

U.S. Cellular

2003 Highlights

Launched eight new markets

Completed an exchange of wireless assets with AT&T Wireless

Negotiated the divestiture of our south Texas markets for cash

Continued integrating our new Chicago market

Successfully launched our most advanced non-voice product, **easyedgeSM**

Continued upgrading our network to CDMA 1X technology

Converted to one billing and customer-care system across the company

Strengthened the U.S. Cellular brand through effective advertising and marketing

Effectively managed the introduction of wireless number portability (WNP)

Built and opened a state-of-the-art network operations center in Illinois

Placed a \$444 million, 30-year bond offering at an attractive rate, and increased our revolving credit facility to \$700 million



John E. "Jack" Rooney
President and Chief Executive Officer, U.S. Cellular

Our goal at U.S. Cellular is to grow profitably through our customer-satisfaction strategy — and we made impressive progress in 2003.

In addition to our many achievements for the year, we posted operating revenues of \$2.6 billion, 18 percent higher than 2002, which was helped by a 7 percent growth in our customer base. Our operating expenses totaled \$2.5 billion, up 29 percent, reflecting not only the integration and promotion of our new Chicago market but also higher depreciation, amortization and accretion costs.

Everything we do at U.S. Cellular works toward the goal of satisfied customers: delivering excellent customer service, strengthening our presence, launching new products and services, improving the quality of our already superb network, and driving standards of excellence. At the same time, we are financially disciplined and responsible. We aim to grow profitably and keep the company strong. Just as our customers expect excellent service, our shareholders expect sound financial results, and we aim to deliver on both.

Delivering excellent customer service. Pleasing each customer is important to us for two reasons — satisfied customers tend to remain our customers, and they become our sales advocates, generating a constant stream of referrals. That's why we place so much emphasis on the broad coverage and reliable wireless service our network technology offers. And why we thoroughly test our products and services before launching them. It's also why our associates are dedicated to providing the best in customer service — whether through our customer service centers or our distribution network of 2,250 outlets with almost 450 retail stores and 1,800 authorized agents. This focus is what sets us apart from our competitors and keeps our customers loyal.

We made our service even better in 2003. We converted the third-party billing and customer-service system in Chicago to our own platform, Customer Acquisition and Retention System (CARES), meaning that our customers now experience shorter activation times and better service overall. We also implemented our data-billing system,



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Dana Dorcas, Director of Sales, U.S. Cellular



critical to supporting our data-services products and responding to customer inquiries.

That our strategy is successful is evident by our **churn rate**, one of the best in the industry. Our postpay churn rate — the rate that applies to 97 percent of our customer base — was 1.5 percent in 2003, a good indication that our customers are satisfied — and loyal.

Strengthening our market presence. We made great strides in strengthening U.S. Cellular's footprint in 2003. We launched service in eight new markets in our strategic footprint: Omaha (Nebraska), St. Joseph (Missouri), Council Bluffs (Iowa), Rochester (Minnesota), South Bend and Fort Wayne (Indiana), and Stillwater and Enid (Oklahoma).

In addition, we exchanged wireless assets with AT&T Wireless, trading our Georgia and north Florida properties for new spectrum in markets either adjacent to or overlapping our existing operations. We are now building out several of the markets acquired in the transaction, which we plan to launch in 2004.

Launching new products and services. Offering products and services customers value is an important part of our customer-satisfaction strategy. We experienced excellent growth in 2003 in our short messaging service (SMS), with revenues for the service growing 270 percent to \$17 million. Our next step into data is **easyedgeSM**, a robust wireless-data service that offers customers access to more than 150 downloadable applications, including games, news, sports information, ringtones and stock quotes.

We introduced **easyedgeSM** in 2003 only after a comprehensive trial run — to ensure that it was a product customers would want and value. We got everything right before we launched, getting the back-office support in place, having easy-to-use applications, and making sure our associates knew every aspect of the new product. Customer response has been encouraging, and we plan to further enhance our data-service products in 2004.

Improving the quality of our already superb network. Supporting these versatile, powerful digital products requires

Separately, we negotiated with AT&T Wireless the divestiture of our south Texas markets, which were not contiguous to any of our other, more established markets. The sale closed in February 2004. We'll use the proceeds to support the build-out of several of the new markets and help fund network improvements.

We also made substantial progress in our Chicago market during the year. In slightly more than a year, we have significantly grown our market presence through our marketing campaigns, our stores and our agents. Our efforts have resulted in strong name recognition, and most importantly, growth in our customer base and market share. Chicago is an important market for us, because it's the hub of the Midwest and a popular calling destination for many of our Midwest customers.

U.S. Cellular Customers (thousands)	
'03	4,409
'02	4,103
'01	3,461
'00	3,061
'99	2,602

a state-of-the-art, reliable and expandable network. At the end of 2003, we had upgraded more than 75 percent of our wireless network to Code Division Multiple Access (CDMA) 1X technology, a three-year initiative we began in 2002. CDMA 1X offers customers access to data, speeds the delivery of information and improves the quality of the wireless experience. We believe CDMA is technology of the future for the wireless industry, and that's one of the reasons we've chosen it for our network. We're on target to complete the conversion process on time and under budget by the end of 2004.

We improved our market coverage in 2003 by adding more than 500 cell sites to the network. And to provide even better support for our network, we opened a new network operations center in Schaumburg, Ill.

Growing profitably. While everything we undertake at U.S. Cellular works toward our goal of satisfied customers, we are also committed to growing profitably. Profitable growth doesn't happen overnight. That's why our strategy is integrated, and why everything we do is designed to keep U.S. Cellular financially strong and well positioned for the future.



Over the last few years, we have been investing in U.S. Cellular's future by allocating our resources to longer-term initiatives, such as strengthening our footprint and our network. Capital expenditures in 2003 totaled \$633 million in support of these efforts.

And while our expenses were higher this year than last, we made progress trimming our costs. For example, we negotiated with other carriers to save the company more than \$25 million in roaming expenses. We also simplified pricing schedules, streamlined processes and consolidated operations, including our billing systems. Our billing system conversion, which eliminated the dual billing system in Chicago, has lowered general and administrative expenses considerably.

Driving standards of excellence. Smart planning, disciplined execution and a clear sense of purpose are key to achieving our twin goals of customer satisfaction and profitable growth. Having the right people is essential to our success. That's the essence behind our **Dynamic Organization**, which is based on the five key values of ethics, pride, empowerment,

respect for one another and a total focus on the customer. These values are embedded in all we do at U.S. Cellular.

Our focus in 2004. Our focus in 2004 remains on **satisfying our customers** and **growing profitably**. We aim to:

- Drive growth and profitability in our new and established markets;
- Continue improving our network coverage and service quality, with particular emphasis on completing the build-out of several of the markets we acquired in 2003;
- Complete the deployment of CDMA 1X; and
- Continue to develop U.S. Cellular's line of data services, including launching our picture messaging service.

We are committed to delivering the results our customers — and shareholders — expect. We're enthusiastic about our prospects for 2004. With the dedication and commitment of our associates, guided by our strategy and empowered by our Dynamic Organization, we are confident that 2004 will be another great year for U.S. Cellular.

Using our customer satisfaction strategy as a guide, we at U.S. Cellular are committed to delivering the results our customers — and our shareholders — expect.

Alyson Breeden, Agent Account Executive, U.S. Cellular

Patrick Gordon, Mayor of Oak Forest, Ill., U.S. Cellular customer

