code: **(312) 630-1900**

Not Applicable
(Former address of principal executive offices) (Zip Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ý No o

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date.

Class	**Outstanding at June 30, 2003**
Common Shares, $.01 par value	50,934,645 Shares
Series A Common Shares, $.01 par value	6,430,365 Shares

EXPLANATORY NOTE

Telephone and Data Systems, Inc. (TDS) is filing this Amendment No. 1 to its Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, which was originally filed with the Securities and Exchange Commission (the SEC) on August 8, 2003 (the Quarterly Report), to amend Item 1 Financial Statements, Item 2 Management s Discussion and Analysis of Financial Condition and Results of Operations, Item 3 Quantitative and Qualitative Disclosures About Market Risk and Item 4 Controls and Procedures contained in Part I Financial Information of the Quarterly Report and Item 6 Exhibits and Reports of Form 8-K contained in Part II Other Information of the Quarterly Report.

TDS is filing this amendment in response to a comment letter received from the Division of Corporation Finance of the Securities and Exchange Commission (the SEC). This report revises the disclosures related to TDS s adoption of Statement of Financial Accounting Standards (SFAS) No. 143 Accounting for Asset Retirement Obligations and restates the financial statements in response to such comments. The SEC also requested additional disclosures be included in future filings which have been incorporated into this amendment. Such additional disclosures include, but are not limited to, defining the calculation of certain statistics, defining equivalent access lines, deleting acronyms, including total dollars in narratives, revising the captions of the statement of operations, disclosing the composition of selling and marketing cost per gross customer activation and disclosing additional information on critical accounting policies and estimates.

In addition, as required by Rule 12b-15 under the Securities Exchange Act of 1934, as amended, new certifications by the TDS principal executive officer and principal financial officer are being filed with this Form 10-Q/A.

Except as expressly stated herein, this amendment does not update any of the disclosures contained in the original filing to reflect any events that occurred after the original filing date of August 8, 2003. The filing of this Form 10-Q/A shall not be deemed an admission that the original filing, when made, included any untrue statement of a material fact or omitted to state a material fact necessary to make a statement not misleading.

TELEPHONE AND DATA SYSTEMS, INC.

2nd QUARTER REPORT ON FORM 10-Q/A

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

TELEPHONE AND DATA SYSTEMS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

Unaudited

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	**2002**	**2003**	**2002**
	(As Restated)	**(As Restated)**	**(As Restated)**	**(As Restated)**
	(Dollars in thousands, except per share amounts)			
OPERATING REVENUES	$ 851,287	$ 720,443	$ 1,658,705	$ 1,385,640
OPERATING EXPENSES				
Cost of services and products (exclusive of depreciation, amortization and accretion expense shown below)	263,188	209,608	525,586	399,430
Selling, general and administrative expense	347,575	271,907	684,076	530,016
Depreciation, amortization and accretion expense	144,902	115,636	296,129	227,535
(Gain) Loss on assets held for sale	3,500		27,000	
	759,165	597,151	1,532,791	1,156,981
OPERATING INCOME	92,122	123,292	125,914	228,659
INVESTMENT AND OTHER INCOME (EXPENSE)				
Interest and dividend income	6,069	48,167	10,397	50,234
Investment income	13,517	7,752	26,267	18,789
Gain (loss) on marketable securities and other investments	(5,000)	(1,719,126)	(8,500)	(1,756,526)
Interest expense	(43,996)	(29,095)	(87,353)	(58,719)
Minority interest in income of subsidiary trust	(6,202)	(6,202)	(12,405)	(12,405)
Other (expense), net	(7,097)	(1,223)	(5,938)	(17)
	(42,709)	(1,699,727)	(77,532)	(1,758,644)
INCOME (LOSS) BEFORE INCOME TAXES AND MINORITY INTEREST	49,413	(1,576,435)	48,382	(1,529,985)
Income tax expense (benefit)	23,623	(609,530)	27,447	(587,118)
INCOME (LOSS) BEFORE MINORITY INTEREST	25,790	(966,905)	20,935	(942,867)
Minority Share of (Income) Loss	(6,294)	15,115	(6,451)	5,087
INCOME (LOSS) BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGES	19,496	(951,790)	14,484	(937,780)

Cumulative effect of accounting changes, net of tax and minority interest						(11,789)		3,366
NET INCOME (LOSS)		19,496		(951,790)		2,695		(934,414)
Preferred Dividend Requirement		(104)		(106)		(209)		(218)
NET INCOME (LOSS) AVAILABLE TO COMMON	$	19,392	$	(951,896)	$	2,486	$	(934,632)
BASIC WEIGHTED AVERAGE SHARES OUTSTANDING (000s)		57,474		58,639		58,034		58,619
BASIC EARNINGS PER SHARE (Note 7)								
Income (Loss) Before Cumulative Effect of Accounting Changes	$	0.34	$	(16.23)	$	0.24	$	(16.00)
Cumulative Effect of Accounting Changes						(0.20)		0.06
Net income (loss) available to common		0.34		(16.23)		0.04		(15.94)
DILUTED WEIGHTED AVERAGE SHARES OUTSTANDING (000s)		57,671		58,639		58,062		58,619
DILUTED EARNINGS PER SHARE (Note 7)								
Income (Loss) Before Cumulative Effect of Accounting Changes	$	0.34	$	(16.23)	$	0.24	$	(16.00)
Cumulative Effect of Accounting Changes						(0.20)		0.06
Net income (loss) available to common		0.34		(16.23)		0.04		(15.94)
DIVIDENDS PER SHARE	$	0.155	$	0.145	$	0.31	$	0.29

The accompanying notes to financial statements are an integral part of these statements.

TELEPHONE AND DATA SYSTEMS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Unaudited

	Six Months Ended June 30, 2003 As Restated	Six Months Ended June 30, 2002 As Restated
	(Dollars in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before cumulative effect of accounting change	$ 14,484	$ (937,780)
Add (Deduct) adjustments to reconcile income (loss) to net cash provided by operating activities		
Depreciation, amortization and accretion	296,129	227,535
Deferred taxes	21,565	(633,027)
Investment income	(26,267)	(18,789)
Minority share of income	6,451	(5,087)
Loss on assets of operations held for sale	27,000	
(Gain) loss on marketable securities and other investments	8,500	1,756,526
Noncash interest expense	13,195	4,718
Other noncash expense	14,566	8,965
Changes in assets and liabilities		
Change in accounts receivable	81,118	(19,594)
Change in materials and supplies	(32,395)	26,939
Change in accounts payable	(82,135)	(27,242)
Change in advanced billings and customer deposits	13,137	10,420
Change in accrued taxes	(8,678)	32,420
Change in other assets and liabilities	(25,648)	(14,710)
	321,022	411,294
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(360,924)	(327,286)
Acquisitions, net of cash acquired	(1,244)	(73,722)
Increase in notes receivable	(7)	(2,431)
Refund of FCC deposit		47,565
Distributions from unconsolidated entities	17,884	6,217
Investments in and advances to unconsolidated entities	(1,465)	(1,695)
Other investing activities	(138)	(8,279)
	(345,894)	(359,631)
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in notes payable	143,560	(248,400)
Issuance of long-term debt	450	179,850

Repayments of long-term debt		(14,549)		(8,418)
Prepayment of long-term notes		(40,680)		(51,000)
Repurchase of TDS Common Shares		(56,522)		
Dividends paid		(18,184)		(17,227)
Other financing activities		1,503		(2,657)
		15,578		(147,852)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(9,294)		(96,189)
CASH AND CASH EQUIVALENTS -				
Beginning of period		1,298,936		140,744
End of period	$	1,289,642	$	44,555

The accompanying notes to financial statements are an integral part of these statements.

TELEPHONE AND DATA SYSTEMS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

ASSETS

Unaudited

	June 30, 2003 As Restated	December 31, 2002
	(Dollars in thousands)	
CURRENT ASSETS		
Cash and cash equivalents	$ 1,289,642	$ 1,298,936
Accounts receivable		
Due from customers, less allowance of $24,860 and $24,627, respectively	247,736	272,997
Other, principally connecting companies, less allowance of $11,781 and $15,848, respectively	147,400	175,036
Federal income tax receivable		40,000
Materials and supplies, at average cost	103,998	72,441
Other current assets	115,984	88,602
	1,904,760	1,948,012
INVESTMENTS		
Marketable equity securities	2,300,233	1,944,939
Wireless license costs	979,759	1,038,556
Goodwill	1,005,029	1,106,451
Customer lists, net of accumulated amortization of $15,543 and $6,567, respectively	31,111	40,087
Investments in unconsolidated entities	215,121	205,995
Notes receivable, less valuation allowance of $55,144 and $55,144, respectively	6,476	7,287
Other investments	15,139	14,914
	4,552,868	4,358,229
PROPERTY, PLANT AND EQUIPMENT, NET		
U.S. Cellular	2,191,318	2,148,432
TDS Telecom	1,050,385	1,047,811
	3,241,703	3,196,243
OTHER ASSETS AND DEFERRED CHARGES		
Derivative asset		2,630
Other	96,458	96,914
	96,458	99,544

ASSETS OF OPERATIONS HELD FOR SALE		223,876		
TOTAL ASSETS	$	10,019,665	$	9,602,028

The accompanying notes to financial statements are an integral part of these statements.

TELEPHONE AND DATA SYSTEMS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

LIABILITIES AND STOCKHOLDERS EQUITY

Unaudited

	June 30, 2003 As Restated	December 31, 2002
	(Dollars in thousands)	
CURRENT LIABILITIES		
Current portion of long-term debt	$ 84,861	$ 64,482
Notes payable	605,352	461,792
Accounts payable	274,218	361,758
Advance billings and customer deposits	106,312	95,922
Accrued interest	33,110	31,751
Accrued taxes	41,552	34,413
Accrued compensation	49,750	58,678
Other current liabilities	50,339	58,370
	1,245,494	1,167,166
DEFERRED LIABILITIES AND CREDITS		
Net deferred income tax liability	1,227,862	1,170,505
Derivative liability	302,946	61,160
Asset retirement obligations	89,361	
Other	59,369	55,645
	1,679,538	1,287,310
LONG-TERM DEBT		
Long-term debt, excluding current portion	1,567,315	1,641,624
Prepaid forward contracts	1,664,595	1,656,616
	3,231,910	3,298,240
LIABILITIES OF OPERATIONS HELD FOR SALE	9,005	
MINORITY INTEREST IN SUBSIDIARIES	495,248	489,735
COMPANY-OBLIGATED MANDATORILY REDEEMABLE PREFERRED SECURITIES of Subsidiary Trust		
Holding Solely Company Subordinated Debentures (a)	300,000	300,000

PREFERRED SHARES		6,704		6,954
COMMON STOCKHOLDERS EQUITY				
Common Shares, par value $.01 per share; authorized 100,000,000 shares; issued and outstanding 56,103,000 and 55,875,000 shares, respectively		561		559
Series A Common Shares, par value $.01 per share; authorized 25,000,000; issued and outstanding 6,430,000 and 6,602,000 shares, respectively		64		66
Capital in excess of par value		1,834,365		1,832,806
Treasury Shares, at cost, 5,168,000 and 3,799,000 shares, respectively		(460,298)		(404,169)
Accumulated other comprehensive income		260,906		191,704
Retained earnings		1,416,168		1,431,657
		3,051,766		3,052,623
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	$	10,019,665	$	9,602,028

(a) The sole asset of TDS Capital I is $154.6 million principal amount of 8.5% subordinated debentures due 2037 from TDS. The sole asset of TDS Capital II is $154.6 million principal amount of 8.04% subordinated debentures due 2038 from TDS.

The accompanying notes to financial statements are an integral part of these statements.

TELEPHONE AND DATA SYSTEMS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

The consolidated financial statements included herein have been prepared by TDS, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and note disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations, although TDS believes that the disclosures are adequate to make the information presented not misleading. It is suggested that these consolidated financial statements be read in conjunction with the consolidated financial statements and the notes thereto included in TDS s latest annual report on Form 10-K.

The accompanying unaudited consolidated financial statements contain all adjustments (consisting of only normal recurring items) necessary to present fairly the financial position as of June 30, 2003 and December 31, 2002, the results of operations for the three and six months ended June 30, 2003 and 2002 and the cash flows for the six months ended June 30, 2003 and 2002. The results of operations for the three and six months ended June 30, 2003, are not necessarily indicative of the results to be expected for the full year.

Certain amounts reported in prior periods have been reclassified to conform to the current period presentation.

U.S. Cellular and TDS adopted Statement of Financial Accounting Standards (SFAS) No. 143, Accounting for Asset Retirement Obligations, in January 2003. In the fourth quarter of 2003, U.S. Cellular revised the probability that its lease cell sites would require remediation resulting in TDS restating its financial statements for the three and six months ended June 30, 2003. See Note 18 Restatement of Financial Statements and Note 6 - Cumulative Effect of Accounting Changes.

U.S. Cellular made changes to its accounting policies which required TDS to restate certain items on its income statement for the three and six months ended June 30, 2002. See Note 6 Effects of 2002 Accounting Changes for the impact on operating income, net income (loss) and earnings per share.

2. Summary of Significant Accounting Policies

Assets and Liabilities of Operations Held for Sale

On March 10, 2003, U.S. Cellular announced that it had entered into a definitive agreement with AT&T Wireless Services, Inc. (AT&T Wireless) to exchange wireless properties. When this transaction is fully consummated, U.S. Cellular will receive 10 and 20 megahertz personal communication service licenses in 13 states, approximately $31 million in cash (excluding a working capital adjustment) and minority interests in six markets it currently controls. U.S. Cellular will transfer wireless assets and customers in 10 markets in Florida and Georgia to AT&T Wireless. The assignment and development of certain licenses will be deferred by U.S. Cellular for a period of up to five years from the closing date, in accordance with the exchange agreement. The acquisition of licenses in the exchange will be accounted for as a purchase by U.S. Cellular and the transfer of the properties by U.S. Cellular to AT&T Wireless will be accounted for as a sale. The closing of the transfer of the U.S. Cellular properties to AT&T Wireless and the assignments to U.S. Cellular from AT&T Wireless of a portion of the personal communication service licenses is expected to occur on August 1, 2003.

In accordance with Statement of Financial Accounting Standards (SFAS) No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, the balance sheet as of June 30, 2003 reflects the assets and liabilities of the wireless properties to be transferred to AT&T Wireless as assets and liabilities of operations held for sale. The assets and liabilities of operations held for sale have been presented separately in the asset and liability sections of the balance sheet. The revenues and expenses of these markets are included in operations. See Note 10 Assets and Liabilities of Operations Held for Sale for a summary of assets and liabilities of the markets to be disposed of.

Stock-Based Compensation

TDS accounts for stock options and employee stock purchase plans under Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees as allowed by SFAS No. 123, Accounting for Stock-Based Compensation.

No compensation costs have been recognized for the stock option and employee stock purchase plans. Had compensation costs for all plans been expensed and the value determined consistent with SFAS No. 123, TDS s net income (loss) available to common and earnings per share would have been reduced to the following pro forma amounts.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	**2002**	**2003**	**2002**
	As Restated		**As Restated**	
	(Dollars in thousands, except per share amounts)			
Net Income (Loss) Available to Common				
As Reported	$ 19,392	$ (951,896)	$ 2,486	$ (934,632)
Pro Forma Expense	2,593	2,857	4,390	5,714
Pro Forma Net Income (Loss) Available to Common	$ 16,799	$ (954,753)	$ (1,904)	$ (940,346)
Basic Earnings Per Share				
As Reported	$ 0.34	$ (16.23)	$ 0.04	$ (15.94)
Pro Forma Expense Per Share	(0.05)	(0.05)	(0.08)	(0.10)
Pro Forma Basic Earnings Per Share	$ 0.29	$ (16.28)	$ (0.04)	$ (16.04)
Diluted Earnings Per Share				
As Reported	$ 0.34	$ (16.23)	$ 0.04	$ (15.94)
Pro Forma Expense Per Share	(0.05)	(0.05)	(0.08)	(0.10)
Pro Forma Diluted Earnings Per Share	$ 0.29	$ (16.28)	$ (0.04)	$ (16.04)

Recent Accounting Pronouncements

FASB Interpretation No. 46 (FIN 46), Consolidation of Variable Interest Entities, was issued in January 2003, and is effective for all variable interests in variable interest entities created after January 31, 2003, and is effective July 1, 2003 for variable interests in variable interest entities created before February 1, 2003. This Interpretation clarifies the application of Accounting Research Bulletin No. 51, Consolidated Financial Statements, to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties.

TDS has two subsidiary trusts, TDS Capital I and TDS Capital II, that are variable interest entities pursuant to FIN 46. Effective July 1, 2003, pursuant to the provisions of FIN 46, TDS will discontinue consolidating the subsidiary trusts. TDS Capital I has outstanding 6,000,000 8.5% Company-Obligated Mandatorily Redeemable Preferred Securities. The sole asset of TDS Capital I is $154.6 million principal amount of TDS s 8.5% Subordinated Debentures due December 31, 2037. TDS Capital II has outstanding 6,000,000 8.04% Company-Obligated Mandatorily Redeemable Preferred Securities. The sole asset of TDS Capital II is $154.6 million principal amount of 8.04% Subordinated Debentures due March 31, 2038.

On August 1, 2003, TDS announced that its subsidiary trusts, TDS Capital I and TDS Capital II will both redeem all of their outstanding Trust Originated Preferred Securities (TOPrS[SM]). The redemption date is expected to be September 2, 2003. The redemption price of both the 8.5% and 8.04% TOPrS will equal 100% of the principal amount, or $25.00 per security, plus accrued and unpaid distributions. Upon redemption of the TOPrS by the subsidiary trusts, TDS will not have any variable interest entities pursuant to FIN 46.

SFAS No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities, was issued in April 2003, and is effective for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. SFAS No. 149 amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities under SFAS No. 133, Accounting for

Derivative Instruments and Hedging Activities. TDS will adopt the provisions of this Standard to contracts entered into or modified after June 30, 2003 and to hedging relationships designated after June 30, 2003. Since the provisions of this Statement will be applied prospectively, there will be no impact on TDS s June 30, 2003 financial position or results of operations.

SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity, was issued in May 2003, and is effective for financial instruments entered into or modified after May 31, 2003, and otherwise beginning July 1, 2003. SFAS No. 150 requires freestanding financial instruments within its scope to be recorded as a liability in the financial statements. Freestanding financial instruments include mandatorily redeemable financial instruments, obligations to repurchase issuer s equity shares and certain obligations to issue a variable number of issuer s shares. As of June 30, 2003, TDS had $300 million of Company Obligated Mandatorily Redeemable Preferred Securities of Subsidiary Trust that are free standing financial instruments within the scope of SFAS No. 150. However, the Subsidiary Trusts holding these securities will be deconsolidated pursuant to FIN 46, effective July 1, 2003. As of June 30, 2003, TDS had no other freestanding financial instruments within the scope of SFAS No. 150. Upon adoption, this Statement is not expected to have any effect on TDS s financial position or results of operations.

3. Asset Retirement Obligation (As Restated)

SFAS No. 143, Accounting for Asset Retirement Obligations, was issued in June 2001, and became effective for TDS beginning January 1, 2003. SFAS No. 143 requires entities to record the present value of the fair value of a liability for legal obligations associated with an asset retirement in the period in which the obligations are incurred. When the liability is initially recorded, the entity capitalizes the cost of the asset retirement obligation by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its future value each period, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the obligation, any difference between the cost to retire the asset and the liability recorded is recognized in the statement of operations as a gain or loss.

U.S. Cellular is subject to asset retirement obligations associated primarily with its cell sites, retail sites and office locations. Legal obligations include obligations to remediate leased land on which U.S. Cellular s cell sites and switching offices are located. U.S. Cellular is also required to return leased retail store premises and office space to their pre-existing conditions.

U.S. Cellular determined that it had an obligation to remove long-lived assets in its cell sites, retail sales and office locations as described by SFAS 143, and has recorded a $54.4 million liability upon adoption. TDS also recorded a charge for a non-cash cumulative change in accounting principle of $11.8 million representing accumulated accretion and depreciation through December 31, 2002. The U.S. Cellular asset retirement obligation increased by $4.4 million to $58.5 million as of June 30, 2003. The increase was due to additional liabilities incurred of $2.2 million and accretion of $2.2 million. See Note 18 Restatement of Financial Statements for a discussion of the periodic impact due to accretion and depreciation.

In accordance with the transition rules of SFAS No. 143, the following pro forma amounts show the effect of the retroactive application of the change in accounting principle for the adoption of SFAS No. 143:

	Three months ended June 30,		Six months ended June 30,	
	2003	2002	2003	2002
Actual				
Net income (loss)	$ 19,496	$ (951,790)	$ 2,695	$ (934,414)
Basic earnings per share	$ 0.34	$ (16.23)	$ 0.04	$ (15.94)
Diluted earnings per share	$ 0.34	$ (16.23)	$ 0.04	$ (15.94)
Pro forma				
Net income (loss)	$ 19,496	$ (952,396)	$ 14,484	$ (944,853)
Basic earnings per share	$ 0.34	$ (16.24)	$ 0.24	$ (16.12)
Diluted earnings per share	$ 0.34	$ (16.24)	$ 0.24	$ (16.12)

	At December 31, 2002	At January 1, 2002
Pro forma		
Asset Retirement Obligation	$ 54,438	$ 45,246

TDS Telecom s incumbent local telephone companies follow the provisions of SFAS No. 71, and therefore conform to the regulatory accounting principles as prescribed by the respective state public utility commissions and the Federal Communications Commission (FCC), and where applicable, accounting principles generally accepted in the United States of America. On December 20, 2002, the FCC notified carriers by Order that it will not adopt SFAS No. 143 since the FCC concluded that SFAS No. 143 conflicted with the FCC s current accounting rules that require incumbent local telephone companies to accrue for asset retirement obligations through prescribed depreciation rates. Pursuant to the FCC s order, and the provisions of SFAS No. 71, the incumbent local telephone companies continue to accrue asset retirement obligations as a component of depreciation expense pursuant to depreciation rates set forth by the respective state public utility commissions.

At January 1, 2003, upon implementation of SFAS No. 143, TDS Telecom determined the amount of the incumbent local telephone companies asset retirement obligations required to be recorded was $29.9 million, and this asset retirement obligation was reclassified from accumulated depreciation to deferred liabilities and credits under the provisions of SFAS No. 143. The asset retirement obligation under SFAS No. 143 has increased to $30.6 million at June 30, 2003. After the effect of this reclassification, the incumbent local telephone companies have an amount of $25.4 million as of January 1, 2003 ($26.8 million as of June 30, 2003) that remains in accumulated depreciation that represents asset retirement costs that have been accrued in accordance with depreciation rates promulgated by the respective state public utility commissions, which are in excess of asset retirement costs that are required to be accrued under the provisions of SFAS No. 143. The adoption of SFAS No. 143 by TDS s incumbent local telephone companies did not have an impact on TDS s statement of operations for the three and six months ended June 30, 2003.

TDS Telecom s competitive local telephone companies adopted SFAS No. 143 effective January 1, 2003. TDS Telecom determined that its competitive local telephone companies do not have a material legal obligation to remove long-lived assets as described by SFAS 143, and accordingly, adoption of SFAS 143 did not have a material impact on the competitive local telephone companies.

4. Income Taxes

Net income (loss) available to common shareholders includes losses from marketable securities and other investments and losses on assets held for sale for the three and six months ended June 30, 2003 and 2002. The following table summarizes the effective income tax expense (benefit) rates in each of the periods.

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2003	**2002**	**2003**	**2002**
	As Restated		**As Restated**	
Effective Tax Rate From				
Income before cumulative effect of accounting change excluding loss on marketable securities and other investments and loss on assets held for sale	43.0%	43.4%	42.8%	43.8%
Loss on marketable securities and other investments and loss on assets held for sale	(15.1)%	(39.1)%	(23.7)%	(39.1)%
Income (Loss) before cumulative effect of accounting changes	47.8%	(38.7)%	56.7%	(38.4)%

5. (Losses) on Marketable Securities and Other Investments

U.S. Cellular recorded a license cost impairment loss of $3.5 million in the first quarter of 2003 related to the investment in a non-operating market in Florida that will remain with U.S. Cellular after the exchange with AT&T Wireless is completed.

TDS also recorded an impairment loss of $5.0 million in the second quarter of 2003 on a cellular market investment held by TDS Telecom in conjunction with its annual license cost and goodwill impairment testing.

The loss on marketable securities and other investments in 2002 reflects an other than temporary investment loss of $1,756.5 million ($1,044.4 million, net of $686.2 million of income taxes and $25.9 million of minority interest) on TDS s marketable securities. The adjusted cost basis of TDS s marketable securities was written down to market value upon determining that the unrealized losses on the securities were other than temporary.

6. Cumulative Effect of Accounting Changes (As restated)

Effective January 1, 2003, TDS adopted SFAS No. 143, Accounting for Asset Retirement Obligations and recorded the initial liability for legal obligations associated with an asset retirement. The cumulative effect of the implementation of this accounting standard on periods prior to 2003 was recorded in the first quarter of 2003, decreasing net income by $11.8 million, net of tax and minority interest, or $0.20 per basic and diluted share.

U.S. Cellular made certain changes to its accounting policies in the fourth quarter of 2002 which required TDS to restate certain items on its income statement for the three and six month periods ending June 30, 2002. Other than the cumulative effect of the accounting change, none of the prior period changes have a significant impact on operating income, net income (loss) or earnings per share for the periods presented below.

	Three Months Ended June 30, 2002		
	As Reported	Changes	As Restated
	(Dollars in thousands, except per share amounts)		
Effects of 2002 Accounting Changes			
Operating Revenues			
Changes related to EITF 01-09 reclassification (1)	$ 723,814	$ (3,371)	$ 720,443
Operating Expenses			
Changes related to EITF 01-09 reclassification (1)		(3,371)	
Changes related to SAB 101(2)		(1,224)	
	601,746	(4,595)	597,151
Operating Income	122,068	1,224	123,292
(Loss) before Cumulative Effect of Accounting Change	(952,381)	591	(951,790)
Cumulative Effect of Accounting Change (2)			
Net (Loss)	$ (952,381)	$ 591	$ (951,790)
Earnings Per Share Cumulative Effect of Accounting Change			
Basic	$	$	$
Fully Diluted	$	$	$
Earnings Per Share Net (Loss)			
Basic	$ (16.24)	$ 0.01	$ (16.23)
Fully Diluted	$ (16.24)	$ 0.01	$ (16.23)

	Six Months Ended June 30, 2002		
	As Reported	Changes	As Restated
	(Dollars in thousands, except per share amounts)		
Effects of 2002 Accounting Changes			
Operating Revenues			
Changes related to EITF 01-09 reclassification (1)	$ 1,389,011	$ (3,371)	$ 1,385,640
Operating Expenses			
Changes related to EITF 01-09 reclassification (1)		(3,371)	
Changes related to SAB 101(2)		(2,053)	
	1,162,405	(5,424)	1,156,981
Operating Income	226,606	2,053	228,659
(Loss) before Cumulative Effect of Accounting Change	(938,784)	1,004	(937,780)
Cumulative Effect of Accounting Change (2)		3,366	3,366
Net (Loss)	$ (938,784)	$ 4,370	$ (934,414)
Earnings Per Share Cumulative Effect of Accounting Change			
Basic	$	$ 0.06	$ 0.06
Fully Diluted	$	$ 0.06	$ 0.06
Earnings Per Share Net (Loss)			
Basic	$ (16.02)	$ 0.08	$ (15.94)
Fully Diluted	$ (16.02)	$ 0.08	$ (15.94)

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(1) U.S. Cellular changed its accounting for certain rebate transactions pursuant to Emerging Issues Task Force Statement No. 01-09 (EITF No. 01-09) in the fourth quarter of 2002. Under EITF No. 01-09, all rebates paid to agents who participate in qualifying new activation and retention transactions are recorded as a reduction of equipment sales revenues. Previously, U.S. Cellular had recorded new activation rebates as marketing and selling expense and retention rebates as general and administrative expense. Further, these rebates are now recorded at the time handsets are sold by U.S. Cellular to these agents. Previously, U.S. Cellular recorded these transactions at the time the handsets were delivered by agents to U.S. Cellular customers.

(2) U.S. Cellular changed its accounting policy related to certain transactions pursuant to Staff Accounting Bulletin (SAB) No. 101 during the fourth quarter of 2002. U.S. Cellular had adopted SAB No. 101 as of January 1, 2000, and began deferring certain customer activation fees as of that date. As permitted by SAB No. 101, as of January 1, 2002, U.S. Cellular began deferring commissions expenses equal to the amount of activation fees deferred. In conjunction with this change, TDS

recorded a $3.4 million addition to net income as of January 1, 2002, related to commissions expenses which would have been deferred in prior years had U.S. Cellular adopted its new policy at the time it adopted SAB No. 101.

7. Earnings Per Share

Basic earnings per share is computed by dividing net income available to common by the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed using net income available to common and weighted average common shares adjusted to include the effect of potentially dilutive securities. Potentially dilutive securities include incremental shares issuable upon exercise of outstanding stock options and the potential conversion of preferred stock to common shares.

The amounts used in computing earnings per share from operations and the effect on income and the weighted average number of Common and Series A Common Shares of dilutive potential common stock are as follows.

	Three Months Ended June 30,		Six Months Ended June 30,	
Basic Earnings per Share	**2003**	**2002**	**2003**	**2002**
	As Restated		**As Restated**	
		(Dollars in thousands)		
Income (Loss) Before Cumulative Effect of Accounting Changes	$ 19,496	$ (951,790)	$ 14,484	$ (937,780)
Less: Preferred Dividend requirement	(104)	(106)	(209)	(218)
Income (Loss) Available to Common	19,392	(951,896)	14,275	(937,998)
Cumulative Effect of Accounting Changes			(11,789)	3,366
Net Income (Loss) Available to Common used in Basic Earnings per Share	$ 19,392	$ (951,896)	$ 2,486	$ (934,632)

	Three Months Ended June 30,		Six Months Ended June 30,	
Diluted Earnings per Share	**2003**	**2002**	**2003**	**2002**
	As Restated		**As Restated**	
		(Dollars in thousands)		
Income (Loss) Available to Common used in Basic Earnings per Share	$ 19,392	$ (951,896)	$ 14,275	$ (937,998)
Reduction in preferred dividends if Preferred Shares Converted into Common Shares	51			
Minority Income Adjustment (1)	(102)		(49)	
Income (Loss) Available to Common	19,341	(951,896)	14,226	(937,998)
Cumulative Effect of Accounting Changes			(11,789)	3,366
Net Income (Loss) Available to Common used in Diluted Earnings per Share	$ 19,341	$ (951,896)	$ 2,437	$ (934,632)

(1) The minority income adjustment reflects the additional minority share of U.S. Cellular s income computed as if all of U.S. Cellular s issuable securities were outstanding.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
	(Shares in thousands)			
Weighted Average Number of Common Shares used in Basic Earnings per Share	57,474	58,639	58,034	58,619
Effect of Dilutive Securities				
Stock Options (2)	43		28	
Common shares outstanding if Preferred Shares Converted	154			
Weighted Average Number of Common Shares used in Diluted Earnings per Share	57,671	58,639	58,062	58,619

(2) Stock options and preferred shares convertible into 1,583,000 Common Shares in three and six months ended June 30, 2002 were not included in computing Diluted Earnings per Share because their effects were antidilutive. Stock options and preferred shares convertible into 1,483,000 and 1,637,000 Common Shares in the three and six months ended June 30, 2003, respectively, were not included in computing Diluted Earnings per Share because their effects were antidilutive.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
	As Restated		As Restated	
Basic Earnings per Share				
Operations	$ 0.34	$ (16.23)	$ 0.24	$ (16.00)
Cumulative Effect of Accounting Changes			(0.20)	0.06
	$ 0.34	$ (16.23)	$ 0.04	$ (15.94)
Diluted Earnings per Share				
Operations	$ 0.34	$ (16.23)	$ 0.24	$ (16.00)
Cumulative Effect of Accounting Changes			(0.20)	0.06
	$ 0.34	$ (16.23)	$ 0.04	$ (15.94)

8. Marketable Equity Securities

TDS and its subsidiaries hold a substantial amount of marketable equity securities that are publicly traded and can have volatile share prices. TDS does not make direct investments in publicly traded companies and all of these interests were acquired as a result of sales, exchanges or reorganizations of other investments. The market values of the marketable securities may fall below the accounting cost basis of such securities. If management determines the decline in value of the marketable securities to be other than temporary , the unrealized loss included in other comprehensive income is recognized and recorded as a loss in the Statement of Operations.

During the six months ended June 30, 2002, management determined that the decline in the value of the marketable securities relative to its accounting cost basis was other than temporary and charged a $1,756.5 million loss to the Statement of Operations ($1,044.4 million, net of tax of $686.2 million, and minority interest of $25.9 million) and reduced the accounting cost basis of the marketable securities by a corresponding amount. The loss was reported in the caption Gain (loss) on marketable securities and other investments in the Statement of Operations.

TDS and subsidiaries have entered into a number of forward contracts in 2002 related to the marketable equity securities that they hold. The risk management objective of the forward contracts is to hedge the value of the marketable equity securities from losses due to decreases in the market prices of the securities while retaining a share of gains from increases in the market prices of such securities. The downside risk is hedged at or above the accounting cost basis thereby eliminating the risk of an other than temporary loss being recorded on these contracted securities.

U.S. Cellular terminated all security lending agreements with investment banks related to its Vodafone ADRs in the second quarter of 2003.

Information regarding TDS s marketable equity securities and the components of accumulated other comprehensive income are summarized as follows.

	June 30, 2003	December 31, 2002
	(Dollars in thousands)	
Marketable Equity Securities Fair Value		
Deutsche Telekom AG - 131,461,861 Ordinary Shares	$ 2,010,052	$ 1,689,285
Vodafone Group Plc 12,945,915 ADRs	254,387	234,580
VeriSign, Inc. 2,361,333 and 2,525,786 Common Shares	32,563	20,257
Rural Cellular Corporation - 719,396 equivalent Common Shares	3,021	611
Other	210	206
Aggregate Fair Value	2,300,233	1,944,939
Accounting Cost Basis	1,543,933	1,545,713
Gross Unrealized Holding Gains	756,300	399,226
Income Tax (Expense)	(295,192)	(155,794)
Unrealized Holding Gains, net of tax	461,108	243,432
Derivatives, net of tax	(197,377)	(50,508)
Equity Method Unrealized Gains	127	615
Minority Share of Unrealized Holding (Gains)	(2,952)	(1,835)
Accumulated Other Comprehensive Income	$ 260,906	$ 191,704

9. Goodwill and Customer Lists

TDS has recorded goodwill as a result of the acquisition of wireless licenses and markets, and the acquisition of operating telephone companies. Included in U.S. Cellular s goodwill is goodwill related to various acquisitions structured to be tax-free. No deferred taxes have been provided on goodwill related to tax-free acquisitions.

The changes in the carrying amount of goodwill for the six months ended June 30, 2003 and 2002, were as follows. TDS Telecom s incumbent local exchange carrier is designated as ILEC and its competitive local exchange carrier is designated as CLEC in the table.

		TDS Telecom			
(Dollars in thousands)	U.S. Cellular	ILEC	CLEC	Other(1)	Total
Beginning Balance January 1, 2003	$ 643,629	$ 397,482	$ 29,440	$ 35,900	$ 1,106,451
Allocation to Assets of Operations Held for Sale(2)	(93,658)				(93,658)
Impairment loss(3)				(5,000)	(5,000)
Other	(2,308)	(456)			(2,764)
Ending Balance June 30, 2003	$ 547,663	$ 397,026	$ 29,440	$ 30,900	$ 1,005,029
Beginning Balance January 1, 2002	$ 473,975	$ 332,848	$ 29,440	$ 34,538	$ 870,801

Acquisitions				40,750						40,750
Other				655						655
Ending Balance June 30, 2002	$	473,975	$	374,253	$	29,440	$	34,538	$	912,206

(1)Other consists of goodwill related to an investment in a cellular market owned by an ILEC subsidiary.

(2)See Note 10   Assets and Liabilities of Operations Held for Sale for discussion of allocation.

(3)See Note 5   (Losses) on Marketable Securities and Other Investments for discussion of the impairment loss.

TDS s customer lists represent intangible assets from the acquisition of wireless properties and are being amortized based on average customer retention periods using the declining balance method. Amortization expense was $4.5 million and $9.0 million for the three and six months ended June 30, 2003, respectively. There was no amortization of customer lists in the three and six months ended June 30, 2002. The related amortization expense for the remainder of 2003 and for the years 2004-2007 is expected to be $6.7 million, $9.5 million, $5.8 million, $3.5 million and $2.1 million, respectively.

10. Assets and Liabilities of Operations Held for Sale

On March 10, 2003, U.S. Cellular announced that it had entered into a definitive agreement with AT&T Wireless to exchange wireless properties. When this transaction is fully consummated, U.S. Cellular will receive 10 and 20 megahertz personal communication service licenses in 13 states, representing 12.2 million incremental population equivalents contiguous to existing properties and 4.4 million population equivalents that overlap existing properties in the Midwest and the Northeast. U.S. Cellular will also receive approximately $31 million in cash (excluding a working capital adjustment) and minority interests in six markets it currently controls. U.S. Cellular will transfer wireless assets and customers in 10 markets, representing 1.5 million population equivalents, in Florida and Georgia to AT&T Wireless. The assignment and development of certain licenses may be deferred by U.S. Cellular for a period of up to five years from the closing date, in accordance with the exchange agreement. The acquisition of licenses in the exchange will be accounted for as a purchase by U.S. Cellular and the transfer of the properties by U.S. Cellular to AT&T Wireless will be accounted for as a sale. The closing of the transfer of the U.S. Cellular properties to AT&T Wireless and the assignments to U.S. Cellular from AT&T Wireless of a portion of the personal communication service licenses is expected to occur on August 1, 2003. TDS will not report the transaction as discontinued operations as previously disclosed in its Annual Report on Form 10-K for the year ended December 31, 2002.

The consolidated balance sheet as of June 30, 2003 reflects the assets and liabilities to be transferred as assets and liabilities of operations held for sale in accordance with SFAS No. 144. The results of operations of the markets to be transferred continue to be included in results from operations.

U.S. Cellular allocated $93.7 million of goodwill to the operations held for sale in accordance with SFAS No. 142 Goodwill and Other Intangible Assets. A $27.0 million loss was recorded and reported as a loss on assets held-for sale (included in operating expenses) representing the difference between the book value of the markets to be transferred to AT&T Wireless and the fair value of the assets to be received in the transaction. The fair value of the assets to be received was determined using an independent valuation. Subsequent to recording the loss, the recorded value of the assets TDS expects to transfer to AT&T Wireless is equal to the fair value of the assets TDS expects to receive from AT&T Wireless. This loss may require an adjustment during the third quarter of 2003 to reflect the final amounts of the fair value of assets received and the recorded value of the assets transferred.

TDS anticipates that it will record an additional charge to the Statement of Operations of approximately $12 million for taxes and will have a current tax liability of approximately $5 million related to state income taxes on the completion of the transaction. As a result of the Jobs and Growth Tax Relief Reconciliation Act of 2003, enacted in May of 2003, TDS anticipates that it will claim additional federal tax depreciation deductions in 2003. Such additional depreciation deductions are expected to result in a federal net operating loss for TDS for 2003; accordingly, TDS anticipates that there will be no current federal tax liability in 2003 attributable to the planned exchange of assets with AT&T Wireless.

Assets and liabilities relating to operations held for sale are summarized as follows.

		June 30, 2003 (Dollars in thousands)
Current assets		
Cash and cash equivalents	$	7
Accounts receivable		11,777
Other current assets		1,074

License costs		55,147
Goodwill		93,658
Property, plant and equipment, net		88,415
Other assets		798
Loss on assets held for sale		(27,000)
Assets of Operations Held for Sale	$	223,876
Current liabilities		
Accounts payable	$	5,405
Other current liabilities		3,600
Liabilities of Operations Held for Sale	$	9,005

11. Long-Term Debt

TDS repurchased $5.0 million of 10% Medium-Term Notes in the second quarter of 2003 at 115.75% of par value. The loss on retirement of debt totaled $787,500 and was reported in the caption Other (expense), net in the Statement of Operations.

TDS notified the holders of $65.5 million of Series B Medium-Term Notes in June 2003 of its intent to redeem these notes at par. The notes are reflected as current portion of long-term debt on the balance sheet as of June 30, 2003. There will be no gain or loss on the retirement of these notes at par value. The notes were redeemed in July 2003.

12. Common Share Repurchase Program

The Board of Directors of TDS from time to time has authorized the repurchase of TDS Common Shares. In 2003, the Board of Directors authorized the repurchase of up to 3.0 million Common Shares through February 2006. TDS may use repurchased shares to fund acquisitions and for other corporate purposes. As of June 30, 2003, TDS has repurchased 1.4 million Common Shares under this authorization for an aggregate of $56.5 million, representing an average per share price of $40.95, leaving 1.6 million shares available for repurchase under the authorization. Share repurchases may be made from time to time on the open market or at negotiated prices in private transactions. No shares were repurchased in 2002.

13. Accumulated Other Comprehensive Income (Loss)

The cumulative balance of unrealized gains (losses) on securities and derivative instruments and related income tax effects included in Accumulated other comprehensive income (loss) are as follows.

	Six Months Ended June 30, 2003	2002
	(Dollars in thousands)	
Balance, beginning of period	$ 191,704	$ (352,120)
Marketable Equity Securities		
Add (Deduct):		
Unrealized gains (losses) on securities	356,906	(1,209,570)
Income tax (expense) benefit	(139,338)	472,012
	217,568	(737,558)
Equity method unrealized gains (losses)	(489)	218
Minority share of unrealized (gains) losses	(1,828)	14,003
Net unrealized gains (losses)	215,251	(723,337)
Deduct (Add):		
Recognized (losses) on securities	(168)	(1,756,526)
Income tax (expense) benefit	62	686,223
	(106)	(1,070,303)
Minority share of recognized losses	21	25,900
Net recognized gains (losses) from Marketable Equity Securities included in Net Income	(85)	(1,044,403)
	215,336	321,066
Derivative Instruments		
Unrealized gains (losses) on derivative instruments	(240,733)	20,849
Income tax (expense) benefit	93,864	(8,405)
	(146,869)	12,444
Minority Share of unrealized (gains) losses	735	(1,800)
	(146,134)	10,644
Net change in unrealized gains (losses) included in Comprehensive Income (Loss)	69,202	331,710
Balance, end of period	$ 260,906	$ (20,410)

Accumulated Unrealized Gain (Loss) on Derivative Instruments

Balance, beginning of period	$ (49,584)	$
Add (Deduct):		
Unrealized gains (losses) on derivative instruments	(240,733)	20,849
Income (tax) benefit	93,864	(8,405)
Minority share of unrealized (gains) losses	735	(1,800)
	(146,134)	10,644
Balance, end of period	$ (195,718)	$ 10,644

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
	As Restated	As Restated	As Restated	As Restated
	(Dollars in thousands)			
Comprehensive Income (Loss)				
Net Income (loss)	$ 19,496	$ (951,790)	$ 2,695	$ (934,414)
Net change in unrealized gains (losses) on securities and derivative instruments	68,141	551,035	69,202	331,710
	$ 87,637	$ (400,755)	$ 71,897	$ (602,704)

14. Supplemental Cash Flow Information

Cash and cash equivalents include cash and those short-term, highly liquid investments with original maturities of three months or less. The following table summarizes interest and income taxes paid by TDS.

	Six Months Ended June 30,	
	2003	2002
	(Dollars in thousands)	
Interest Paid	$ 72,123	$ 48,487
Income Taxes Paid (Refunded)	$ (18,388)	$ 12,980

15. Business Segment Information (As Restated)

Financial data for TDS s business segments for each of the three-month and six-month periods ended or at June 30, 2003 and 2002 are as follows. TDS Telecom s incumbent local exchange carrier is designated as ILEC and its competitive local exchange carrier is designated as CLEC in the tables.

Three Months Ended or at June 30, 2003		TDS Telecom			
(Dollars in thousands)	U.S. Cellular	ILEC	CLEC	All Other(1)	Total
Operating revenues	$ 639,810	$ 159,805	$ 52,479	$ (807)	$ 851,287
Cost of services and products	204,394	39,834	19,220	(260)	263,188
Selling, general and administrative expense	274,186	44,616	29,320	(547)	347,575
Operating income before depreciation, amortization and accretion and loss on assets held for sale(2)	161,230	75,355	3,939		240,524
Depreciation, amortization and accretion	104,694	32,121	8,087		144,902
Loss on assets held for sale	3,500				3,500
Operating income (loss)	53,036	43,234	(4,148)		92,122
Significant noncash items:					
Investment income	13,484	169		(136)	13,517
Gain (loss) on marketable securities and other investments				(5,000)	(5,000)
Marketable securities	202,879			2,097,354	2,300,233
Investment in unconsolidated Entities	171,214	19,069		24,838	215,121
Total assets	4,819,041	1,876,373	233,526	3,090,725	10,019,665

Capital expenditures	$ 163,076	$ 29,288	$ 5,504	$ 1,672	$ 199,540

Three Months Ended or at June 30, 2002		**TDS Telecom**			
(Dollars in thousands)	**U.S. Cellular**	**ILEC**	**CLEC**	**All Other(1)**	**Total**
Operating revenues	$ 524,339	$ 155,051	$ 41,762	$ (709)	$ 720,443
Cost of services and products	154,726	33,997	21,159	(274)	209,608
Selling, general and administrative expense	191,932	49,851	30,559	(435)	271,907
Operating income (loss) before depreciation and amortization(2) (3)	177,681	71,203	(9,956)		238,928
Depreciation, amortization and accretion	76,409	32,047	7,180		115,636
Operating income (loss)	101,272	39,156	(17,136)		123,292
Significant noncash items:					
Investment income	7,288	375		89	7,752
Gain (loss) on marketable securities and other investments	(244,699)			(1,474,427)	(1,719,126)
Marketable securities	140,235			1,350,249	1,490,484
Investment in unconsolidated entities	170,929	48,931		25,197	245,057
Total assets	3,725,777	1,506,816	221,656	1,506,957	6,961,206
Capital expenditures	$ 156,699	$ 25,268	$ 16,991	$	$ 198,958

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Six Months Ended or at June 30, 2003		**TDS Telecom**			
(Dollars in thousands)	**U.S. Cellular**	**ILEC**	**CLEC**	**All Other(1)**	**Total**
Operating revenues	$ 1,235,724	$ 319,402	$ 104,918	$ (1,339)	$ 1,658,705
Cost of services and products	407,124	77,979	41,003	(520)	525,586
Selling, general and administrative expense	540,556	87,033	57,306	(819)	684,076
Operating income before depreciation, amortization and accretion and loss on assets held for sale(2)	288,044	154,390	6,609		449,043
Depreciation, amortization and accretion	214,271	65,740	16,118		296,129
Loss on assets held for sale	27,000				27,000
Operating income (loss)	46,773	88,650	(9,509)		125,914
Significant noncash items:					
Investment income	25,862	339		66	26,267
Gain (loss) on marketable securities and other investments	(3,500)			(5,000)	(8,500)
Marketable securities	202,879			2,097,354	2,300,233
Investment in unconsolidated entities	171,214	19,069		24,838	215,121
Total assets	4,819,041	1,876,373	233,526	3,090,725	10,019,665
Capital expenditures	$ 304,002	$ 44,700	$ 9,209	$ 3,013	$ 360,924

Six Months Ended or at June 30, 2002		**TDS Telecom**			
(Dollars in thousands)	**U.S. Cellular**	**ILEC**	**CLEC**	**All Other(1)**	**Total**
Operating revenues	$ 1,002,759	$ 304,572	$ 79,516	$ (1,207)	$ 1,385,640
Cost of services and products	293,014	65,694	41,244	(522)	399,430
Selling, general and administrative expense					