- *Uncertainty of access to capital for telecommunications companies, deterioration in the capital markets, other changes in market conditions, changes in TDS's credit ratings or other factors could limit or restrict the availability of financing on terms and prices acceptable to TDS, which could require TDS to reduce its construction, development and acquisition programs.*
- *Changes in the income tax rates or tax laws, regulations or rulings could have an adverse effect on TDS's financial condition and results of operations.*
- *War, conflicts, hostilities and/or terrorist attacks could have an adverse effect on TDS's businesses.*
- *Changes in general economic and business conditions, both nationally and in the markets in which TDS operates, including difficulties by telecommunications companies, could have an adverse effect on TDS's businesses.*

TDS undertakes no obligation to update publicly any forward-looking statements whether as a result of new information, future events or otherwise. Readers should evaluate any statements in light of these important factors.

MARKET RISK

Long-term Debt

TDS is subject to market risks due to fluctuations in interest rates and equity markets. The majority of TDS's debt, excluding long-term debt related to the forward contracts, is in the form of long-term, fixed-rate notes and convertible debt with original maturities ranging up to 40 years. The long-term debt related to the forward contracts consists of both variable-rate debt and fixed-rate zero coupon debt. Accordingly, fluctuations in interest rates can lead to significant fluctuations in the fair value of such instruments. As of December 31, 2003, TDS had not entered into any significant financial derivatives to reduce its exposure to interest rate risks.

The annual requirements for principal payments on long-term debt and the average interest rates are as follows:

	Payments Due by Period						
	Total	2004	2005	2006	2007	2008	After 5 Years
(Dollars in millions)							
Long-term Debt Obligations(1)	$2,018.6	$23.7	$22.1	$223.9	$275.1	$ 21.2	$1,452.6
Average Interest Rate on Debt(2)	7.1%	6.4%	6.1%	6.9%	7.2%	6.0%	7.0%
Forward Contracts(3)	$1,754.1	$ —	$ —	$ —	$738.7	$1,015.4	$ —
Average Interest Rate on Forward Contracts(4)	2.4%	—%	—%	—%	1.7%	2.8%	—%

(1) Scheduled debt repayments include long-term debt and current portion of long-term debt, but exclude $160.3 million of unamortized discount on certain long-term debt instruments.

(2) Represents the average interest rate on all long-term debt shown for the indicated period.

(3) Scheduled debt repayments exclude $81.4 million of unamortized discount on zero coupon debt.

(4) Some of the forward contracts use a fixed rate, while others are variable based on the LIBOR rate plus 50 basis points. The December 31, 2003 three month LIBOR rate of 1.15% was used to determine average rates in 2007 and 2008.

At December 31, 2003 and 2002, the estimated fair value of long-term debt obligations was $2,114.2 million and $1,684.4 million, respectively, and the average interest rate on the debt was 7.1% and 7.0%, respectively. The estimated fair value of the forward contract loans was $1,665.7 million and $1,648.9 million at December 31, 2003 and 2002, respectively. Contracts aggregating $1,295.3 million require quarterly interest payments at the LIBOR rate plus 50 basis points (for a rate of 1.7% based on the 30-day LIBOR rate at December 31, 2003). Contracts aggregating $458.8 million are structured as zero coupon obligations with a weighted average effective interest rate of 4.4% per year. The fair value was estimated based upon a discounted cash flow analysis. The fair value of long-term debt was estimated using market prices for TDS's 7.6% Series A Notes, U.S. Cellular's 8.75% Senior Notes and U.S. Cellular's Liquid Yield Option Notes and discounted cash flow analysis for the remaining debt. The Trust Originated Preferred Securities were redeemed in 2003 - see Long-term Financing. At December 31, 2002, the trust securities totaled $300 million and had an average interest rate of 8.3%. The fair value of the trust securities was $296.7 million based upon the market price at December 31, 2002.

Marketable Equity Securities and Derivatives

TDS maintains a portfolio of available-for-sale marketable equity securities, the majority of which are the result of sales or trades of non-strategic assets. The market value of these investments aggregated $2,772.4 million at December 31, 2003, and $1,944.9 million at December 31, 2002. As of December 31, 2003, the net unrealized holding gain, net of tax included in accumulated other comprehensive income totaled $748.8 million. This amount was $243.4 million at December 31, 2002. In 2002, TDS recognized, in the statement of operations, pre-tax losses of $1,757.5 million ($1,045.0 million, net of tax and minority interest of $712.5 million), related to investments in marketable equity securities as a result of management's determination that unrealized losses with respect to the investments were other than temporary.

Subsidiaries of TDS and U.S. Cellular have entered into a number of forward contracts related to the marketable equity securities that they hold. TDS and U.S. Cellular have provided guarantees to the lenders which provide assurance to the lenders that all principal and interest amounts are paid upon settlement of the contracts by such subsidiaries. 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 ("downside limit") while retaining a share of gains from increases in the market prices of such securities ("upside potential"). The downside limit is hedged at or above the cost basis thereby eliminating the risk of an other than temporary loss being recorded on these contracted securities.

Under the terms of the forward contracts, TDS and U.S. Cellular will continue to own the contracted shares and will receive dividends paid on such contracted shares, if any. The forward contracts mature from May 2007 to August 2008 and, at TDS's and U.S. Cellular's option, may be settled in shares of the respective security or in cash, pursuant to formulas that "collar" the price of the shares. The collars effectively limit downside risk and upside potential on the contracted shares. The collars are typically adjusted for any changes in dividends on the contracted shares. If TDS and U.S. Cellular elect to settle in shares, they will be required to deliver the number of shares of the contracted security determined pursuant to the formula. If shares are delivered in the settlement of the forward contract, TDS and U.S. Cellular would incur a current tax liability at the time of delivery based on the difference between the tax basis of the marketable equity securities delivered and the net amount realized through maturity. If TDS and U.S. Cellular elect to settle in cash they will be required to pay an amount in cash equal to the fair market value of the number of shares determined pursuant to the formula.

Deferred taxes have been provided for the difference between the financial reporting basis and the income tax basis of the marketable equity securities and are included in deferred tax liabilities on the balance sheet. Such deferred tax liabilities totaled $1,044.2 million at December 31, 2003, and $739.0 million at December 31, 2002.

The following table summarizes certain facts surrounding the contracted securities as of December 31, 2003.

		Collar(1)		
Security	Shares	Downside Limit (Floor)	Upside Potential (Ceiling)	Loan Amount (000s)
VeriSign	2,361,333	$ 8.82	$11.46	$ 20,819
Vodafone(2)	12,945,915	$15.07–$16.07	$20.60–$23.20	201,038
Deutsche Telekom	131,461,861	$10.74–$12.41	$13.71–$16.33	1,532,257
				1,754,114
Unamortized debt discount				81,352
				$1,672,762

(1) The per share amounts represent the range of floor and ceiling prices of all the securities monetized.

(2) U.S. Cellular owns 10.2 million and TDS Telecom owns 2.7 million Vodafone American Depositary Receipts.

The following analysis presents the hypothetical change in the fair value of marketable equity securities and derivative instruments at December 31, 2003 and December 31, 2002, using the Black-Scholes model, assuming hypothetical price fluctuations of plus and minus 10%, 20% and 30%. The table presents hypothetical information as required by SEC rules. Such information should not be inferred to suggest that TDS has any intention of selling any marketable equity securities or canceling any derivative instruments.

(Dollars in millions)

	December 31, 2003	Valuation of investments assuming indicated increase		
	Fair Value	+10%	+20%	+30%
Marketable Equity Securities	**$2,722.4**	**$2,994.6**	**$ 3,266.9**	**$ 3,539.1**
Derivative Instruments(1)	**$ (712.3)**	**$ (962.7)**	**$(1,218.5)**	**$(1,478.1)**

	December 31, 2003	Valuation of investments assuming indicated decrease		
	Fair Value	-10%	-20%	-30%
Marketable Equity Securities	**$2,722.4**	**$2,450.2**	**$ 2,177.9**	**$ 1,905.7**
Derivative Instruments(1)	**$ (712.3)**	**$ (467.0)**	**$ (228.6)**	**$ 3.6**

	December 31, 2002	Valuation of investments assuming indicated increase		
	Fair Value	+10%	+20%	+30%
Marketable Equity Securities	$1,944.9	$2,139.4	$ 2,333.9	$ 2,528.4
Derivative Instruments(1)	$ (58.5)	$ (241.2)	$ (420.6)	$ (600.6)

	December 31, 2002	Valuation of investments assuming indicated decrease		
	Fair Value	-10%	-20%	-30%
Marketable Equity Securities	$1,944.9	$1,750.4	$ 1,556.0	$ 1,361.5
Derivative Instruments(1)	$ (58.5)	$ 111.6	$ 287.3	$ 461.8

(1) Represents the fair value of the derivative instruments assuming the indicated increase or decrease in the underlying securities.