

Consolidated Quarterly Income Information As Restated (Unaudited)

Effects of 2003 Accounting Changes	Quarter Ended or at March 31, 2003				Quarter Ended or at June 30, 2003			
	As Previously Reported ⁽¹⁾	Wireless License Costs and Goodwill Restatements	Retention Reclassifications	As Restated	As Previously Reported ⁽¹⁾	Wireless License Costs and Goodwill Restatements	Retention Reclassifications	As Restated
(Dollars in thousands, except per share amounts)								
Statements of Operations								
Operating Revenues ⁽²⁾	\$ 807,418	\$ —	\$ 7,860	\$ 815,278	\$ 851,287	\$ —	\$ 6,127	\$ 857,414
Operating Expenses								
Cost of services and products ⁽²⁾	262,398	—	23,878	286,276	263,188	—	22,218	285,406
Selling, general and administrative expenses ⁽²⁾	336,501	—	(16,018)	320,483	347,575	—	(16,091)	331,484
Depreciation, amortization and accretion expenses	151,227	—	—	151,227	144,902	—	—	144,902
Loss on impairment of intangible assets ⁽³⁾	—	—	—	—	—	49,595	—	49,595
Loss on assets held for sale and impairment of assets ⁽³⁾	23,500	(1,939)	—	21,561	3,500	—	—	3,500
Total Operating Expenses	773,626	(1,939)	7,860	779,547	759,165	49,595	6,127	814,887
Operating Income	33,792	1,939	—	35,731	92,122	(49,595)	—	42,527
Loss on marketable equity securities and other investments	(3,500)	—	—	(3,500)	(5,000)	—	—	(5,000)
Income tax expense (benefit) ⁽³⁾	3,824	761	—	4,585	23,623	(19,590)	—	4,033
Minority share of (income) loss ⁽³⁾	(157)	(211)	—	(368)	(6,294)	5,354	—	(940)
Income (loss) before cumulative effect of accounting change	(5,012)	967	—	(4,045)	19,496	(24,651)	—	(5,155)
Net income (loss)	\$ (16,801)	\$ 967	\$ —	\$ (15,834)	\$ 19,496	\$ (24,651)	\$ —	\$ (5,155)
Weighted Average Shares Outstanding (000s)	58,594	—	—	58,594	57,474	—	—	57,474
Basic Earnings Per Share:								
Income (loss) from continuing operations	\$ (0.09)	\$ 0.02	\$ —	\$ (0.07)	\$ 0.34	\$ (0.43)	\$ —	\$ (0.09)
Cumulative effect of accounting changes	(0.20)	—	—	(0.20)	—	—	—	—
Discontinued operations	—	—	—	—	—	—	—	—
Net income (loss) available to common	\$ (0.29)	\$ 0.02	\$ —	\$ (0.27)	\$ 0.34	\$ (0.43)	\$ —	\$ (0.09)
Diluted Earnings Per Share:								
Income (loss) from continuing operations	\$ (0.09)	\$ 0.02	\$ —	\$ (0.07)	\$ 0.34	\$ (0.43)	\$ —	\$ (0.09)
Cumulative effect of accounting changes	(0.20)	—	—	(0.20)	—	—	—	—
Discontinued operations	—	—	—	—	—	—	—	—
Net income (loss) available to common	\$ (0.29)	\$ 0.02	\$ —	\$ (0.27)	\$ 0.34	\$ (0.43)	\$ —	\$ (0.09)
Balance Sheets								
Wireless license costs	\$ 979,760	\$186,882	\$ —	\$1,166,642	\$ 979,759	\$ 137,287	\$ —	\$ 1,117,046
Goodwill	1,008,596	(115,187)	—	893,409	1,005,029	(115,187)	—	889,842
Total Assets	\$9,570,395	\$ 71,695	\$ —	\$9,642,090	\$10,019,665	\$ 22,100	\$ —	\$10,041,765
Net deferred income tax liability	\$1,163,866	\$ 83,174	\$ —	\$1,247,040	\$ 1,227,862	\$ 63,584	\$ —	\$ 1,291,446
Minority interest in subsidiaries	487,721	(2,045)	—	485,676	495,248	(7,399)	—	487,849
Retained earnings	1,405,654	(9,434)	—	1,396,220	1,416,168	(34,085)	—	1,382,083
Total Liabilities and Stockholders' Equity	\$9,570,395	\$ 71,695	\$ —	\$9,642,090	\$10,019,665	\$ 22,100	\$ —	\$10,041,765

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Effects of 2003 Accounting Changes	Quarter Ended or at September 30, 2003				Quarter Ended or at December 31, 2003			
	As Previously Reported ⁽¹⁾	Wireless License Costs and Goodwill Restatements	Retention Reclassifications	As Restated	As Previously Reported ⁽¹⁾	Wireless License Costs and Goodwill Restatements	Retention Reclassifications	As Restated
(Dollars in thousands, except per share amounts)								
Statements of Operations								
Operating Revenues ⁽²⁾	\$ 874,754	\$ —	\$ 7,633	\$ 882,387	\$ 884,429	\$ —	\$ 5,708	\$ 890,137
Operating Expenses								
Cost of services and products ⁽²⁾	270,829	—	23,543	294,372	279,859	—	36,972	316,831
Selling, general and administrative expenses ⁽²⁾	327,080	—	(15,910)	311,170	366,421	—	(31,264)	335,157
Depreciation, amortization and accretion expenses	144,238	—	—	144,238	155,365	—	—	155,365
Loss on impairment of intangible assets ⁽³⁾	—	—	—	—	—	—	—	—
Loss on assets held for sale and impairment of assets ⁽³⁾	(1,442)	—	—	(1,442)	27,203	—	—	27,203
Total Operating Expenses	740,705	—	7,633	748,338	828,848	—	5,708	834,556
Operating Income	134,049	—	—	134,049	55,581	—	—	55,581
Loss on marketable equity securities and other investments	—	—	—	—	(1,700)	—	—	(1,700)
Income tax expense (benefit) ⁽³⁾	49,541	(10,713)	—	38,828	2,904	—	—	2,904
Minority share of (income) loss ⁽³⁾	(11,537)	(1,911)	—	(13,448)	(5,624)	—	—	(5,624)
Income (loss) before cumulative effect of accounting change	34,614	8,802	—	43,416	25,790	—	—	25,790
Net income (loss)	\$ 33,005	\$ 8,802	\$ —	\$ 41,807	\$ 25,790	\$ —	\$ —	\$ 25,790
Weighted Average Shares								
Outstanding (000s)	57,420	—	—	57,420	57,397	—	—	57,397
Basic Earnings Per Share:								
Income (loss) from continuing operations	\$ 0.60	\$ 0.16	\$ —	\$ 0.76	\$ 0.45	\$ —	\$ —	\$ 0.45
Cumulative effect of accounting changes	—	—	—	—	—	—	—	—
Discontinued operations	(0.03)	—	—	(0.03)	—	—	—	—
Net income (loss) available to common	\$ 0.57	\$ 0.16	\$ —	\$ 0.73	\$ 0.45	\$ —	\$ —	\$ 0.45
Diluted Earnings Per Share:								
Income (loss) from continuing operations	\$ 0.60	\$ 0.15	\$ —	\$ 0.75	\$ 0.44	\$ —	\$ —	\$ 0.44
Cumulative effect of accounting changes	—	—	—	—	—	—	—	—
Discontinued operations	(0.03)	—	—	(0.03)	—	—	—	—
Net income (loss) available to common	\$ 0.57	\$ 0.15	\$ —	\$ 0.72	\$ 0.44	\$ —	\$ —	\$ 0.44
Balance Sheets								
Wireless license costs	\$1,111,780	\$ 137,287	\$ —	\$1,249,067	\$ 1,052,039	\$ 137,287	\$ —	\$ 1,189,326
Goodwill	1,007,461	(115,187)	—	892,274	1,003,124	(115,187)	—	887,937
Total Assets	\$9,486,025	\$ 22,100	\$ —	\$9,508,125	\$10,171,238	\$ 22,100	\$ —	\$10,193,338
Net deferred income tax liability	\$1,259,149	\$ 52,871	\$ —	\$1,312,020	\$ 1,232,153	\$ 52,871	\$ —	\$ 1,285,024
Minority interest in subsidiaries	508,153	(5,488)	—	502,665	508,190	(5,488)	—	502,702
Retained earnings	1,440,172	(25,283)	—	1,414,889	1,456,954	(25,283)	—	1,431,671
Total Liabilities and Stockholders' Equity	\$9,486,025	\$ 22,100	\$ —	\$9,508,125	\$10,171,238	\$ 22,100	\$ —	\$10,193,338

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Effects of 2002 Accounting Changes	Quarter Ended or at March 31, 2002				Quarter Ended or at June 30, 2002			
	As Previously Reported ⁽¹⁾	Wireless License Costs and Goodwill Restatements	Retention Reclassifications	As Restated	As Previously Reported ⁽¹⁾	Wireless License Costs and Goodwill Restatements	Retention Reclassifications	As Restated
(Dollars in thousands, except per share amounts)								
Statements of Operations								
Operating Revenues ⁽²⁾	\$ 665,197	\$ —	\$ —	\$ 665,197	\$ 720,443	\$ —	\$ —	\$ 720,443
Operating Expenses								
Cost of services and products ⁽²⁾	189,822	—	8,416	198,238	209,608	—	9,464	219,072
Selling, general and administrative expenses ⁽²⁾	258,109	—	(8,416)	249,693	271,907	—	(9,464)	262,443
Depreciation, amortization and accretion expenses	111,899	—	—	111,899	115,636	—	—	115,636
Total Operating Expenses	559,830	—	—	559,830	597,151	—	—	597,151
Operating Income	105,367	—	—	105,367	123,292	—	—	123,292
Loss on marketable equity securities and other investments	(37,400)	—	—	(37,400)	(1,719,126)	—	—	(1,719,126)
Income (loss) before cumulative effect of accounting change	14,010	—	—	14,010	(951,790)	—	—	(951,790)
Cumulative effect of accounting changes ⁽³⁾	3,366	(10,401)	—	(7,035)	—	—	—	—
Net income (loss)	\$ 17,376	\$ (10,401)	\$ —	\$ 6,975	\$ (951,790)	\$ —	\$ —	\$ (951,790)
Weighted Average Shares Outstanding (000s)	58,600	—	—	58,600	58,639	—	—	58,639
Basic Earnings Per Share:								
Income (loss) from continuing operations	\$ 0.23	\$ —	\$ —	\$ 0.23	\$ (16.23)	\$ —	\$ —	\$ (16.23)
Cumulative effect of accounting changes	0.06	(0.18)	—	(0.12)	—	—	—	—
Net income (loss) available to common	\$ 0.29	\$ (0.18)	\$ —	\$ 0.11	\$ (16.23)	\$ —	\$ —	\$ (16.23)
Diluted Earnings Per Share:								
Income (loss) from continuing operations	\$ 0.23	\$ —	\$ —	\$ 0.23	\$ (16.23)	\$ —	\$ —	\$ (16.23)
Cumulative effect of accounting changes	0.06	(0.18)	—	(0.12)	—	—	—	—
Net income (loss) available to common	\$ 0.29	\$ (0.18)	\$ —	\$ 0.11	\$ (16.23)	\$ —	\$ —	\$ (16.23)
Balance Sheets								
Wireless license costs	\$ 874,764	\$ 208,641	\$ —	\$ 1,083,405	\$ 877,195	\$ 208,641	\$ —	\$ 1,085,836
Goodwill	870,857	(138,885)	—	731,972	912,206	(138,885)	—	773,321
Total Assets	\$7,618,312	\$ 69,756	\$ —	\$7,688,068	\$6,961,206	\$ 69,756	\$ —	\$7,030,962
Net deferred income tax liability	\$1,259,930	\$ 82,413	\$ —	\$1,342,343	\$1,005,940	\$ 82,413	\$ —	\$1,088,353
Minority interest in subsidiaries	469,609	(2,256)	—	467,353	478,953	(2,256)	—	476,697
Retained earnings	2,459,231	(10,401)	—	2,448,830	1,498,832	(10,401)	—	1,488,431
Total Liabilities and Stockholders' Equity	\$7,618,312	\$ 69,756	\$ —	\$7,688,068	\$6,961,206	\$ 69,756	\$ —	\$7,030,962

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	As Previously Reported ⁽¹⁾	Wireless License Costs and Goodwill Restatements	Retention Reclassifications	As Restated	As Previously Reported ⁽¹⁾	Wireless License Costs and Goodwill Restatements	Retention Reclassifications	As Restated
(Dollars in thousands, except per share amounts)								
Statements of Operations								
Operating Revenues ⁽²⁾	\$ 784,102	\$ —	\$ 6,485	\$ 790,587	\$ 815,624	\$ —	\$ 6,623	\$ 822,247
Operating Expenses								
Cost of services and products ⁽²⁾	245,504	—	19,775	265,279	260,586	—	19,585	280,171
Selling, general and administrative expenses ⁽²⁾	301,179	—	(13,290)	287,889	351,851	—	(12,962)	338,889
Depreciation, amortization and accretion expenses	143,209	—	—	143,209	139,701	—	—	139,701
Total Operating Expenses	689,892	—	6,485	696,377	752,138	—	6,623	758,761
Operating Income	94,210	—	—	94,210	63,486	—	—	63,486
Loss on marketable equity securities and other investments	(90,071)	—	—	(90,071)	(41,794)	—	—	(41,794)
Income (loss) before cumulative effect of accounting change	(20,488)	—	—	(20,488)	(29,469)	—	—	(29,469)
Cumulative effect of accounting changes	—	—	—	—	—	—	—	—
Net income (loss)	\$ (20,488)	\$ —	\$ —	\$ (20,488)	\$ (29,469)	\$ —	\$ —	\$ (29,469)
Weighted Average Shares Outstanding (000s)	58,660	—	—	58,660	58,676	—	—	58,676
Basic Earnings Per Share:								
Income (loss) from continuing operations	\$ (0.35)	\$ —	\$ —	\$ (0.35)	\$ (0.50)	\$ —	\$ —	\$ (0.50)
Cumulative effect of accounting changes	—	—	—	—	—	—	—	—
Net income (loss) available to common	\$ (0.35)	\$ —	\$ —	\$ (0.35)	\$ (0.50)	\$ —	\$ —	\$ (0.50)
Diluted Earnings Per Share:								
Income (loss) from continuing operations	\$ (0.35)	\$ —	\$ —	\$ (0.35)	\$ (0.50)	\$ —	\$ —	\$ (0.50)
Cumulative effect of accounting changes	—	—	—	—	—	—	—	—
Net income (loss) available to common	\$ (0.35)	\$ —	\$ —	\$ (0.35)	\$ (0.50)	\$ —	\$ —	\$ (0.50)
Balance Sheets								
Wireless license costs	\$1,040,840	\$208,641	\$ —	\$1,249,481	\$1,038,556	\$208,641	\$ —	\$1,247,197
Goodwill	1,089,490	(138,885)	—	950,605	1,106,451	(138,885)	—	967,566
Total Assets	\$7,994,599	\$ 69,756	\$ —	\$8,064,355	\$9,602,028	\$ 69,756	\$ —	\$9,671,784
Net deferred income tax liability	\$ 961,739	\$ 82,413	\$ —	\$1,044,152	\$1,097,791	\$ 82,413	\$ —	\$1,180,204
Minority interest in subsidiaries	486,324	(2,256)	—	484,068	489,735	(2,256)	—	487,479
Retained earnings	1,469,733	(10,401)	—	1,459,332	1,431,657	(10,401)	—	1,421,256
Total Liabilities and Stockholders' Equity	\$7,994,599	\$ 69,756	\$ —	\$8,064,355	\$9,602,028	\$ 69,756	\$ —	\$9,671,784

- (1) The amounts as previously reported for the March 31, June 30, and September 30, 2003 and 2002 statements of operations and the 2003 balance sheets are based on amendment No. 2 to the March 31, 2003, and June 30, 2003 and September 30, 2003 Quarterly Reports on Form 10-Q filed on March 10, 2004. The March 31, 2002, June 30, 2002 and September 30, 2002 balance sheet amounts have been adjusted to reflect a change in method of accounting for commission expense related to customer activations as described in the Cumulative Effect of Accounting Changes section of Note 1 "Summary of Significant Accounting Policies."
- (2) Prior to the fourth quarter of 2003, costs for equipment sold to retain current customers were included in selling, general and administrative expense. Prior to the fourth quarter of 2003 and in part of 2002, these costs were partially offset by equipment sales revenues received from these customers. In part of 2002 and all of 2001, equipment sales revenues related to retaining current customers were included in operating revenues. In the fourth quarter of 2003, TDS changed its policy for classifying retention costs and has reclassified the equipment sales revenue and cost of equipment sold related to the retention of current customers out of selling, general and administrative expense into operating revenues and cost of services and products, respectively, for each of the periods presented.
- (3) Prior to January 1, 2002, TDS allocated the excess of purchase price over tangible assets and liabilities acquired to wireless license costs and goodwill. At that time, the accounting treatment for TDS's wireless license costs and goodwill was the same for book purposes, with both asset classes amortized over an expected life of 40 years. However, no deferred taxes were provided on the amounts allocated to goodwill. Based upon a subsequent review of goodwill, TDS has restated the allocation of \$138.9 million of purchase price recorded as goodwill to wireless license costs as of January 1, 2002, the date of the adoption of SFAS No. 142. In connection with this restatement, an additional deferred tax liability of \$90.7 million was recorded as of January 1, 2002. The additional deferred tax liability recorded in conjunction with this restatement increased the carrying value of wireless license costs by a corresponding \$90.7 million. Following these adjustments, TDS reperformed the impairment tests for its wireless license costs as of January 1, 2002, and recorded an impairment loss of \$10.4 million (\$20.9 million before income taxes of \$8.2 million and minority interest of \$2.3 million). This impairment has been recorded as a cumulative effect of an accounting change at January 1, 2002, the date of the adoption of SFAS 142. In the first quarter of 2003, TDS had recorded a loss on assets held for sale related to the pending disposition of certain wireless properties. The wireless license costs upon which the impairment was recorded in the first quarter of 2002 included the wireless license costs of these properties. As a result, a portion of the originally recognized loss on assets held for sale in the first quarter of 2003 was recognized in the first quarter of 2002. Consequently, loss on assets held for sale in 2003 has been reduced by \$1.9 million, before income taxes of \$0.8 million and minority interest of \$0.2 million. In the third quarter of 2003, TDS had originally recorded an income tax expense upon the closing of the disposition of such wireless properties. This tax expense has been reduced due to the reversal of additional deferred tax liabilities that were recorded with respect to the wireless properties exchanged in conjunction with the restatement from goodwill to wireless license costs. Consequently, income tax expense in 2003 has been reduced by \$10.7 million and minority interest by \$1.9 million. In addition, as a result of the restatement discussed above, TDS also reperformed the annual impairment test for its wireless license costs for 2003, which was originally performed during the second quarter of 2003. This resulted in the recognition of an additional impairment loss of \$49.6 million, before income taxes of \$19.6 million and minority interest of \$5.4 million. This additional loss has been recorded in the second quarter of 2003.