UNITED STATES CELLULAR CORP
Form 10-Q/A
April 26, 2006

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q/A

Amendment No. 1

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

For the quarterly period ended June 30, 2005 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 1-9712

UNITED STATES CELLULAR CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**62-1147325**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

8410 West Bryn Mawr, Suite 700, Chicago, Illinois 60631

(Address of principal executive offices) (Zip Code)

Registrant s telephone number, including area code: **(773) 399-8900**

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 o No ý

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes ý No o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No ý

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, 2005**
Common Shares, $1 par value	54,048,812 Shares
Series A Common Shares, $1 par value	33,005,877 Shares

Explanatory Note

United States Cellular Corporation. (U.S. Cellular) is filing this Amendment No. 1 to its Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2005, which was originally filed with the Securities and Exchange Commission (SEC) on August 1, 2005 (Original Form 10-Q), to amend Part I Financial Information Item 1 Financial Statements, Item 2 Management s Discussion and Analysis of Financial Condition and Results of Operations (MD&A), and Item 4 Controls and Procedures, and Part II Other Information Item 5 Other Information and Item 6 Exhibits and Financial Statement Schedules.

As discussed in Note 1 to the Consolidated Financial Statements, on November 9, 2005, U.S. Cellular and its audit committee concluded that U.S. Cellular would amend its Annual Report on Form 10-K for the year ended December 31, 2004, to restate its financial statements and financial information for each of the three years in the period ended December 31, 2004, including quarterly information for 2004 and 2003, and certain selected financial data for the years 2001 and 2000. U.S. Cellular and its audit committee also concluded that U.S. Cellular would amend its Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2005 and June 30, 2005, to restate the financial statements and financial information included therein.

The restatement adjustments principally correct items that were recorded in the financial statements previously but not in the proper periods and certain income tax errors. Correction of the errors, with the exception of income taxes discussed below, individually did not have a material impact on income before income taxes and minority interest, net income or earnings per share; however, when aggregated, the items were considered to be material. The restatement adjustments to correct income tax accounting had a material impact individually on net income and earnings per share in prior periods. The restated financial statements are adjusted to record certain obligations in the periods such obligations were incurred and, correct the timing of the reversal of certain tax liabilities and record revenues in the periods such revenues were earned. The adjustments are described below.

Income taxes U.S. Cellular is included in a consolidated federal income tax return with other members of the TDS consolidated group. In the restatement, U.S. Cellular corrected its income tax expense, federal and state taxes payable, liabilities accrued for tax contingencies, deferred income tax assets and liabilities and related disclosures for the first and second quarters of 2005 and the years ended December 31, 2004, 2003 and 2002 for items identified based on a reconciliation of income tax accounts. The reconciliation compared amounts used for financial reporting purposes to the amounts used in the preparation of the income tax returns, and took into consideration the results of federal and state income tax audits and the resulting book/tax basis differences which generate deferred tax assets and liabilities. In addition, a review of the state deferred income tax rates used to establish deferred income tax assets and liabilities identified errors in the state income tax used which resulted in adjustments to correct the amount of deferred income tax assets and liabilities recorded for temporary differences between the timing of when certain transactions are recognized for financial and income tax reporting.

Federal universal service fund (USF) contributions In 2004 and 2003, Universal Service Administrative Company (USAC) billings to U.S. Cellular for USF contributions were based on estimated revenues reported to USAC by U.S. Cellular in accordance with USAC s established procedures. However, U.S. Cellular s actual liability for USF is based upon its actual revenues and USAC s established procedures provide a method to adjust U.S. Cellular s estimated liability to its actual liability. In the first six months of 2005 and the full years of 2004 and 2003, U.S. Cellular s actual revenues exceeded estimated revenues reported to USAC on an interim basis. As a result, additional amounts were due to USAC in 2005 and 2004 based on U.S. Cellular s annual report filings. Such additional amounts were incorrectly expensed when the invoices were received from USAC rather than at the time the obligation was incurred. In the third quarter of 2005, U.S. Cellular corrected its accounting for USF contributions to record expense reflecting the estimated obligation incurred based on actual revenues reported during the period. Accordingly, in the restatement, U.S. Cellular has adjusted previously reported USF contributions expense to reflect the estimated liability incurred during the period.

Customer contract termination fees   In the fourth quarter of 2003, U.S. Cellular revised its business practices related to the billing of contract termination fees charged when a customer disconnected service prior to the end of the customer s contract. This change resulted in an increase in amounts billed to customers and revenues even though a high percentage of the amounts billed were deemed uncollectible. At the time of the change in business practice, U.S. Cellular incorrectly recorded revenues related to such fees at the time of billing, as generally accepted accounting principles (GAAP) would preclude revenue recognition if the receivable is not reasonably assured of collection. In the first quarter of 2005, U.S. Cellular corrected its accounting to record revenues related to such fees only upon collection, in recognition of the fact that the collectibility of the revenues was not reasonably assured at the time of billing. In the restatement, U.S. Cellular made adjustments to properly reflect revenues for such fees upon collection beginning on October 1, 2003.

Leases and contracts   U.S. Cellular has entered into certain operating leases (as both lessee and lessor) that provide for specific scheduled increases in payments over the lease term. In the third quarter of 2004, U.S. Cellular made adjustments for the cumulative effect which were not considered to be material to either that quarter or to prior periods to correct its accounting and to recognize revenues and expenses under such agreements on a straight-line basis over the term of the lease in accordance with Statement of Financial Accounting Standards (SFAS) No. 13, Accounting for Leases, as amended, and related pronouncements. In addition, the accounting for certain other long-term contracts, for which a cumulative effect adjustment was made in the first quarter of 2005, was corrected to recognize expenses in the appropriate periods. The restatement adjustments reverse the cumulative amounts previously recorded in the third quarter of 2004 and the first quarter of 2005, and properly record such revenues and expenses on a straight-line basis in the appropriate periods.

Promotion rebates   From time to time, U.S. Cellular s sales promotions include rebates on sales of handsets to customers. In such cases, U.S. Cellular reduces revenues and records a liability at the time of sale reflecting an estimate of rebates to be paid under the promotion. Previously, the accrued liability was not adjusted on a timely basis upon expiration of the promotion to reflect the actual amount of rebates paid based upon information available at the date the financial statements were issued. In the restatement, U.S. Cellular has corrected revenues and accrued liabilities to reflect the impacts associated with promotion rebates in the appropriate periods.

Operations of consolidated partnerships managed by a third party   Historically, U.S. Cellular recorded the results of operations of certain consolidated partnerships managed by a third party on an estimated basis, and adjusted such estimated results to the actual results upon receipt of financial statements in the following quarter. However, GAAP requires that the actual amounts be used. In the restatement, U.S. Cellular has corrected its financial statements to recognize results of operations in the appropriate period based on the partnerships actual results of operations reported for such periods.

Investment income from entities accounted for by the equity method   Historically, U.S. Cellular recorded an estimate each quarter of its proportionate share of net income (loss) from certain entities accounted for by the equity method, and adjusted such estimate to the actual share of net income (loss) upon receipt of financial statements in the following quarter. However, GAAP requires that the actual amounts be used. In the restatement, U.S. Cellular has corrected its financial statements to recognize investment income in the appropriate period based on the entities actual net income (loss) reported for such periods.

Consolidated statements of cash flows In the restatement, the classification of cash distributions received from unconsolidated entities has been corrected to properly reflect cash received, which represents a return on investment in the unconsolidated entities, as cash flows from operating activities; previously, the cash received on such investments was classified as cash flows from investing activities. Also, the classification of certain noncash stock-based compensation expense has been corrected to properly reflect such noncash expense as an adjustment to cash flows from operating activities; previously, such expense was classified as cash flows from financing activities.

Other items In addition to the adjustments described above, U.S. Cellular recorded a number of other adjustments to correct and record revenues and expenses in the periods in which such revenues and expenses were earned or incurred. These adjustments were not significant, either individually or in aggregate.

In connection with the restatement, U.S. Cellular concluded that certain material weaknesses existed in its internal control over financial reporting. See Part I   Item 4   Controls and Procedures.

For the convenience of the reader, this Form 10-Q/A sets for the Original Form 10-Q, as amended hereby, in its entirety. However, this Form 10-Q/A amends and restates only Items 1, 2, and 4 of Part I and Item 6 of Part II of the Original From 10-Q, in each case solely as a result of and to reflect the adjustments discussed above and more fully in Note 1 of the accompanying financial statements, and no other information in the Original Form 10-Q is amended hereby. The foregoing items have not been updated to reflect other events occurring after the filing of the Original Form 10-Q, or to modify or update those disclosures affected by other subsequent events. In particular, forward-looking statements included in the Form 10-Q/A represented management s views as of the date of filing of the Original Form 10-Q for the quarter ended June 30, 2005 on August 1, 2005. Such forward-looking statements should not be assumed to be accurate as of any future date. U.S. Cellular undertakes no duty to update such information whether as a result of new information, future events or otherwise.

As required by Rule 12b-15 under the Securities Exchange Act of 1934, as amended, new certifications by U.S. Cellular s principal executive officer and principal financial officer are being filed with this Form 10-Q/A as Exhibits 31.1, 31.2, 32.1 and 32.2.

UNITED STATES CELLULAR CORPORATION

2ND QUARTER REPORT ON FORM 10-Q/A

AMENDMENT NO. 1

INDEX

PART I. FINANCIAL INFORMATION

ITEM I. FINANCIAL STATEMENTS

UNITED STATES CELLULAR CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

Unaudited

	Three Months Ended June 30, 2005 (As Restated)	Three Months Ended June 30, 2004 (As Restated)	Six Months Ended June 30, 2005 (As Restated)	Six Months Ended June 30, 2004 (As Restated)
	(Dollars in thousands, except per share amounts)			
OPERATING REVENUES				
Service	$ 691,746	$ 655,782	$ 1,363,385	$ 1,270,733
Equipment sales	50,219	49,808	89,651	88,032
Total Operating Revenues	741,965	705,590	1,453,036	1,358,765
OPERATING EXPENSES				
System operations (excluding depreciation, amortization and accretion shown separately below)	147,238	145,337	285,709	284,945
Cost of equipment sold	116,811	110,605	244,059	230,423
Selling, general and administrative	284,209	265,623	562,539	516,416
Depreciation, amortization and accretion	126,784	122,228	254,277	236,246
(Gain) on assets held for sale		(582)		(725)
Total Operating Expenses	675,042	643,211	1,346,584	1,267,305
OPERATING INCOME	66,923	62,379	106,452	91,460
INVESTMENT AND OTHER INCOME (EXPENSE)				
Investment income	17,825	16,297	32,265	30,081
Interest and dividend income	4,347	2,108	6,372	2,478
Interest (expense)	(21,444)	(20,951)	(42,182)	(41,266)
Gain (loss) on investments		(1,830)	551	(1,830)
Other income, net	(71)	227	155	551
Total Investment and Other Income (Expense)	657	(4,149)	(2,839)	(9,986)
INCOME BEFORE INCOME TAXES AND MINORITY INTEREST	67,580	58,230	103,613	81,474
Income tax expense	27,040	21,365	40,974	33,018
INCOME BEFORE MINORITY INTEREST	40,540	36,865	62,639	48,456
Minority share of income	(2,463)	(2,435)	(4,997)	(4,622)
NET INCOME	$ 38,077	$ 34,430	$ 57,642	$ 43,834
BASIC WEIGHTED AVERAGE SHARES OUTSTANDING (000s)	86,708	86,199	86,558	86,176
BASIC EARNINGS PER SHARE (Note 5)	$ 0.44	$ 0.40	$ 0.67	$ 0.51
DILUTED WEIGHTED AVERAGE SHARES OUTSTANDING (000s)	87,375	86,653	87,257	86,682
DILUTED EARNINGS PER SHARE (Note 5)	$ 0.44	$ 0.40	$ 0.66	$ 0.51

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

UNITED STATES CELLULAR CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Unaudited

	Six Months Ended June 30, 2005 (As Restated)	Six Months Ended June 30, 2004 (As Restated)
	(Dollars in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 57,642	$ 43,834
Add (Deduct) adjustments to reconcile net income to net cash provided by operating activities		
Depreciation, amortization and accretion	254,277	236,246
Bad debts expense	14,296	22,328
Deferred income taxes	34,819	31,836
Investment income	(32,265)	(30,081)
Distributions from unconsolidated entities	27,956	7,221
Minority share of income	4,997	4,622
(Gain) on assets held for sale		(725)
(Gain) Loss on investments	(551)	1,830
Other noncash expense	4,423	8,376
Changes in assets and liabilities		
Change in accounts receivable	(22,444)	(36,617)
Change in inventory	21,791	24,397
Change in accounts payable	(44,643)	(88,412)
Change in accrued interest	(123)	1,310
Change in accrued taxes	10,871	3,647
Change in customer deposits and deferred revenues	4,737	8,373
Change in other assets and liabilities	(8,559)	(1,451)
	327,224	236,734
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	(256,557)	(263,903)
Cash received from sale of assets		96,932
Acquisitions, excluding cash acquired	(125,482)	(40,367)
Other investing activities	(1,358)	(842)
	(383,397)	(208,180)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of notes payable	310,000	270,000
Issuance of long-term debt		412,484
Repayment of notes payable	(290,000)	(270,000)
Repayment of long-term debt affiliated		(105,000)
Common shares issued for benefit plans	14,012	1,739
Other financing activities	(1,256)	(1,006)
	32,756	308,217
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(23,417)	336,771
CASH AND CASH EQUIVALENTS-		
Beginning of period	41,062	10,029
End of period	$ 17,645	$ 346,800

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

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UNITED STATES CELLULAR CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

ASSETS

Unaudited

	June 30, 2005 (As Restated)	December 31, 2004 (As Restated)
	(Dollars in thousands)	
CURRENT ASSETS		
Cash and cash equivalents	$ 17,645	$ 41,062
Accounts Receivable		
Customers, less allowance of $9,345 and $10,820, respectively	260,708	248,383
Roaming	27,701	26,421
Other	35,730	41,632
Inventory	55,127	76,918
Prepaid expenses	29,721	31,764
Deferred tax asset	35,936	73,216
Other current assets	16,035	24,951
	478,603	564,347
INVESTMENTS		
Licenses	1,362,434	1,228,801
Goodwill	445,352	445,212
Customer lists, net of accumulated amortization of $39,214 and $34,630, respectively	20,952	24,915
Marketable equity securities	251,115	282,829
Investments in unconsolidated entities	161,239	155,519
Notes and interest receivable long-term	4,753	4,885
	2,245,845	2,142,161
PROPERTY, PLANT AND EQUIPMENT		
In service and under construction	4,356,357	4,133,471
Less accumulated depreciation	1,905,050	1,692,751
	2,451,307	2,440,720
OTHER DEFERRED CHARGES	31,164	32,807
TOTAL ASSETS	$ 5,206,919	$ 5,180,035

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

UNITED STATES CELLULAR CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

LIABILITIES AND SHAREHOLDERS EQUITY

Unaudited

	June 30, 2005 (As Restated)	December 31, 2004 (As Restated)
	(Dollars in thousands)	
CURRENT LIABILITIES		
Notes payable	$ 50,000	$ 30,000
Accounts payable		
Affiliated	5,111	5,314
Trade	214,726	259,167
Customer deposits and deferred revenues	109,131	104,394
Accrued taxes	88,623	80,512
Accrued compensation	29,740	49,116
Other current liabilities	24,045	20,829
	521,376	549,332
DEFERRED LIABILITIES AND CREDITS		
Net deferred income tax liability	663,615	670,250
Derivative liability	46,616	70,796
Other deferred liabilities and credits	110,506	99,222
	820,737	840,268
LONG-TERM DEBT	1,161,014	1,160,786
MINORITY INTEREST IN SUBSIDIARIES	43,773	40,052
COMMON SHAREHOLDERS EQUITY		
Common Shares, par value $1 per share; authorized 140,000,000 shares; issued 55,045,684 shares	55,046	55,046
Series A Common Shares, par value $1 per share; authorized 50,000,000 shares; issued and outstanding 33,005,877 shares	33,006	33,006
Additional paid-in capital	1,288,595	1,305,249
Treasury Shares, at cost, 1,238,263 and 1,716,658 Common Shares, respectively	(65,428)	(99,627)
Accumulated other comprehensive income	28,038	32,803
Retained earnings	1,320,762	1,263,120
	2,660,019	2,589,597
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	$ 5,206,919	$ 5,180,035

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

UNITED STATES CELLULAR CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

The accounting policies of United States Cellular Corporation (U.S. Cellular) conform to accounting principles generally accepted in the United States of America (U.S. GAAP). The consolidated financial statements include the accounts of U.S. Cellular, its majority-owned subsidiaries since acquisition, general partnerships in which U.S. Cellular has a majority partnership interest and any entity in which U.S. Cellular has a variable interest that requires U.S. Cellular to absorb a majority of the entity s expected gains or losses, or both. All material intercompany accounts and transactions have been eliminated.

The consolidated financial statements included herein have been prepared by U.S. Cellular, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and note disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such rules and regulations, although U.S. Cellular believes that the disclosures included herein 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 U.S. Cellular s latest annual report on Form 10-K. (See discussion of Restatement below).

The accompanying unaudited consolidated financial statements contain all adjustments (consisting of only normal recurring items unless otherwise disclosed) necessary to present fairly U.S. Cellular s financial position as of June 30, 2005, its results of operations for the three and six months ended June 30, 2005 and 2004, and its cash flows for the six months ended June 30, 2005 and 2004. The results of operations for the three and six months ended June 30, 2005 and the cash flows for the six months ended June 30, 2005, are not necessarily indicative of the results to be expected for the full year.

Certain amounts reported in the prior year have been reclassified to conform to current period presentation. The capitalized costs of developing information systems, system development costs, and the related accumulated amortization have been reclassified from Deferred Charges to Property, Plant and Equipment in the Consolidated Balance Sheets. The reclassifications had no impact on previously reported net income, financial condition or cash flows.

Restatement

U.S. Cellular and its audit committee concluded on November 9, 2005, that U.S. Cellular would amend its Annual Report on Form 10-K for the year ended December 31, 2004 to restate its financial statements and financial information for each of the three years in the period ended December 31, 2004, including quarterly information for 2004 and 2003, and certain selected financial data for the years 2001 and 2000. U.S. Cellular and its audit committee also concluded that U.S. Cellular would amend its Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2005 and June 30, 2005 to restate the financial statements and financial information included therewith.

On November 11, 2005, U.S. Cellular announced that the staff of the Midwest Regional Office of the Securities and Exchange Commission (SEC) had advised U.S. Cellular that it was conducting an investigation into the restatement of financial statements announced by U.S. Cellular on November 10, 2005. U.S. Cellular intends to cooperate fully with the SEC staff in this investigation.

The restatement adjustments principally correct items that were recorded in the financial statements previously but not in the proper periods and certain income tax errors. Correction of the errors, with the exception of income taxes discussed below, individually did not have a material impact on income before income taxes and minority interest, net income or earnings per share; however, when aggregated, the items were considered to be material. The restatement adjustments to correct income tax accounting had a material impact individually on net income and earnings per share in prior periods. The restated financial statements are adjusted to record certain obligations in the periods such obligations were incurred and, correct the timing of the reversal of certain tax liabilities and record revenues in the periods such revenues were earned. The adjustments are described below.

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Federal universal service fund (USF) contributions In 2004 and 2003, Universal Service Administrative Company (USAC) billings to U.S. Cellular for USF contributions were based on estimated revenues reported to USAC by U.S. Cellular in accordance with USAC s established procedures. However, U.S. Cellular s actual liability for USF is based upon its actual revenues and USAC s established procedures provide a method to adjust U.S. Cellular s estimated liability to its actual liability. In the first six months of 2005 and the full years of 2004 and 2003, U.S. Cellular s actual revenues exceeded estimated revenues reported to USAC on an interim basis. As a result, additional amounts were due to USAC in 2005 and 2004 based on U.S. Cellular s annual report filings. Such additional amounts were incorrectly expensed when the invoices were received from USAC rather than at the time the obligation was incurred. In the third quarter of 2005, U.S. Cellular corrected its accounting for USF contributions to record expense reflecting the estimated obligation incurred based on actual revenues reported during the period. Accordingly, in the restatement, U.S. Cellular has adjusted previously reported USF contributions expense to reflect the estimated liability incurred during the period.

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Investment income from entities accounted for by the equity method Historically, U.S. Cellular recorded an estimate each quarter of its proportionate share of net income (loss) from certain entities accounted for by the equity method, and adjusted such estimate to the actual share of net income (loss) upon receipt of financial statements in the following quarter. However, GAAP requires that the actual amounts be used. In the restatement, U.S. Cellular has corrected its financial statements to recognize investment income in the appropriate period based on the entities actual net income (loss) reported for such periods.

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Other items In addition to the adjustments described above, U.S. Cellular recorded a number of other adjustments to correct and record revenues and expenses in the periods in which such revenues and expenses were earned or incurred. These adjustments were not significant, either individually or in aggregate.

The table below summarizes the impact on income before income taxes and minority interest as a result of the restatement.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
	(Increase (decrease) dollars in thousands)			
Income Before Income Taxes and Minority Interest, as previously reported	$ 66,220	$ 63,860	$ 98,425	$ 86,865
Federal universal service fund contributions	(1,224)	(1,704)	(2,655)	(113)
Customer contract termination fees	124	(84)	3,592	(235)
Leases and contracts	(133)	(628)	2,105	(1,314)
Promotion rebates			(446)	
Operations of consolidated partnerships managed by a third party	935	(1,064)	481	(794)
Investment income from entities accounted for by the equity method	1,667	(2,064)	2,189	(2,568)
Other items	(9)	(86)	(78)	(367)
Total adjustment	1,360	(5,630)	5,188	(5,391)
Income Before Income Taxes and Minority Interest, as restated	$ 67,580	$ 58,230	$ 103,613	$ 81,474

The table below summarizes the impact on net income and earnings per share as a result of the restatement.

	Three Months Ended June 30,				Six Months Ended June 30,			
	2005		2004		2005		2004	
	Net Income (loss)	Diluted Earnings Per Share	Net Income (loss)	Diluted Earnings Per Share	Net Income (loss)	Diluted Earnings Per Share	Net Income (loss)	Diluted Earnings Per Share
	(Increase (decrease) dollars in thousands, except per share amounts)							
As previously reported	$ 37,936	$ 0.43	$ 37,984	$ 0.44	$ 54,834	$ 0.63	$ 47,216	$ 0.54
Federal universal service fund contributions	(709)	(0.01)	(994)	(0.01)	(1,538)	(0.02)	(66)	
Customer contract termination fees	69		(46)		2,011	0.02	(131)	
Leases and contracts	(75)		(367)		1,281	0.01	(770)	(0.01)
Promotion rebates					(250)			
Operations of consolidated partnerships managed by a third party	413	0.01	(474)	(0.01)	213		(354)	
Investment income from entities accounted for by the equity method	1,008	0.02	(1,249)	(0.02)	1,324	0.02	(1,554)	(0.02)
Income taxes	(551)	(0.01)	(372)		(181)		(296)	
Other items	(14)		(52)		(52)		(211)	
Total adjustment	141	0.01	(3,554)	(0.04)	2,808	0.03	(3,382)	(0.03)
As restated	$ 38,077	$ 0.44	$ 34,430	$ 0.40	$ 57,642	$ 0.66	$ 43,834	$ 0.51

The effect of the restatement on the previously reported Consolidated Statements of Operations is as follows:

	Three Months Ended			
	June 30, 2005		June 30, 2004	
	As Previously Reported	As Restated	As Previously Reported	As Restated
	(Dollars in thousands, except per share amounts)			
OPERATING REVENUES				
Service	$ 691,574	$ 691,746	$ 662,658	$ 655,782
Equipment sales	50,348	50,219	49,567	49,808
Total Operating Revenues	741,922	741,965	712,225	705,590
OPERATING EXPENSES				
System operations (excluding depreciation amortization and accretion shown separately below)	147,738	147,238	144,887	145,337
Cost of equipment sold	116,977	116,811	110,182	110,605
Selling, general and administrative	283,676	284,209	269,619	265,623
Depreciation, amortization and accretion	126,467	126,784	122,249	122,228
Gain on assets of operations held for sale			(582)	(582)
Total Operating Expenses	674,858	675,042	646,355	643,211
OPERATING INCOME	67,064	66,923	65,870	62,379
INVESTMENT AND OTHER INCOME (EXPENSE)				
Investment income	16,157	17,825	18,361	16,297
Interest and dividend income	4,359	4,347	2,118	2,108
Interest (expense)	(21,444)	(21,444)	(20,951)	(20,951)
Loss on investments			(1,830)	(1,830)
Other income, net	84	(71)	292	227
Total Investment and Other Income (Expense)	(844)	657	(2,010)	(4,149)
INCOME BEFORE INCOME TAXES AND MINORITY INTEREST	66,220	67,580	63,860	58,230
Income tax expense	26,021	27,040	23,094	21,365
INCOME BEFORE MINORITY INTEREST	40,199	40,540	40,766	36,865
Minority share of income	(2,263)	(2,463)	(2,782)	(2,435)
NET INCOME	$ 37,936	$ 38,077	$ 37,984	$ 34,430
Basic Earnings per Share:				
Net Income (Loss)	$ 0.44	$ 0.44	$ 0.44	$ 0.40
Diluted Earnings per Share:				
Net Income (Loss)	$ 0.43	$ 0.44	$ 0.44	$ 0.40

	Six Months Ended			
	June 30, 2005		June 30, 2004	
	As Previously Reported	As Restated	As Previously Reported	As Restated
	(Dollars in thousands, except per share amounts)			
OPERATING REVENUES				
Service	$ 1,360,366	$ 1,363,385	$ 1,282,040	$ 1,270,733
Equipment sales	89,991	89,651	87,835	88,032
Total Operating Revenues	1,450,357	1,453,036	1,369,875	1,358,765
OPERATING EXPENSES				
System operations (excluding depreciation, amortization and accretion shown separately below)	287,804	285,709	282,410	284,945
Cost of equipment sold	243,870	244,059	230,070	230,423
Selling, general and administrative	561,665	562,539	527,825	516,416
Depreciation, amortization and accretion	253,717	254,277	236,143	236,246
Gain on assets of operations held for sale			(725)	(725)
Total Operating Expenses	1,347,056	1,346,584	1,275,723	1,267,305
OPERATING INCOME	103,301	106,452	94,152	91,460
INVESTMENT AND OTHER INCOME (EXPENSE)				
Investment income	30,076	32,265	32,648	30,081
Interest and dividend income	6,395	6,372	2,496	2,478
Interest (expense)	(42,182)	(42,182)	(41,266)	(41,266)
Gain (loss) on investments	551	551	(1,830)	(1,830)
Other income, net	284	155	665	551
Total Investment and Other Income (Expense)	(4,876)	(2,839)	(7,287)	(9,986)
INCOME BEFORE INCOME TAXES AND MINORITY INTEREST	98,425	103,613	86,865	81,474
Income tax expense	38,824	40,974	34,755	33,018
INCOME BEFORE MINORITY INTEREST	59,601	62,639	52,110	48,456
Minority share of income	(4,767)	(4,997)	(4,894)	(4,622)
NET INCOME	$ 54,834	$ 57,642	$ 47,216	$ 43,834
Basic Earnings per Share:				
Net Income (Loss)	$ 0.63	$ 0.67	$ 0.55	$ 0.51
Diluted Earnings per Share:				
Net Income (Loss)	$ 0.63	$ 0.66	$ 0.54	$ 0.51

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The effect of the restatement on the previously reported Consolidated Statements of Cash Flows is as follows:

	Six Months Ended June 30,			
	2005 As Previously Reported	2005 As Restated	2004 As Previously Reported	2004 As Restated
	(Dollars in thousands)			
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income	$ 54,834	$ 57,642	$ 47,216	$ 43,834
Add (Deduct) adjustments to reconcile net income to net cash provided by operating activities				
Depreciation, amortization and accretion	253,717	254,277	236,143	236,246
Bad debts expense	15,950	14,296	34,903	22,328
Deferred income taxes	32,669	34,819	33,574	31,836
Investment income	(30,076)	(32,265)	(32,648)	(30,081)
Distributions from unconsolidated entities		27,956		7,221
Minority share of income	4,767	4,997	4,894	4,622
(Gain) on assets held for sale			(725)	(725)
(Gain) Loss on investments	(551)	(551)	1,830	1,830
Other noncash expense	4,236	4,423	8,260	8,376
Changes in assets and liabilities				
Change in accounts receivable	(21,752)	(22,444)	(51,375)	(36,617)
Change in inventory	21,791	21,791	24,397	24,397
Change in accounts payable	(45,424)	(44,643)	(92,530)	(88,412)
Change in accrued interest	(123)	(123)	1,310	1,310
Change in accrued taxes	10,418	10,871	3,647	3,647
Change in customer deposits and deferred revenues	4,475	4,737	8,518	8,373
Change in other assets and liabilities	(6,349)	(8,559)	1,227	(1,451)
	298,582	327,224	228,641	236,734
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to property, plant and equipment	(255,986)	(256,557)	(263,114)	(263,903)
Cash received from sale of assets			96,932	96,932
Acquisitions, excluding cash acquired	(125,482)	(125,482)	(40,367)	(40,367)
Distributions from unconsolidated entities	27,956		7,221	
Other investing activities	(1,373)	(1,358)	(1,011)	(842)
	(354,885)	(383,397)	(200,339)	(208,180)
CASH FLOWS FROM FINANCING ACTIVITIES				
Issuance of notes payable	310,000	310,000	270,000	270,000
Issuance of long-term debt			412,484	412,484
Repayment of notes payable	(290,000)	(290,000)	(270,000)	(270,000)
Repayment of long-term debt affiliated			(105,000)	(105,000)
Common shares reissued	14,199	14,012	1,855	1,739
Other financing activities	(1,256)	(1,256)	(1,006)	(1,006)
	32,943	32,756	308,333	308,217
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(23,360)	(23,417)	336,635	336,771
Beginning of period	40,922	41,062	9,848	10,029

End of period	$ 17,562	$ 17,645	$ 346,483	$ 346,800

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The effect of the restatement on the previously reported Consolidated Balance Sheets is as follows:

	June 30, 2005 As Previously Reported	June 30, 2005 As Restated	December 31, 2004 As Previously Reported	December 31, 2004 As Restated
	(Dollars in thousands)			
CURRENT ASSETS				
Cash and cash equivalents	$ 17,562	$ 17,645	$ 40,922	$ 41,062
Accounts Receivable				
Customers	260,117	260,708	251,943	248,383
Roaming	27,701	27,701	26,421	26,421
Other	35,185	35,730	39,285	41,632
Inventory	55,127	55,127	76,918	76,918
Prepaid expenses	29,351	29,721	31,507	31,764
Deferred tax asset	46,461	35,936	83,741	73,216
Other current assets	18,056	16,035	28,214	24,951
	489,560	478,603	578,951	564,347
INVESTMENTS				
Licenses	1,362,434	1,362,434	1,228,801	1,228,801
Goodwill	426,058	445,352	425,918	445,212
Customer lists, net of accumulated amortization	20,952	20,952	24,915	24,915
Marketable equity securities	251,115	251,115	282,829	282,829
Investments in unconsolidated entities	166,310	161,239	162,764	155,519
Notes and interest receivable long-term	4,753	4,753	4,885	4,885
	2,231,622	2,245,845	2,130,112	2,142,161
PROPERTY, PLANT AND EQUIPMENT				
In service and under construction	4,352,889	4,356,357	4,130,551	4,133,471
Less accumulated depreciation	1,902,593	1,905,050	1,690,832	1,692,751
	2,450,296	2,451,307	2,439,719	2,440,720
OTHER DEFERRED CHARGES	31,372	31,164	33,145	32,807
TOTAL ASSETS	$ 5,202,850	$ 5,206,919	$ 5,181,927	$ 5,180,035

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	June 30, 2005 As Previously Reported	June 30, 2005 As Restated	December 31, 2004 As Previously Reported	December 31, 2004 As Restated
	(Dollars in thousands)			
CURRENT LIABILITIES				
Notes payable	$ 50,000	$ 50,000	$ 30,000	$ 30,000
Accounts payable				
Affiliated	5,111	5,111	5,314	5,314
Trade	209,704	214,726	254,926	259,167
Customer deposits and deferred revenues	109,054	109,131	104,578	104,394
Accrued taxes	87,342	88,623	78,624	80,512
Accrued compensation	29,740	29,740	49,116	49,116
Other current liabilities	27,078	24,045	24,308	20,829
	518,029	521,376	546,866	549,332
DEFERRED LIABILITIES AND CREDITS				
Net deferred income tax liability	671,148	663,615	680,278	670,250
Derivative liability	46,616	46,616	70,796	70,796
Other deferred liabilities and credits	106,271	110,506	94,738	99,222
	824,035	820,737	845,812	840,268
LONG-TERM DEBT	1,161,014	1,161,014	1,160,786	1,160,786
MINORITY INTEREST IN SUBSIDIARIES	43,863	43,773	40,373	40,052
COMMON SHAREHOLDERS EQUITY				
Common Shares, par value $1 per share	55,046	55,046	55,046	55,046
Series A Common Shares, par value $1 per share	33,006	33,006	33,006	33,006
Additional paid-in capital	1,285,843	1,288,595	1,302,496	1,305,249
Treasury Shares, at cost	(65,428)	(65,428)	(99,627)	(99,627)
Accumulated other comprehensive income	26,832	28,038	31,393	32,803
Retained earnings	1,320,610	1,320,762	1,265,776	1,263,120
	2,655,909	2,660,019	2,588,090	2,589,597
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	$ 5,202,850	$ 5,206,919	$ 5,181,927	$ 5,180,035

2. Summary of Significant Accounting Policies

Pension Plan

U.S. Cellular participates in a qualified noncontributory defined contribution pension plan sponsored by Telephone and Data Systems, Inc. (TDS), U.S. Cellular s parent organization. The plan provides benefits for the employees of U.S. Cellular and its subsidiaries. Under this plan, pension benefits and costs are calculated separately for each participant and are funded currently. Pension costs were $1.7 million and $3.5 million for the three and six months ended June 30, 2005, respectively, and $1.3 million and $2.6 million for the three and six months ended June 30, 2004, respectively.

Stock-Based Compensation

U.S. Cellular accounts for stock options, stock appreciation rights 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 stock options because, under U.S. Cellular s stock option plans, the option exercise price for each grant is equal to the quoted stock price at the grant date. No compensation costs have been recognized for employee stock purchase plans because the stock purchase price is not less than 85 percent of the fair market value of the stock at the purchase date. Had compensation cost for all plans been determined consistent with SFAS No. 123, U.S. Cellular s net income and earnings per share would have been reduced to the following pro forma amounts.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005 (As Restated)	2004 (As Restated)	2005 (As Restated)	2004 (As Restated)
	(Dollars in thousands, except per share amounts)			
Net Income				
As reported	$ 38,077	$ 34,430	$ 57,642	$ 43,834
Pro forma expense	(2,997)	(3,148)	(4,920)	(5,170)
Pro forma net income	$ 35,080	$ 31,282	$ 52,722	$ 38,664
Basic Earnings per Share				
As reported	$ 0.44	$ 0.40	$ 0.67	$ 0.51
Pro forma expense per share	(0.03)	(0.04)	(0.06)	(0.06)
Pro forma basic earnings per share	$ 0.41	$ 0.36	$ 0.61	$ 0.45
Diluted Earnings per Share				
As reported	$ 0.44	$ 0.40	$ 0.66	$ 0.51
Pro forma expense per share	(0.03)	(0.04)	(0.06)	(0.06)
Pro forma diluted earnings per share	$ 0.41	$ 0.36	$ 0.60	$ 0.45

Recent Accounting Pronouncements

Share-Based Payment

Statement of Financial Accounting Standards (SFAS) No. 123 (revised 2004), Share-Based Payment, was issued in December 2004. In April 2005, the SEC postponed the effective date of SFAS 123R until the issuer s first fiscal year beginning after June 15, 2005. As a result, U.S. Cellular will be required to adopt SFAS 123R in the first quarter of 2006. The statement requires that compensation cost resulting from all share-based payment transactions be recognized in the financial statements. SFAS 123R also requires that the benefits of tax deductions in excess of recognized compensation cost be reported as a financing cash flow, rather than as an operating cash flow. This requirement may reduce net cash flows from operating activities and increase net cash flows from financing activities in periods after adoption. In addition, in March 2005, the SEC issued Staff Accounting Bulletin No. 107 (SAB 107) regarding the SEC s interpretation of SFAS 123R and the valuation of share-based payments for public companies. U.S. Cellular has reviewed the provisions of these statements and expects to record additional compensation expense for certain share-based payment transactions, primarily related to stock options, in the Consolidated Statements of Operations upon adoption of SFAS 123R. See the Stock-Based Compensation disclosure above for a discussion of the pro forma impact on net income and earnings per share under current accounting requirements.

Accounting Changes and Error Corrections

SFAS No. 154, Accounting Changes and Error Corrections (SFAS 154) which replaces Accounting Principles Board Opinions No. 20 Accounting Changes and SFAS No. 3, Reporting Accounting Changes in Interim Financial Statements An Amendment of APB Opinion No. 28 was issued in May 2005. SFAS 154 provides guidance on the accounting for and reporting of accounting changes and error corrections. Specifically, this statement requires retrospective application of the direct effect of a voluntary change in accounting principle to prior periods financial statements, if it is practicable to do so. SFAS 154 also strictly redefines the term restatement to mean the correction of an error by revising previously issued financial statements. SFAS 154 replaces APB No. 20, which requires that most voluntary changes in accounting principle be recognized by including in net income of the period of the change the cumulative effect of changing to the new accounting principle. Unless adopted early, SFAS 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. U.S. Cellular does not expect the adoption of SFAS 154 to have a material impact on its financial position or results of operations except to the extent that the statement requires retrospective application in circumstances that would previously have been effected in the period of the change under APB No. 20.

Conditional Asset Retirement Obligation

Financial Accounting Standards Board (FASB) Interpretation No. 47, Accounting for Conditional Asset Retirement Obligations was issued in March 2005. It is effective no later than December 31, 2005. This Interpretation clarifies that the term conditional asset retirement obligation as used in SFAS No. 143, Accounting for Asset Retirement Obligations, refers to a legal obligation to perform an asset retirement activity in which the timing and (or) method of settlement are conditional on a future event that may or may not be within the control of the entity. The obligation to perform the asset retirement activity is unconditional even though uncertainty exists about the timing and (or) method of settlement. Uncertainty about the timing and (or) method of settlement of a conditional asset retirement obligation should be factored into the measurement of the liability when sufficient information exists. FASB Interpretation No. 47 also clarifies when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation. U.S. Cellular is currently reviewing the requirement of this Interpretation and has not yet determined the impact, if any, on U.S. Cellular s financial position or results of operations.

3. Income Taxes

The following table summarizes the effective income tax rates in each of the periods.

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2005 (As Restated)	**2004 (As Restated)**	**2005 (As Restated)**	**2004 (As Restated)**
Effective Tax Rate From				
Operations excluding loss on investments, and gain on assets held for sale	40.0%	36.7%	39.6%	37.3%
Loss on investments and gain on assets held for sale (1)	%	(35.6)%	37.5%	NM
Income before income taxes and minority interest	40.0%	36.7%	39.5%	40.5%

NM Not meaningful

(1) The effective tax rate in the six months ended June 30, 2004, related to the provision for loss on investments and gain on assets held for sale is not meaningful. Because of the impact on the income tax provision of the completion of the sale of assets to AT&T Wireless Services, Inc. (AT&T Wireless), now Cingular Wireless LLC, in February 2004, it was necessary for U.S. Cellular to record a tax provision of $2.9 million at the time of this sale. However, book pretax income in the six months ended June 30, 2004 reflected a $725,000 increase attributable to a working capital adjustment on assets held for sale, which was an adjustment of the $22.0 million loss on assets held for sale recorded in the fourth quarter of 2003 when the sale transaction was announced.

4. Gain (Loss) on Investments

U.S. Cellular reported a loss on investments of $1.8 million in the second quarter of 2004. The loss was recorded to reflect an impairment in the carrying value of a license held in a non-operational market in Florida that was sold in December 2004.

5. Earnings per Share

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

Net income used in computing earnings per share and the effect on income and the weighted average number of shares and earnings per share of potentially dilutive securities are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005 (As Restated)	**2004 (As Restated)**	**2005 (As Restated)**	**2004 (As Restated)**
	(Dollars and shares in thousands, except earnings per share)			
Basic and Diluted Earnings per Share				
Net income used in basic and diluted earnings per share	$ 38,077	$ 34,430	$ 57,642	$ 43,834
Weighted average number of common shares used in basic earnings per share	86,708	86,199	86,558	86,176
Effect of Dilutive Securities:				
Stock options (1)	667	454	699	506
Conversion of convertible debentures(2)				
Weighted average number of common shares used in diluted earnings per share	87,375	86,653	87,257	86,682
Basic Earnings per Share	$ 0.44	$ 0.40	$ 0.67	$ 0.51
Diluted Earnings per Share	$ 0.44	$ 0.40	$ 0.66	$ 0.51

(1) Stock options convertible into 185,010 common shares were not included in computing diluted earnings per share in the three and six months ended June 30, 2005 because their effects were antidilutive. Stock options convertible into 1,510,082 and 1,554,132 common shares were not included in computing diluted earnings per share in the three and six months ended June 30, 2004 because their effects were antidilutive.

(2) All outstanding convertible debentures were redeemed on July 26, 2004. Convertible debentures convertible into 2,944,347 common shares were not included in computing diluted earnings per share in 2004 because their effects were antidilutive.

6. Marketable Equity Securities

U.S. Cellular and its subsidiaries hold a substantial amount of marketable equity securities that are publicly traded and can have volatile movements in share prices. U.S. Cellular and its subsidiaries do not make direct investments in publicly traded companies and all of these interests were acquired as a result of sales, trades or reorganizations of other assets. The investment in Vodafone Group Plc (Vodafone) resulted from certain dispositions of non-strategic cellular investments to or settlements with AirTouch Communications, Inc. (AirTouch), in exchange for stock of AirTouch, which was then acquired by Vodafone whereby U.S. Cellular received American Depositary Receipts representing

Vodafone stock. The investment in Rural Cellular Corporation (Rural Cellular   ) is the result of a consolidation of several cellular partnerships in which U.S. Cellular subsidiaries held interests in Rural Cellular and the distribution of Rural Cellular stock in exchange for these interests.

The market values of the marketable equity securities may fall below the accounting cost basis of such securities. If U.S. Cellular determines the decline in value of the marketable equity securities to be other than temporary, the unrealized loss included in accumulated other comprehensive income is recognized and recorded as a loss in the Consolidated Statements of Operations.

A subsidiary of U.S. Cellular has entered into a number of forward contracts related to the marketable equity securities that it holds. 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 (See Note 10   Revolving Credit Facility and Forward Contracts).

Information regarding the fair value of U.S. Cellular s marketable equity securities is summarized below.

	June 30, 2005	December 31, 2004
	(Dollars in thousands)	
Marketable Equity Securities		
Vodafone Group Plc 10,245,370 American Depositary Receipts	$ 249,167	$ 280,518
Rural Cellular Corporation 370,882 Common Shares	1,948	2,311
Aggregate fair value	251,115	282,829
Accounting cost, as adjusted	160,161	160,161
Gross unrealized holding gains	90,954	122,668
Deferred income tax (expense)	(33,437)	(45,095)
Net unrealized holding gains	57,517	77,573
Derivative instruments, net of tax	(29,479)	(44,770)
Accumulated other comprehensive income	$ 28,038	$ 32,803

7. Goodwill

U.S. Cellular has substantial amounts of goodwill as a result of the acquisition of wireless markets. The changes in goodwill for the six months ended June 30, 2005 and 2004 were as follows:

	June 30, 2005 (As Restated)	June 30, 2004 (As Restated)
	(Dollars in thousands)	
Balance, beginning of period	$ 445,212	$ 449,550
Acquisitions	150	3,649
Other adjustments	(10)	(651)
Balance, end of period	$ 445,352	$ 452,548

8. Unconsolidated Entities

Investments in unconsolidated entities consist of amounts invested in wireless entities in which U.S. Cellular holds a minority interest. These investments are accounted for using either the equity or cost method.

U.S. Cellular s significant investments in unconsolidated entities include the following:

	June 30, 2005	June 30, 2004
Los Angeles SMSA Limited Partnership	5.5%	5.5%
Raleigh-Durham MSA Limited Partnership (1)		8.0%

Midwest Wireless Communications, LLC	15.2%	15.2%
North Carolina RSA 1 Partnership	50.0%	50.0%
Oklahoma City SMSA Limited Partnership	14.6%	14.6%

(1) As a result of an agreement with ALLTEL, U.S. Cellular s investment in this partnership was sold to ALLTEL on November 30, 2004.

Based primarily on data furnished to U.S. Cellular by third parties, the following summarizes the combined results of operations of the wireless entities in which U.S. Cellular s investments are accounted for by the equity method:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005 (as restated)	2004 (as restated)	2005 (as restated)	2004 (as restated)
	(Dollars in thousands)			
Results of Operations				
Revenues	$ 824,000	$ 802,000	$ 1,604,000	$ 1,501,000
Operating expenses	572,000	558,000	1,114,000	1,051,000
Operating income	252,000	244,000	490,000	450,000
Other income (expense), net	7,000	(8,000)	15,000	(7,000)
Net Income	$ 259,000	$ 236,000	$ 505,000	$ 443,000

9. Customer Lists

Customer lists, intangible assets from the acquisition of wireless properties, are being amortized based on average customer retention periods using the declining balance method. The acquisition of certain minority interests in the six months ended June 30, 2005 and 2004 added $0.6 million and $12.9 million, respectively, to the gross balance of customer lists. Customer list amortization expense was $2.3 million and $4.6 million for the three and six months ended June 30, 2005, respectively, and $3.7 and $6.7 million for the three and six months ended June 30, 2004, respectively. Amortization expense for the remainder of 2005 and for the years 2006-2009 is expected to be $3.7 million, $5.5 million, $3.6 million, $2.4 million and $1.7 million, respectively.

10. Revolving Credit Facility and Forward Contracts

U.S. Cellular has a $700 million revolving credit facility available for general corporate purposes. At June 30, 2005, this credit facility had $649.8 million available for use, net of borrowings of $50.0 million and outstanding letters of credit of $0.2 million. This credit facility expires in December 2009. Generally, borrowings bear interest at the London InterBank Offered Rate (LIBOR) plus a contractual spread based on U.S. Cellular s credit rating. At June 30, 2005, the contractual spread was 30 basis points (the one-month LIBOR was 3.34% at June 30, 2005). Under certain circumstances, with less than two days notice of intent to borrow, interest on borrowings are at the prime rate less 50 basis points (the prime rate was 6.25% at June 30, 2005).

On July 11, 2005, Moody s Investor Service downgraded U.S. Cellular from a Baa1 rating with a negative outlook to Baa2 with a stable outlook. As a result of the downgrade, the contractual spread applied to LIBOR in determining the interest rate applicable to borrowings under the revolving credit facility has increased to 45 basis points from 30 basis points. In addition, the facility fee has increased to 15 basis points from 10 basis points.

As disclosed in Note 1, U.S. Cellular and its audit committee concluded on November 9, 2005 to restate the Consolidated Financial Statements as of and for the three years ended December 31, 2004 and the first and second quarters of 2005. The restatement resulted in defaults under the revolving credit agreement and certain of the forward contracts. U.S. Cellular was not in violation of any covenants that require U.S. Cellular to maintain certain financial ratios. U.S. Cellular did not fail to make any scheduled payments under such credit agreement or forward contract. U.S. Cellular received waivers from the lenders associated with the credit agreement and from the counterparty to such forward contracts, under which the lenders and the counterparty agreed to waive any defaults that may have occurred as a result of the restatement.

11. Asset Retirement Obligation

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 certain leased land on which U.S. Cellular s cell sites and switching offices are located. U.S. Cellular is also required to return certain 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 sites and office locations as described by SFAS No. 143, Accounting for Asset Retirement Obligations, and has recorded a liability, which is included in Other deferred liabilities and credits in the Consolidated Balance Sheets, and related asset retirement obligation expense, which is reflected in Depreciation, amortization and accretion expense in the Consolidated Statements of Operations.

During the second quarter of 2005, U.S. Cellular reviewed the assumptions related to its asset retirement obligations and made certain changes to those assumptions as a result. Such changes did not have a material impact on U.S. Cellular s financial condition or results of operations.

The table below summarizes the change in asset retirement obligation during the six months ended June 30, 2005 and 2004.

	June 30, 2005 (As Restated)	June 30, 2004 (As Restated)
	(Dollars in thousands)	
Balance, beginning of period	$ 72,575	$ 64,540
Additional liabilities accrued	3,223	1,013
Accretion expense	2,282	2,438
Disposition of assets (1)		(1,635)
Balance, end of period	$ 78,080	$ 66,356

(1) This change in the asset retirement obligation relates to those obligations which were associated with the properties sold to AT&T Wireless in February 2004 and are no longer obligations of U.S. Cellular.

12. Intercompany Note Repayment

In August 2002, U.S. Cellular entered into a loan agreement with TDS (the Intercompany Note) under which it borrowed $105 million, which was used for the Chicago market purchase. The loan bore interest at an annual rate of 8.1%, payable quarterly, and was due in August 2008, with prepayments optional. On February 9, 2004, U.S. Cellular repaid this note in full, including $921,000 of accrued interest.

13. Minority Interest in Subsidiaries

Under SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity, certain minority interests in consolidated entities with finite lives may meet the standard s definition of a mandatorily redeemable financial instrument and thus require reclassification as liabilities and remeasurement at the estimated amount of cash that would be due and payable to settle such minority interests under the applicable entity s organization agreement assuming an orderly liquidation of the finite-lived entity, net of estimated liquidation costs (the settlement value). U.S. Cellular s consolidated financial statements include such minority interests that meet the standard s definition of mandatorily redeemable financial instruments. These mandatorily redeemable minority interests represent interests held by third parties in consolidated partnerships and limited liability companies (LLCs), where the terms of the underlying partnership or LLC agreement provide for a defined termination date at which time the assets of the subsidiary are to be sold, the liabilities are to be extinguished and the remaining net proceeds are to be distributed to the minority interest holders and U.S. Cellular in accordance with the respective partnership and LLC agreements. The termination dates of U.S. Cellular s mandatorily redeemable minority interests range from 2042 to 2103.

The settlement value of U.S. Cellular s mandatorily redeemable minority interests was estimated to be $144.0 million at June 30, 2005. This represents the estimated amount of cash that would be due and payable to settle minority interests assuming an orderly liquidation of the finite-lived consolidated partnerships and LLCs on June 30, 2005, net of estimated liquidation costs. This amount is being disclosed pursuant to the requirements of FSP No. FAS 150-3; U.S. Cellular has no current plans or intentions to liquidate any of the related partnerships or LLCs prior to their scheduled termination dates. The corresponding carrying value of the minority interests in finite-lived consolidated partnerships and LLCs at June 30, 2005 was $39.8 million and is included in the Consolidated Balance Sheet caption Minority interest in subsidiaries. The excess of the aggregate settlement value over the aggregate carrying value of the mandatorily redeemable minority interests of $104.2 million is primarily due to the unrecognized appreciation of the minority interest holders share of the underlying net assets in the consolidated partnerships and LLCs. Neither the minority interest holders share, nor U.S. Cellular s share, of the appreciation of the underlying net assets of these subsidiaries is reflected in the consolidated financial statements. The estimate of settlement value was based on certain factors and assumptions. Changes in those factors and assumptions could result in a materially larger or smaller settlement amount.

14. Common Share Repurchase Program

U.S. Cellular has an ongoing authorization to repurchase a limited amount of U.S. Cellular Common Shares on a quarterly basis, primarily for use in employee benefit plans. No U.S. Cellular Common Shares were repurchased in the first six months of 2005 or 2004.

15. Acquisitions, Divestitures and Exchanges

2005 Activity

U.S. Cellular is a limited partner in Carroll Wireless, L.P. (Carroll Wireless), an entity which participated in the auction of wireless spectrum designated by the FCC as Auction 58. Carroll Wireless was qualified to bid on spectrum which was available only to companies that fall under the FCC definition of designated entities, which are small businesses that have a limited amount of assets. Carroll Wireless was a successful bidder for 17 licensed areas in Auction 58, which ended on February 15, 2005. The aggregate amount paid to the FCC for the 17 licenses was $129.9 million, net of all bidding credits to which Carroll Wireless was entitled as a designated entity. These 17 licensed areas cover portions of 12 states and are in markets which are either adjacent to or overlap current U.S. Cellular licensed areas.

In March 2005, Carroll Wireless filed an application with the FCC seeking a grant of the subject licenses. U.S. Cellular expects that the FCC will grant the licenses in the third quarter of 2005. The $129.9 million deposited with the FCC is included in licenses in the Consolidated Balance Sheet as of June 30, 2005. U.S. Cellular consolidates Carroll Wireless and Carroll PCS, Inc., the general partner of Carroll Wireless, for financial reporting purposes, pursuant to the guidelines of Financial Accounting Standards Board (FASB) Interpretation No. 46R (FIN 46R), as U.S. Cellular anticipates absorbing a majority of Carroll Wireless expected gains or losses.

Carroll Wireless is in the process of developing its long-term business and financing plans. As of June 30, 2005, U.S. Cellular has made capital contributions and advances to Carroll Wireless and/or its general partner of approximately $130 million. Pending finalization of Carroll Wireless permanent financing plan, and upon request by Carroll Wireless, U.S. Cellular may agree to make additional capital contributions and advances to Carroll Wireless and/or its general partner; however, U.S. Cellular has not entered into any commitments to provide Carroll Wireless with any financing beyond the $130 million it has provided to date.

In the first quarter of 2005, U.S. Cellular adjusted the previously reported gain related to its sale to ALLTEL of certain wireless properties on November 30, 2004. The adjustment increased the total gain on investment from this transaction by $0.6 million due to a working capital adjustment which was finalized in the first quarter of 2005 related to the entities sold in which U.S. Cellular previously owned a non-controlling investment interest.

2004 Activity

On February 18, 2004, U.S. Cellular completed the sale of certain of its wireless properties in southern Texas to AT&T Wireless for $96.9 million in cash, subject to a working capital adjustment. The U.S. Cellular markets sold to AT&T Wireless included wireless assets and customers in six cellular markets. An aggregate loss of $21.3 million (including a $22.0 million estimate of the loss on assets held for sale in the fourth quarter of 2003 and subsequent $0.1 million and $0.6 million reductions of the loss in the first and second quarters of 2004, respectively) was recorded as a loss on assets held for sale (included in operating expenses), representing the difference between the carrying value of the markets sold to AT&T Wireless and the cash received in the transaction. The results of operations of the markets sold to AT&T Wireless were included in results of operations through February 17, 2004.

In addition in the first six months of 2004, U.S. Cellular purchased certain minority interests in several wireless markets in which it already owned a controlling interest for $40.4 million in cash. These acquisitions increased investment in licenses, goodwill and customer lists by $2.7 million, $3.6 million and $12.9 million, respectively.

16. Accumulated Other Comprehensive Income

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

	Six Months Ended June 30, 2005		2004	
	(Dollars in thousands)			
Marketable Equity Securities				
Balance, beginning of period	$	77,573	$	63,307
Add (deduct):				
Unrealized gains (losses) on marketable equity securities		(31,714)		(30,476)
Income tax (expense) benefit		11,658		11,188
Net change in unrealized gains (losses) on marketable equity securities in comprehensive income		(20,056)		(19,288)
Balance, end of period	$	57,517	$	44,019
Derivative Instruments				
Balance, beginning of period	$	(44,770)	$	(35,275)
Add (deduct):				
Unrealized gain on derivative instruments		24,179		23,769
Income tax (expense)		(8,888)		(8,725)
Net change in unrealized gains (losses) on derivative instruments included in comprehensive income		15,291		15,044
Balance, end of period	$	(29,479)	$	(20,231)
Accumulated Other Comprehensive Income				
Balance, beginning of period	$	32,803	$	28,032
Net change in marketable equity securities		(20,056)		(19,288)
Net change in derivative instruments		15,291		15,044
Net change in unrealized gains (losses) included in comprehensive income		(4,765)		(4,244)

Balance, end of period	$ 28,038	$ 23,788

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005 (As Restated)	2004 (As Restated)	2005 (As Restated)	2004 (As Restated)
	(Dollars in thousands)			
Comprehensive Income				
Net income	$ 38,077	$ 34,430	$ 57,642	$ 43,834
Net change in unrealized gains (losses) on marketable equity securities and derivative instruments	(1,758)	(4,566)	(4,765)	(4,244)
	$ 36,319	$ 29,864	$ 52,877	$ 39,590

17. Commitments and Contingencies

Indemnifications

U.S. Cellular enters into agreements in the normal course of business that provide for indemnification of counterparties. These include certain asset sales and financings with other parties. The terms of the indemnifications vary by agreement. The events or circumstances that would require U.S. Cellular to perform under these indemnities are transaction specific; however, these agreements may require U.S. Cellular to indemnify the counterparty for costs and losses incurred from litigation or claims arising from the underlying transaction. U.S. Cellular is unable to estimate the maximum potential liability for these types of indemnifications as the amounts are dependent on the outcome of future events, the nature and likelihood of which cannot be determined at this time. Historically, U.S. Cellular has not made any significant indemnification payments under such agreements.

Legal Proceedings

U.S. Cellular is involved in a number of legal proceedings before the FCC and various state and federal courts. If U.S. Cellular believes that a loss arising from such legal proceedings is probable and can be reasonably estimated, an amount is accrued in the financial statements for the estimated loss. If only a range of loss can be determined, the best estimate within that range is accrued; if none of the estimates within that range is better than another, the low end of the range is accrued. The assessment of legal proceedings is a highly subjective process that requires judgments about future events. The legal proceedings are reviewed at least quarterly to determine the adequacy of the accruals and related financial statement disclosure. The ultimate settlement of proceedings may differ materially from amounts accrued in the financial statements.

ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

AND RESULTS OF OPERATIONS

UNITED STATES CELLULAR CORPORATION AND SUBSIDIARIES

United States Cellular Corporation (U.S. Cellular - AMEX symbol: USM) owns, operates and invests in wireless markets throughout the United States. U.S. Cellular is an 81.5%-owned subsidiary of Telephone and Data Systems, Inc. (TDS).

The following discussion and analysis should be read in conjunction with U.S. Cellular s interim consolidated financial statements and notes thereto included herein, and with its audited consolidated financial statements and notes thereto and Management s Discussion and Analysis of Financial Condition and Results of Operations included in its Annual Report on Form 10-K/A for the year ended December 31, 2004.

Restatement

U.S. Cellular and its audit committee concluded on November 9, 2005, that U.S. Cellular would amend its Annual Report on Form 10-K for the year ended December 31, 2004 to restate its financial statements and financial information for each of the three years in the period ended December 31, 2004, including quarterly information for 2004 and 2003, and certain selected financial data for the years 2001 and 2000. U.S. Cellular and its audit committee also concluded that U.S. Cellular would amend its Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2005 and June 30, 2005 to restate the financial statements and financial information included therewith.

On November 11, 2005, U.S. Cellular announced that the staff of the Midwest Regional Office of the Securities and Exchange Commission (SEC) had advised U.S. Cellular that it was conducting an investigation into the restatement of financial statements announced by U.S. Cellular on November 10, 2005. U.S. Cellular intends to cooperate fully with the SEC staff in this investigation.

The restatement adjustments principally correct items that were recorded in the financial statements previously but not in the proper periods and certain income tax errors. Correction of the errors, with the exception of income taxes discussed below, individually did not have a material impact on income before income taxes and minority interest, net income or earnings per share; however, when aggregated, the items were considered to be material. The restatement adjustments to correct income tax accounting had a material impact individually on net income and earnings per share in prior periods. The restated financial statements are adjusted to record certain obligations in the periods such obligations were incurred and, correct the timing of the reversal of certain tax liabilities and record revenues in the periods such revenues were earned. The adjustments are described below.

Income taxes U.S. Cellular is included in a consolidated federal income tax return with other members of the TDS consolidated group. In the restatement, U.S. Cellular corrected its income tax expense, federal and state taxes payable, liabilities accrued for tax contingencies, deferred income tax assets and liabilities and related disclosures for the first and second quarters of 2005 and the years ended December 31, 2004, 2003 and 2002 for items identified based on a reconciliation of income tax accounts. The reconciliation compared amounts used for financial reporting purposes to the amounts used in the preparation of the income tax returns, and took into consideration the results of federal and state income tax audits and the resulting book/tax basis differences which generate deferred tax assets and liabilities. In addition, a review of the state deferred income tax rates used to establish deferred income tax assets and liabilities identified errors in the state income tax rate used which resulted in adjustments to correct the amount of deferred income tax assets and liabilities recorded for temporary differences between the timing of when certain transactions are recognized for financial and income tax reporting.

Federal universal service fund (USF) contributions In 2004 and 2003, Universal Service Administrative Company (USAC) billings to U.S. Cellular for USF contributions were based on estimated revenues reported to USAC by U.S. Cellular in accordance with USAC s established procedures. However, U.S. Cellular s actual liability for USF is based upon its actual revenues and USAC s established procedures provide a method to adjust U.S. Cellular s estimated liability to its actual liability. In the first six months of 2005 and the full years of 2004 and 2003, U.S. Cellular s actual revenues exceeded estimated revenues reported to USAC on an interim basis. As a result, additional amounts were due to USAC in 2005 and 2004 based on U.S. Cellular s annual report filings. Such additional amounts were incorrectly expensed when the invoices were received from USAC rather than at the time the obligation was incurred. In the third quarter of 2005, U.S. Cellular corrected its accounting for USF contributions to record expense reflecting the estimated obligation incurred based on actual revenues reported during the period. Accordingly, in the restatement, U.S. Cellular has adjusted previously reported USF contributions expense to reflect the estimated liability incurred during the period.

Customer contract termination fees In the fourth quarter of 2003, U.S. Cellular revised its business practices related to the billing of contract termination fees charged when a customer disconnected service prior to the end of the customer s contract. This change resulted in an increase in amounts billed to customers and revenues even though a high percentage of the amounts billed were deemed uncollectible. At the time of the change in business practice, U.S. Cellular incorrectly recorded revenues related to such fees at the time of billing, as generally accepted accounting principles (GAAP) would preclude revenue recognition if the receivable is not reasonably assured of collection. In the first quarter of 2005, U.S. Cellular corrected its accounting to record revenues related to such fees only upon collection, in recognition of the fact that the collectibility of the revenues was not reasonably assured at the time of billing. In the restatement, U.S. Cellular made adjustments to properly reflect revenues for such fees upon collection beginning on October 1, 2003.

Leases and contracts U.S. Cellular has entered into certain operating leases (as both lessee and lessor) that provide for specific scheduled increases in payments over the lease term. In the third quarter of 2004, U.S. Cellular made adjustments for the cumulative effect which were not considered to be material to either that quarter or to prior periods to correct its accounting and to recognize revenues and expenses under such agreements on a straight-line basis over the term of the lease in accordance with Statement of Financial Accounting Standards (SFAS) No. 13, Accounting for Leases, as amended, and related pronouncements. In addition, the accounting for certain other long-term contracts, for which a cumulative effect adjustment was made in the first quarter of 2005, was corrected to recognize expenses in the appropriate periods. The restatement adjustments reverse the cumulative amounts previously recorded in the third quarter of 2004 and the first quarter of 2005, and properly record such revenues and expenses on a straight-line basis in the appropriate periods.

Promotion rebates From time to time, U.S. Cellular s sales promotions include rebates on sales of handsets to customers. In such cases, U.S. Cellular reduces revenues and records a liability at the time of sale reflecting an estimate of rebates to be paid under the promotion. Previously, the accrued liability was not adjusted on a timely basis upon expiration of the promotion to reflect the actual amount of rebates paid based upon information available at the date the financial statements were issued. In the restatement, U.S. Cellular has corrected revenues and accrued liabilities to reflect the impacts associated with promotion rebates in the appropriate periods.

Operations of consolidated partnerships managed by a third party   Historically, U.S. Cellular recorded the results of operations of certain consolidated partnerships managed by a third party on an estimated basis, and adjusted such estimated results to the actual results upon receipt of financial statements in the following quarter. However, GAAP requires that the actual amounts be used. In the restatement, U.S. Cellular has corrected its financial statements to recognize results of operations in the appropriate period based on the partnerships   actual results of operations reported for such periods.

Investment income from entities accounted for by the equity method Historically, U.S. Cellular recorded an estimate each quarter of its proportionate share of net income (loss) from certain entities accounted for by the equity method, and adjusted such estimate to the actual share of net income (loss) upon receipt of financial statements in the following quarter. However, GAAP requires that the actual amounts be used. In the restatement, U.S. Cellular has corrected its financial statements to recognize investment income in the appropriate period based on the entities actual net income (loss) reported for such periods.

Consolidated statements of cash flows In the restatement, the classification of cash distributions received from unconsolidated entities has been corrected to properly reflect cash received, which represents a return on investment in the unconsolidated entities, as cash flows from operating activities; previously, the cash received on such investments was classified as cash flows from investing activities. Also, the classification of certain noncash stock-based compensation expense has been corrected to properly reflect such noncash expense as an adjustment to cash flows from operating activities; previously, such expense was classified as cash flows from financing activities.

Other items In addition to the adjustments described above, U.S. Cellular recorded a number of other adjustments to correct and record revenues and expenses in the periods in which such revenues and expenses were earned or incurred. These adjustments were not significant, either individually or in aggregate.

The table below summarizes the impact on income before income taxes and minority interest as a result of the restatement.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	**2004**	**2005**	**2004**
	(Increase (decrease) dollars in thousands)			
Income Before Income Taxes and Minority Interest, as previously reported	$ 66,220	$ 63,860	$ 98,425	$ 86,865
Federal universal service fund contributions	(1,224)	(1,704)	(2,655)	(113)
Customer contract termination fees	124	(84)	3,592	(235)
Leases and contracts	(133)	(628)	2,105	(1,314)
Promotion rebates			(446)	
Operations of consolidated partnerships managed by a third party	935	(1,064)	481	(794)
Investment income from entities accounted for by the equity method	1,667	(2,064)	2,189	(2,568)
Other items	(9)	(86)	(78)	(367)
Total adjustment	1,360	(5,630)	5,188	(5,391)
Income Before Income Taxes and Minority Interest, as restated	$ 67,580	$ 58,230	$ 103,613	$ 81,474

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The table below summarizes the impact on net income and earnings per share as a result of the restatement.

	Three Months Ended June 30,				Six Months Ended June 30,			
	2005		2004		2005		2004	
	Net Income (loss)	Diluted Earnings Per Share	Net Income (loss)	Diluted Earnings Per Share	Net Income (loss)	Diluted Earnings Per Share	Net Income (loss)	Diluted Earnings Per Share
	(Increase (decrease) dollars in thousands, except per share amounts)							
As previously reported	$ 37,936	$ 0.43	$ 37,984	$ 0.44	$ 54,834	$ 0.63	$ 47,216	$ 0.54
Federal universal service fund contributions	(709)	(0.01)	(994)	(0.01)	(1,538)	(0.02)	(66)	
Customer contract termination fees	69		(46)		2,011	0.02	(131)	
Leases and contracts	(75)		(367)		1,281	0.01	(770)	(0.01)
Promotion rebates					(250)			
Operations of consolidated partnerships managed by a third party	413	0.01	(474)	(0.01)	213		(354)	
Investment income from entities accounted for by the equity method	1,008	0.02	(1,249)	(0.02)	1,324	0.02	(1,554)	(0.02)
Income taxes	(551)	(0.01)	(372)		(181)		(296)	
Other items	(14)		(52)		(52)		(211)	
Total adjustment	141	0.01	(3,554)	(0.04)	2,808	0.03	(3,382)	(0.03)
As restated	$ 38,077	$ 0.44	$ 34,430	$ 0.40	$ 57,642	$ 0.66	$ 43,834	$ 0.51

SUMMARY OF HOLDINGS

U.S. Cellular owned, or had the right to acquire pursuant to certain agreements, either majority or minority interests in 229 wireless markets at June 30, 2005. A summary of the number of markets U.S. Cellular owns or has rights to acquire as of June 30, 2005 follows:

	Number of Markets
Consolidated markets (1)	176
Consolidated markets to be acquired pursuant to existing agreements (2)	29
Minority interests accounted for using equity method (3)	19
Minority interests accounted for using cost method (4)	5
Total markets to be owned after completion of pending transactions	229

(1) U.S. Cellular owns a controlling interest in each of these markets. This includes a controlling interest in one license that U.S. Cellular purchased from Cingular Wireless LLC (Cingular) on April 1, 2005.

(2) U.S. Cellular owns rights to acquire controlling interests in 29 additional wireless licenses. Of such 29 licenses, 20 result from an acquisition agreement with AT&T Wireless Services, Inc. (AT&T Wireless), now Cingular, which closed in August 2003. U.S. Cellular has up to five years from the transaction closing date to exercise its rights to acquire the licenses. The remaining 9 licenses relate to Carroll Wireless, L.P. (Carroll Wireless), an entity in which U.S. Cellular owns a controlling interest for financial reporting purposes. Carroll Wireless was the winning bidder of 17 wireless licenses in the auction of wireless spectrum designated by the Federal Communications Commission (FCC) as Auction 58. Of the 17 licenses for which Carroll Wireless was the winning bidder, eight are in markets in which U.S. Cellular currently owns spectrum; the other nine markets represent markets which are incremental to U.S. Cellular s currently owned or acquirable markets. Only the incremental markets are included in the number of consolidated markets to be acquired to avoid duplicate reporting of overlapping markets.

(3) Represents licenses in which U.S. Cellular owns an interest that is not a controlling financial interest and which are accounted for using the equity method.

(4) Represents licenses in which U.S. Cellular owns an interest that is not a controlling financial interest and which are accounted for using the cost method.

OVERVIEW

The following is a summary of certain selected information contained in the comprehensive Management s Discussion and Analysis of Financial Condition and Results of Operations that follows. The overview does not contain all of the information that may be important. You should carefully read the entire Management s Discussion and Analysis of Financial Condition and Results of Operations and not rely solely on the overview.

Results of Operations

U.S. Cellular positions itself as a regional operator, focusing its efforts on providing wireless service to customers in the geographic areas where it has licenses to provide such service. U.S. Cellular differentiates itself from its competitors through a customer satisfaction strategy, reflecting broad product distribution, a customer service focus and a high-quality wireless network.

U.S. Cellular s business development strategy is to operate controlling interests in wireless licenses in areas adjacent to or in proximity to its other wireless licenses, thereby building contiguous operating market areas. U.S. Cellular s operating strategy is to strengthen the geographic areas where it can continue to build long-term operating synergies and to exit those areas where it does not have opportunities to build such synergies. To that end, U.S. Cellular launched commercial service in three metropolitan markets Lincoln, Nebraska; Oklahoma City, Oklahoma; and Portland, Maine during the second half of 2004 and in the St. Louis, Missouri market during the third quarter of 2005.

U.S. Cellular s operating income in the six months ended June 30, 2005 increased $15.0 million, or 16%, to $106.5 million from $91.5 million in 2004. The operating income margins (as a percent of service revenues) were 7.8% in 2005 and 7.2% in 2004. Although operating income and margins improved in 2005, U.S. Cellular expects that there will be continued pressure on operating income and margins in the next few years related to the following factors:

costs of customer acquisition and retention;

effects of competition;

increased customer use of its services;

launching service in new areas;

reduced inbound roaming revenues; and

continued enhancements to its wireless networks.

The effects of these factors are expected to be mitigated to some extent by the following factors:

reduced per minute costs for usage on U.S. Cellular s network and for outbound roaming usage;

expansion of revenues from additional customers, data-related products and services and newly launched markets; and

reduced amortization expense as the customer list asset balances decline.

See Results of Operations.

Financing Initiatives

U.S. Cellular has recently received or will receive licenses that will be in a development phase for several years. U.S. Cellular anticipates that it may require financing over the next few years for capital expenditures, for any development of its recently acquired markets and to further its growth in recently launched markets. U.S. Cellular may also determine to finance the development of some or all of the 17 licenses for which Carroll Wireless, L.P. (Carroll Wireless) was the winning bidder in the auction of wireless spectrum designated by the Federal Communications Commission (FCC) as Auction 58. U.S. Cellular consolidates Carroll Wireless and its general partner, Carroll PCS, Inc., for financial reporting purposes, pursuant to the guidelines of Financial Accounting Standards Board (FASB) Interpretation No. 46R (FIN 46R).

Carroll Wireless is in the process of developing its long-term business and financing plans. As of June 30, 2005, U.S. Cellular has made capital contributions and advances to Carroll Wireless and/or its general partner of approximately $130 million. Pending finalization of Carroll Wireless s permanent financing plan, and upon request by Carroll Wireless, U.S. Cellular may agree to make additional capital contributions and advances to Carroll Wireless and/or its general partner; however, U.S. Cellular has not entered into any commitments to provide Carroll Wireless with any financing beyond the $130 million it has provided to date.

U.S. Cellular had cash and cash equivalents totaling $17.6 million and had $649.8 million of availability under its revolving credit facility as of June 30, 2005. U.S. Cellular is also generating substantial cash flows from operations. Cash flow from operating activities totaled $327.2 million during the first six months of 2005. In addition, U.S. Cellular may have access to public and private capital markets to help meet its long-term financing needs. U.S. Cellular believes that cash on hand, expected future cash flows from operations and sources of external financing provide substantial financial flexibility and are sufficient to permit U.S. Cellular to finance its contractual obligations and anticipated capital expenditures for the foreseeable future. U.S. Cellular continues to seek to maintain a strong Balance Sheet and an investment grade credit rating.

RESULTS OF OPERATIONS

Six Months Ended June 30, 2005 Compared to Six Months Ended June 30, 2004.

Following is a table of summarized operating data for U.S. Cellular s consolidated operations.

	2005 (As Restated)	2004 (As Restated)
As of June 30, (1a)		
Total market population (2)	44,690,000	45,581,000
Customers (3)	5,227,000	4,684,000
Market penetration (4)	11.70%	10.28%
Total full-time equivalent employees	7,000	6,350
Cell sites in service	5,034	4,420
For the Six Months Ended June 30, (1b)		
Net customer additions (5)	276,000	333,000
Net retail customer additions (5)	204,000	248,000
Average monthly service revenue per customer (6)	$ 44.52	$ 46.55
Postpay churn rate per month (7)	1.5%	1.4%
Sales and marketing cost per gross customer addition (8)	$ 425	$ 382

(1a) Amounts in 2005 include the market acquired from Cingular in April 2005, and do not include (i) the six markets sold to AT&T Wireless in February 2004, or (ii) the two markets sold to ALLTEL in November 2004. Amounts in 2004 do not include the market acquired from Cingular in April 2005 or the six markets sold to AT&T Wireless in February 2004.

(1b) Amounts in 2005 include the results of the market acquired from Cingular in April 2005 from April 1, 2005 through June 30, 2005, and do not include (i) the results of the six markets sold to AT&T Wireless in February 2004 for the entire period or (ii) the results of the two markets sold to ALLTEL in November 2004 for the entire period. Amounts in 2004 include (i) the results of the six markets sold to AT&T Wireless in February 2004 from January 1, 2004 through February 17, 2004, and (ii) the results of the two markets sold to ALLTEL in November 2004 for the entire period.

(2) Represents 100% of the population of the markets in which U.S. Cellular has a controlling financial interest for financial reporting purposes. As of June 30, 2005, such population includes the total market population of the market acquired from Cingular in April 2005. As of June 30, 2004, such population includes one additional market consolidated pursuant to the adoption of Financial Accounting Standards Board (FASB) Interpretation No. 46 (FIN 46) as of January 1, 2004. This market was subsequently sold in November 2004 and is therefore not included at June 30, 2005. The total market population of the six markets sold to AT&T Wireless in February 2004 is not included in the amounts for 2005 or 2004, as the customers sold to AT&T Wireless are not included in U.S. Cellular s consolidated customer base as of June 30, 2005 or 2004. The total market population of the two markets sold to ALLTEL in November 2004 is not included in the amounts for 2005, as the customers sold to ALLTEL are not included in U.S. Cellular s consolidated customer base as of June 30, 2005, but such total market population and customers are included as of June 30, 2004. The population of markets in which U.S. Cellular has deferred the transfer of licenses from AT&T Wireless are not included in the total population for any period, nor are the population

of markets for which Carroll Wireless was the winning bidder in the FCC s Auction 58.

(3) U.S. Cellular s customer base consists of the following types of customers:

	June 30, 2005	2004
Customers on postpay service plans in which the end user is a customer of U.S. Cellular (postpay customers)	4,426,000	4,128,000
End user customers acquired through U.S. Cellular s agreement with a third party (reseller customers) *	539,000	400,000
Total postpay customer base	4,965,000	4,528,000
Customers on prepaid service plans in which the end user is a customer of U.S. Cellular (prepaid customers)	262,000	156,000
Total customers	5,227,000	4,684,000

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* Pursuant to its agreement with the third party, U.S. Cellular is compensated by the third party on a postpay basis; as a result, all customers U.S. Cellular has acquired through this agreement are considered to be postpay customers.

(4) Calculated using 2004 and 2003 Claritas population estimates for 2005 and 2004, respectively. Total market population is used only for the purposes of calculating market penetration, which is calculated by dividing customers by the total market population (without duplication of population in overlapping markets).

(5) Net customer additions represents the number of net customers added to U.S. Cellular s overall customer base through all of its marketing distribution channels, excluding any customers transferred through acquisition or divestiture activity. Net retail customer additions represents the number of net customers added to U.S. Cellular s customer base, excluding net reseller customers added to its reseller customer base, through its marketing distribution channels, excluding any customers transferred through acquisition or divestiture activity. Full-year 2005 estimates for U.S. Cellular s net retail customer additions are included in the overall discussion of full-year 2005 estimates under Operating Income.

(6) U.S. Cellular uses this measurement to assess the amount of service revenue U.S. Cellular generates each month on a per unit basis. Variances in this measurement are monitored and compared to variances in expenses on a per unit basis. Average monthly service revenue per customer is calculated as follows:

	Six Months Ended June 30,			
		2005 (As Restated)		2004 (As Restated)
Service Revenues per Consolidated Statements of Operations	$	1,363,385	$	1,270,733
Divided by average customers during period (000s) *		5,104		4,550
Divided by number of months in each period		6		6
Average monthly service revenue per customer	$	44.52	$	46.55

* Average customers during period is calculated by adding the number of total customers, including reseller customers, at the beginning of the first month of each period and at the end of each month in the period and dividing by the number of months in the period plus one. Acquired and divested customers are included in the calculation on a prorated basis for the amount of time U.S. Cellular served such customers during each period.

(7) Postpay churn rate per month represents the percentage of the postpay customer base that disconnects service each month, including both postpay customers and reseller customer numbers. Reseller customers can disconnect service without the associated account number being disconnected from U.S. Cellular s network if the reseller elects to reuse the customer telephone number; as a result, only those reseller customer numbers that are disconnected from U.S. Cellular s network are counted in the number of postpay disconnects. The calculation divides the total number of postpay and reseller customers who disconnect service during the period by the number of months in such period, and then divides that quotient by the average monthly postpay customer base, which includes both postpay and reseller customers, for such period.

(8) For a discussion of the components of this calculation, see Operating Expenses Selling, General and Administrative.

On February 18, 2004, U.S. Cellular completed the sale of certain of its wireless properties in southern Texas to AT&T Wireless for $96.9 million in cash, subject to a working capital adjustment. The U.S. Cellular markets sold to AT&T Wireless included wireless assets and customers in six cellular markets. The southern Texas markets sold to AT&T Wireless are included in consolidated operations from January 1, 2004 through February 17, 2004.

Operating revenues increased $94.2 million, or 7%, to $1,453.0 million in 2005 from $1,358.8 million in 2004.

	Six Months Ended June 30, 2005 (As Restated)	Six Months Ended June 30, 2004 (As Restated)
	(Dollars in thousands)	
Retail service	$ 1,204,326	$ 1,104,478
Inbound roaming	65,188	87,216
Long-distance and other service revenues	93,871	79,039
Service Revenues	1,363,385	1,270,733
Equipment sales	89,651	88,032
	$ 1,453,036	$ 1,358,765

Service revenues increased $92.7 million, or 7%, to $1,363.4 million in 2005 from $1,270.7 million in 2004. Service revenues primarily consist of: (i) charges for access, airtime, roaming and value-added services, including data products and services, provided to U.S. Cellular s retail customers and to end users through third party resellers (retail service); (ii) charges to other wireless carriers whose customers use U.S. Cellular s wireless systems when roaming (inbound roaming); and (iii) charges for long-distance calls made on U.S. Cellular s systems. The increase in service revenues was primarily due to the growing number of retail customers. Monthly service revenue per customer averaged $44.52 in the first six months of 2005, and $46.55 in the first six months of 2004. See footnote 6 to the table above for the calculation of average monthly service revenue per customer.

Retail service revenues increased $99.8 million, or 9%, to $1,204.3 million in 2005 from $1,104.5 million in 2004. Growth in U.S. Cellular s customer base, an increase in average monthly retail minutes of use per customer and growth in revenues from data products and services were the primary reasons for the increase in retail service revenue. The number of customers increased 12% to 5,227,000 at June 30, 2005, from 4,684,000 at June 30, 2004. Of the 12% increase in customers since June 30, 2004, 570,000 were added through U.S. Cellular s marketing (including reseller) distribution channels while 27,000 net customers were subtracted as a result of acquisition and divestiture activities, primarily the divestiture to ALLTEL in November 2004.

Revenues from data products and services increased to $59.7 million in 2005 from $25.2 million in 2004, as U.S. Cellular s **easy**edge[SM] products were enhanced and made available in all of its markets. Also, amounts billed to customers to recover the cost of contributions to the USF and costs related to other federal mandates such as E-911 capability and wireless number portability increased $21.1 million in the first half of 2005.

Monthly retail minutes of use per customer increased to 606 in 2005 from 517 in 2004. The increase in monthly local retail minutes of use was driven by U.S. Cellular s focus on designing sales incentive programs and customer billing rate plans to stimulate overall usage. U.S. Cellular anticipates that the percentage growth in the customer base in U.S. Cellular s wireless markets will be lower in the future, primarily as a result of the increased competition in its markets and the increasing maturity of the wireless marketplace. However, as U.S. Cellular expands its operations in its recently acquired and launched markets in future years, it anticipates adding customers and revenues in those markets.

The impact on retail service revenue of the increase in average monthly retail minutes of use was offset by a decrease in average revenue per minute of use in 2005. The decrease in average revenue per minute of use reflects the effects of increasing competition, which has led to the inclusion of an increasing number of minutes in package pricing plans. Additionally, the percentage of U.S. Cellular s customer base represented by prepaid and reseller customers, which generate less revenue per customer on average than postpay customers, increased from 12% at June 30, 2004 to 15% at June 30, 2005. As a result of the above factors, average monthly retail service revenue per customer decreased 3% to $39.32 in 2005 from $40.46 in 2004. U.S. Cellular anticipates that U.S. Cellular s average revenue per minute of use will continue to decline in the future, reflecting increased competition and penetration of the consumer market.

Inbound roaming revenues decreased $22.0 million, or 25%, to $65.2 million in 2005 from $87.2 million in 2004. The decrease in revenue primarily related to the decrease in revenue per roaming minute of use, partially offset by an increase in roaming minutes of use. The decline in revenue per minute of use is primarily due to the general downward trend in negotiated rates. The increase in inbound roaming minutes of use was primarily driven by the overall growth in the number of customers throughout the wireless industry.

U.S. Cellular anticipates that the rate of growth in inbound roaming minutes of use will continue to slow down due to these factors:

U.S. Cellular s roaming partners may switch their business from U.S. Cellular to other operators or to their own systems;

as certain wireless operators convert their networks to Global System for Mobile Communication (GSM) digital technology, which U.S. Cellular only supports through its analog service and in some cases through its Time Division Multiple Access (TDMA) service, those operators may switch their business to other operators which offer GSM service; and

newer customers may roam less than existing customers, reflecting further penetration of the consumer market.

U.S. Cellular also anticipates that average inbound roaming revenue per minute of use will continue to decline, reflecting the continued general downward trend in negotiated rates.

Long-distance and other service revenues increased $14.9 million, or 19%, to $93.9 million in 2005 from $79.0 million in 2004. The increase primarily reflected a $14.6 million increase in competitive eligible telecommunications carrier funds received for the states in which U.S. Cellular is eligible to receive such funds. Of this amount, $5.1 million represented a one-time reimbursement paid to U.S. Cellular related to filings for prior periods; this effect was mostly offset by a $4.4 million one-time reduction in reimbursements which U.S. Cellular had previously received but related to a time period before it had become eligible to receive such reimbursements. In the first half of 2005, U.S. Cellular was eligible to receive such funds in five states compared to three states in the first half of 2004.

Equipment sales revenues increased $1.7 million, or 2%, to $89.7 million in 2005 from $88.0 million in 2004. Equipment sales revenues include revenues from sales of handsets and related accessories to both new and current customers, as well as revenues from the sales of handsets to agents. U.S. Cellular sells handsets to its agents at a price approximately equal to U.S. Cellular s cost, before applying any rebates. Selling handsets to agents enables U.S. Cellular to provide better control over handset quality, establish roaming preferences and pass along quantity discounts. U.S. Cellular anticipates that it will continue to sell handsets to agents in the future, and that it will continue to provide rebates to agents who provide handsets to new and current customers.

The total cost of equipment sold increased $13.7 million, or 6%, to $244.1 million in 2005 from $230.4 million in 2004. Equipment sales revenues have grown less significantly than the total cost of equipment sold due to the continued substantial discounting of handsets for new customers as well as those customers who renew service with U.S. Cellular. This trend is occurring throughout the wireless industry.

Equipment sales revenues from handset sales to agents are recognized upon delivery of the related products to the agents, net of anticipated agent rebates. In most cases, the agents receive the rebate from U.S. Cellular at the time these agents provide handsets to sign up new customers or renew current customers.

Customers added to U.S. Cellular s customer base through its marketing distribution channels (gross customer activations), one of the primary drivers of equipment sales revenues, increased less than 1% in 2005. The revenues from handsets provided to current customers for retention purposes declined slightly, despite a slight increase in the volume of such transactions, partially reducing the growth in equipment sales revenues. The retention transaction revenue decline was primarily due to the increase in discounting of handsets for competitive reasons. In 2005, U.S. Cellular continued to focus on retaining customers by offering current customers new handsets similar to those offered to new customers as the expiration dates of customers service contracts approached.

Operating expenses increased $79.3 million, or 6%, to $1,346.6 million in 2005 from $1,267.3 million in 2004.

	Six Months Ended June 30, 2005 (As Restated)		Six Months Ended June 30, 2004 (As Restated)	
	(Dollars in thousands)			
System operations (exclusive of depreciation, amortization and accretion included below)	$	285,709	$	284,945
Cost of equipment sold		244,059		230,423
Selling, general and administrative		562,539		516,416
Depreciation, amortization and accretion		254,277		236,246
Gain on assets held for sale				(725)
	$	1,346,584	$	1,267,305

System operations expenses (excluding depreciation, amortization and accretion) increased $0.8 million, or less than 1%, to $285.7 million in 2005 from $284.9 million in 2004. System operations expenses include charges from landline telecommunications service providers for U.S. Cellular s customers use of their facilities, costs related to local interconnection to the landline network, charges for maintenance of U.S. Cellular s network, long-distance charges, outbound roaming expenses and payments to third-party data product and platform developers. The components of system operations expenses were as follows:

maintenance, utility and cell site expenses increased $13.4 million, or 15%, primarily driven by a 14% increase in the number of cell sites within U.S. Cellular s network, to 5,034 in 2005 from 4,420 in 2004, as U.S. Cellular continued to grow by expanding and enhancing coverage in its existing markets and also by launching operations in new markets;

the cost of network usage on U.S. Cellular s systems increased $13.6 million, or 14%, as total minutes used on U.S. Cellular s systems increased 35% in 2005, partially offset by the ongoing reduction in the per-minute cost of usage on U.S. Cellular s network; and

expenses incurred when U.S. Cellular s customers used other carriers networks while roaming decreased $26.2 million, or 26%.

Factors contributing to the decline included: 1) reductions in cost per minute, primarily resulting from the ongoing decline in negotiated roaming rates; 2) the availability of U.S. Cellular s network in markets launched in 2004 which largely eliminated the need for its customers to incur more expensive roaming charges in those markets; and 3) the sales of markets to AT&T Wireless and ALLTEL in 2004, which eliminated the roaming costs previously incurred by those markets customers.

In total, U.S. Cellular expects system operations expenses to increase over the next few years, driven by the following factors:

increases in the number of cell sites within U.S. Cellular s network as it continues to add capacity and enhance quality in all markets, and continues development activities in new markets; and

increases in minutes of use, both on U.S. Cellular s network and by U.S. Cellular s customers on other carriers networks when roaming.

These factors are expected to be partially offset by anticipated decreases in the per-minute cost of usage both on U.S. Cellular s network and on other carriers networks. As the recently launched markets have historically been among U.S. Cellular s customers most popular roaming destinations, U.S. Cellular anticipates that the continued integration of these markets into its operations will result in a further increase in minutes of use by U.S. Cellular s customers on its network and a corresponding decrease in minutes of use by its customers on other carriers networks, resulting in a lower overall increase in minutes of use by U.S. Cellular s customers on other carriers networks. Such a shift in minutes of use should reduce U.S. Cellular s per-minute cost of usage in the future.

Cost of equipment sold increased $13.7 million, or 6%, to $244.1 million in 2005 from $230.4 million in 2004. The change was primarily due to an increase in the total cost of handsets provided to customers for retention purposes, as the number of retention transactions increased only slightly in 2005 and the number of gross customer activations from marketing channels increased less than 1%. In addition, the overall cost per handset increased slightly in the first six months of 2005 as more customers purchased higher priced data-enabled handsets which increasingly include other value-added features such as cameras. Data-enabled handsets are required for customers to access U.S. Cellular s **easy**edge^{SM} suite of services.

Selling, general and administrative expenses increased $46.1 million, or 9%, to $562.5 million in 2005 from $516.4 million in 2004. Selling, general and administrative expenses primarily consist of salaries, commissions and expenses of field sales and retail personnel and offices; agent commissions and related expenses; corporate marketing, merchandise management and telesales department salaries and expenses; advertising; and public relations expenses. Selling, general and administrative expenses also include the costs of operating U.S. Cellular s customer care centers, the costs of serving customers and the majority of U.S. Cellular s corporate expenses.

The increase in selling, general and administrative expenses in 2005 is primarily due to the increase in employee-related expenses associated with acquiring, serving and retaining customers, primarily as a result of the 12% increase in U.S. Cellular s customer base and a 10% increase in full-time equivalent employees. Selling, general and administrative expenses were also affected by the following factors:

a $10.3 million increase in expenses related to USF contributions, driven by increases in retail service revenues, upon which payments into the fund are based, and specified contribution rates. Most of these payments are offset by increases in retail service revenues for amounts passed through to customers;

a $10.1 million increase in consulting and outsourcing costs as U.S. Cellular increased its use of third parties to perform certain functions and participate in certain projects;

a $7.2 million increase in advertising expenses, primarily related to the marketing of the U.S. Cellular brand in the markets launched in 2004 and the St. Louis market, which was launched in the third quarter of 2005;

an $8.0 million decrease in bad debt expense, primarily attributable to the improvement in U.S. Cellular s collections of outstanding accounts receivable in 2005; and

a $4.3 million decrease in amounts billed to AT&T Wireless and ALLTEL for transition services, which were provided subsequent to the completion of the sale and exchange transactions with those companies; such billings offset selling, general and administrative expenses U.S. Cellular incurred to provide such services.

Sales and marketing cost per gross customer activation increased 11% to $425 in 2005 from $382 in 2004, primarily due to increased handset subsidies, sales employee-related expenses and advertising expenses; partially offset by a decrease in commissions and agent-related payments. U.S. Cellular uses this measurement to assess both the cost of acquiring customers and the efficiency of its marketing efforts. Sales and marketing cost per gross customer activation is not calculable using financial information derived directly from the Consolidated Statements of Operations. The definition of sales and marketing cost per gross customer activation that U.S. Cellular uses as a measure of the cost to acquire additional customers through its marketing distribution channels may not be comparable to similarly titled measures that are reported by other companies.

Below is a summary of sales and marketing cost per gross customer activation for each period:

	Six Months Ended June 30, 2005 (As Restated)	2004 (As Restated)
	(Dollars in thousands, except per customer amounts)	
Components of cost:		
Selling, general and administrative expenses related to the acquisition of new customers (1)	$ 244,661	$ 226,010
Cost of equipment sold to new customers (2)	183,959	162,326
Less equipment sales revenue from new customers (3)	(103,149)	(97,383)
Total costs	$ 325,471	$ 290,953
Gross customer activations (000s) (4)	766	762
Sales and marketing cost per gross customer activation	$ 425	$ 382

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(1) Selling, general and administrative expenses related to the acquisition of new customers is reconciled to total selling, general and administrative expenses as follows:

	Six Months Ended June 30, 2005 (As Restated)	2004 (As Restated)
	(Dollars in thousands)	
Selling, general and administrative expenses, as reported	$ 562,539	$ 516,416
Less expenses related to serving and retaining customers	(317,878)	(290,406)
Selling, general and administrative expenses related to the acquisition of new customers	$ 244,661	$ 226,010

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(2) Cost of equipment sold to new customers is reconciled to cost of equipment sold as follows:

	Six Months Ended June 30, 2005 (As Restated)	2004(As Restated) (As Restated)
	(Dollars in thousands)	
Cost of equipment sold as reported	$ 244,059	$ 230,423
Less cost of equipment sold related to the retention of current customers	(60,100)	(68,097)
Cost of equipment sold to new customers	$ 183,959	$ 162,326

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(3) Equipment sales revenue from new customers is reconciled to equipment sales revenues as follows:

	Six Months Ended June 30, 2005 (As Restated)		Six Months Ended June 30, 2004 (As Restated)	
	(Dollars in thousands)			
Equipment sales revenue as reported	$	89,651	$	88,032
Less equipment sales revenues related to the retention of current customers, excluding agent rebates		(12,103)		(12,927)
Add agent rebate reductions of equipment sales revenues related to the retention of current customers		25,601		22,278
Equipment sales revenues from new customers	$	103,149	$	97,383

(4) Gross customer activations represent customers added to U.S. Cellular s customer base through its marketing distribution channels, including customers added through third party resellers, during the respective periods presented.

Monthly general and administrative expenses per customer, including the net costs related to the renewal or upgrade of service contracts of current U.S. Cellular customers (net customer retention costs), decreased 5% to $12.78 in 2005 from $13.47 in 2004. U.S. Cellular uses this measurement to assess the cost of serving and retaining its customers on a per unit basis.

This measurement is reconciled to total selling, general and administrative expenses as follows:

	Six Months Ended June 30,			
	2005 (As Restated)		2004 (As Restated)	
	(Dollars in thousands, except per customer amounts)			
Components of cost (1)				
Selling, general and administrative expenses as reported	$	562,539	$	516,416
Less selling, general and administrative expenses related to the acquisition of new customers		(244,661)		(226,010)
Add cost of equipment sold related to the retention of current customers		60,100		68,097
Less equipment sales revenues related to the retention of current customers, excluding agent rebates		(12,103)		(12,927)
Add agent rebate reductions of equipment sales revenues related to the retention of current customers		25,601		22,278
Net cost of serving and retaining customers	$	391,476	$	367,854
Divided by average customers during period (000s) (2)		5,104		4,550
Divided by six months in each period		6		6
Average monthly general and administrative expenses per customer	$	12.78	$	13.47

(1) These components were previously identified in the table which calculates sales and marketing cost per customer activation and related footnotes.

(2) Average customers for the six month periods were previously defined in footnote 6 to the table of summarized operating data.

Depreciation, amortization and accretion expense increased $18.1 million, or 8%, to $254.3 million in 2005 from $236.2 million in 2004. The majority of the increase reflects a $20.3 million, or 10%, increase in depreciation expense, primarily driven by rising average fixed asset balances, which increased 12% in 2005. Increased fixed asset balances in 2005 resulted from the following factors:

the addition of 614 cell sites to U.S. Cellular s network since June 30, 2004; new cell sites were built to improve coverage and capacity in U.S. Cellular s markets, both in currently served areas as well as in areas where U.S. Cellular has launched or is preparing to launch commercial service; and

the addition of digital radio channels and switching capacity to U.S. Cellular s network to accommodate increased usage.

See Financial Resources and Liquidity and Capital Resources for further discussions of U.S. Cellular s capital expenditures.

In 2005, additional depreciation expense was recorded related to the following:

$6.3 million of write-offs of fixed assets related to the disposal of assets or trade-in of older assets for replacement assets; and

$3.6 million of write-offs of certain Time Division Multiple Access (TDMA) digital radio equipment related to its disposal or consignment for future sale. This writedown was necessary to reduce the book value of the assets to be sold to their estimated proceeds from disposition.

In 2004, a change in the useful lives of certain asset categories increased depreciation expense $9.9 million. Also, certain TDMA digital radio equipment consigned to a third party for future sale was written down by $6.3 million prior to its consignment, increasing depreciation expense by that amount.

Additionally in 2004, in preparation for the implementation of a fixed asset management and tracking software system, including a bar code asset identification system, U.S. Cellular conducted a physical inventory review of its cell site fixed assets. U.S. Cellular completed the inventory in the fourth quarter of 2004. Based on the results of the review through June 30, 2004, U.S. Cellular estimated that the review, when completed, would result in a write-off of certain assets with a net book value of approximately $4.0 million, and charged $4.0 million to depreciation expense for the estimated write-off in the second quarter of 2004.

Amortization expense decreased $2.7 million, or 12%, to $19.2 million in 2005 from $22.0 million in 2004, primarily representing a $2.4 million decrease in amortization related to the customer list intangible assets and other amortizable assets acquired in the Chicago market transaction during 2002. Customer list intangible assets are amortized using the declining balance method, which results in declining amortization expense each year.

(Gain) loss on assets held for sale for the first six months of 2004 includes a gain of $725,000, which primarily represents a $582,000 reduction of loss on assets held for sale recorded originally in the fourth quarter of 2003 on the sale of wireless properties in southern Texas to AT&T Wireless which was completed in February 2004.

Operating Income

Operating income increased $15.0 million, or 16%, to $106.5 million in 2005 from $91.5 million in 2004. The operating income margins (as a percent of service revenues) were 7.8% in 2005 and 7.2% in 2004. The increase in operating income and operating income margin in 2005 reflects increased service revenues, primarily driven by growth in the number of customers served by U.S. Cellular s systems, and lower system operations expenses as a percent of service revenues, partially offset by the following factors:

increased selling, general and administrative expense, primarily due to the increase in expenses related to acquiring, serving and retaining additional customers;

increased depreciation expense, primarily driven by an increase in average fixed assets related to ongoing improvements to U.S. Cellular s wireless network;

increased equipment subsidies, primarily due to the increase in the per unit discount for handsets sold to new customers as well as to current customers for retention purposes; and

increased minutes of use and cell sites in service.

U.S. Cellular expects all of the above factors to continue to have an effect on operating income and operating margins for the next several quarters. Any changes in the above factors, as well as the effects of other drivers of U.S. Cellular s operating results, may cause operating income and operating margins to fluctuate over the next several quarters.

U.S. Cellular plans to incur additional expenses during the remainder of 2005 as it competes in its established markets and in recently launched markets. Additionally, U.S. Cellular plans to build out its network into other as yet unserved portions of its licensed areas, and began sales and marketing operations in the St. Louis area in the third quarter of 2005. U.S. Cellular launched its brand of data-related wireless services in many of its markets in the second half of 2003, and expects to incur expenses related to its continued marketing of data-related wireless services in the next few years.

The following estimates of full-year 2005 service revenues; depreciation, amortization and accretion expenses; operating income; and net retail customer activations include the impact of commercially launching service in the St. Louis market during the third quarter of 2005. Except for disclosed changes, such estimates are based on U.S. Cellular s currently owned markets because the effect of any possible future acquisition or disposition activity cannot be predicted with accuracy or certainty. The following estimates were updated by U.S. Cellular on July 27, 2005 and continued to represent U.S. Cellular s views as of the date of filing the original Form 10-Q based on current facts and circumstances. Such forward-looking statements should not be assumed to be accurate as of any future date. U.S. Cellular undertakes no duty to update such information whether as a result of new information, future events or otherwise.

		2005 Estimated Results		2004 Actual Results (As Restated)
Service revenues	$	+/-2.8 billion	$	2.62 billion
Depreciation, amortization and accretion expenses	$	530 million	$	498.2 million
Operating income	$	180-220 million	$	183.3 million
Net retail customer activations		475,000 - 525,000		464,000

U.S. Cellular anticipates that its net costs associated with customer growth, service and retention, initiation of new services, launches in new markets and fixed asset additions will continue to grow. U.S. Cellular anticipates that its net customer retention costs will increase in the future as its customer base grows, as competitive pressures continue and as per unit handset costs increase without compensating increases in the per unit sales price of handsets to customers and agents.

U.S. Cellular believes there exists a seasonality in both service revenues, which tend to increase more slowly in the first and fourth quarters, and operating expenses, which tend to be higher in the fourth quarter than in the other quarters due to increased marketing activities and customer growth, which may cause operating income to vary from quarter to quarter. U.S. Cellular anticipates that the impact of such seasonality will decrease in the future, particularly as it relates to operating expenses, as the proportion of full year customer activations derived from fourth quarter holiday sales is expected to decline to reflect ongoing, rather than seasonal, promotions of U.S. Cellular s products.

Investment and Other Income (Expense) totaled $(2.8) million in 2005 and $(10.0) million in 2004.

Investment income increased $2.2 million, or 7%, to $32.3 million in 2005 from $30.1 million in 2004. Investment income primarily represents U.S. Cellular s share of net income from the markets managed by others that are accounted for by the equity method. Los Angeles SMSA Limited Partnership continues to contribute a significant portion of the total investment income in 2005.

Interest and dividend income increased $3.9 million to $6.4 million in 2005 from $2.5 million in 2004. Dividend income from U.S. Cellular s investment in Vodafone shares increased $2.0 million. Interest income includes amounts earned related to the settlement of an issue with a third party as well as interest earned on U.S. Cellular s cash balances.

Interest (expense) increased $0.9 million, or 2%, to $42.2 million in 2005 from $41.3 million in 2004. Interest expense in 2005 is primarily related to U.S. Cellular s 6.7% senior notes ($18.5 million); its 7.5% senior notes ($12.6 million); its 8.75% senior notes ($5.7 million); its Vodafone forward contracts ($2.6 million); and its revolving credit facility with a series of banks ($1.7 million).

Interest expense in 2004 is primarily related to U.S. Cellular s 6.7% senior notes ($15.4 million); its 7.25% senior notes ($9.2 million); its 8.75% senior notes ($5.7 million); its Liquid Yield Option Notes ($4.9 million); its Intercompany Note with TDS (the Intercompany Note) ($0.9 million); its revolving credit facility with a series of banks ($1.7 million); and its Vodafone forward contracts ($1.4 million).

The Liquid Yield Option Notes, which were 6% zero coupon convertible debentures, were redeemed as of July 26, 2004. U.S. Cellular s $250 million principal amount of 7.25% senior notes were redeemed on August 16, 2004. The Intercompany Note was repaid on February 9, 2004.

U.S. Cellular s $544 million principal amount of 6.7% senior notes are unsecured and are due in December 2033. Interest on such notes is payable semi-annually on June 15 and December 15 of each year. U.S. Cellular originally issued $444 million of the 6.7% notes in December 2003 in order to reduce the use of its revolving credit facility and the related interest rate risk. An additional $100 million of such notes was issued in June 2004. The proceeds of such additional issuance, together with the proceeds of the 7.5% notes discussed below, were used to redeem the Liquid Yield Option Notes on July 26, 2004. The balance of the net proceeds, together with borrowings under the revolving credit facility, was used to redeem all of U.S. Cellular s 7.25% senior notes on August 16, 2004.

In June 2004, U.S. Cellular issued $330 million in aggregate principal amount of 7.5% senior notes due 2034. These notes are unsecured and interest on such notes is payable quarterly on March 15, June 15, September 15 and December 15 of each year.

U.S. Cellular s $130 million principal amount of 8.75% senior notes are unsecured and are due in November 2032. Interest on such notes is payable quarterly on February 1, May 1, August 1 and November 1 of each year.

For information regarding U.S. Cellular s Revolving Credit Facility, see Liquidity and Capital Resources Revolving Credit Facility. For information regarding the Intercompany Note from TDS, see Certain Relationships and Related Transactions.

Gain (loss) on investments totaled a net gain of $0.6 million in 2005 and a loss of $1.8 million in 2004. The net gain in 2005 reflects a working capital adjustment recorded on the investment interests sold by U.S. Cellular to ALLTEL in November 2004. The net loss of $1.8 million in 2004 represents an impairment in the carrying value of a U.S. Cellular investment in a non-operational market in Florida that was sold in December 2004.

Income Taxes

Income tax expense increased $8.0 million, or 24%, to $41.0 million in 2005 from $33.0 million in 2004 primarily due to higher pretax income. In 2004, $2.9 million of tax expenses were recorded upon the completion of the sale of assets to AT&T Wireless in February 2004. The effective tax rate was 39.5% in 2005 and 40.5% in 2004. For further analysis and discussion of U.S. Cellular s effective tax rates in 2005 and 2004, see Application of Critical Accounting Policies and Estimates Income Taxes and Note 3 Income Taxes.

TDS and U.S. Cellular are parties to a Tax Allocation Agreement, pursuant to which U.S. Cellular is included in a consolidated federal income tax return with other members of the TDS consolidated group. For financial reporting purposes, U.S. Cellular computes federal income taxes as if it was filing a separate return as its own affiliated group and was not included in the TDS group.

Net Income

Net income increased $13.8 million, or 32%, to $57.6 million in 2005 from $43.8 million in 2004. *Diluted earnings per share* was $0.66 in 2005 and $0.51 in 2004.

Three Months Ended June 30, 2005 Compared to Three Months Ended June 30, 2004

Operating Revenues increased $36.4 million, or 5%, to $742.0 million during the second quarter of 2005 from $705.6 million in 2004.

	Three Months Ended June 30, 2005 (As Restated)		Three Months Ended June 30, 2004 (As Restated)	
	(Dollars in thousands)			
Retail service	$	612,159	$	569,187
Inbound roaming		35,313		44,723
Long-distance and other service revenues		44,274		41,872
Service Revenues		691,746		655,782
Equipment sales		50,219		49,808
	$	741,965	$	705,590

Retail service revenues increased $43.0 million, or 8%, to $612.2 million in 2005 from $569.2 million in 2004, primarily due to a 12% increase in U.S. Cellular s customer base. The effect of a 16% increase in monthly retail minutes of use per customer, to 627 in 2005 from 542 in 2004, was more than offset by a decrease in average revenue per minute of use in 2005, resulting in a 4% decrease in average monthly retail service revenue per customer.

Inbound roaming revenue decreased $9.4 million, or 21%, to $35.3 million in 2005 from $44.7 million in 2004, for reasons generally the same as for the first six months of 2005, except that there was no impact on inbound roaming revenue in either period as a result of the sale of markets to AT&T Wireless in February 2004.

Long-distance and other service revenues increased $2.4 million, or 6%, to $44.3 million in 2005 from $41.9 million in 2004. The increase primarily reflected an increase in competitive eligible telecommunications carrier funds received for the states in which U.S. Cellular is eligible to receive such funds, partially offset by a one-time reduction in reimbursements which U.S. Cellular had previously received but related to a time period before it had become eligible to receive such reimbursements. In the second quarter of 2005, U.S. Cellular was eligible to receive such funds in five states compared to three states in the same period of 2004.

Equipment sales revenue increased $0.4 million, or 1%, to $50.2 million in 2005 from $49.8 million in 2004. The primary driver for the increase was an increase in handsets sold to current customers for retention purposes, while gross customer activations decreased 7% and overall revenue per handset decreased as well. The decrease in overall revenue per handset was primarily due to an increase in discounting of handsets for competitive reasons.

Operating Expenses increased $31.8 million, or 5%, to $675.0 million during the second quarter of 2005 from $643.2 million in 2004. The major components of operating expenses are shown in the table below.

	Three Months Ended June 30, 2005 (As Restated)	Three Months Ended June 30, 2004 (As Restated)
	(Dollars in thousands)	
System operations (exclusive of depreciation, amortization and accretion included below)	$ 147,238	$ 145,337
Cost of equipment sold	116,811	110,605
Selling, general and administrative	284,209	265,623
Depreciation, amortization and accretion	126,784	122,228
(Gain) on assets of operations held for sale		(582)
	$ 675,042	$ 643,211

System operations expenses (excluding depreciation, amortization and accretion) increased $1.9 million, or 1%, to $147.2 million in 2005 from $145.3 million in 2004. The effects of several offsetting factors, which were generally the same factors that affected system operations expense in the first six months of 2005, resulted in a slight net increase in expense during the second quarter of 2005.

Cost of equipment sold increased $6.2 million, or 6%, to $116.8 million in 2005 from $110.6 million in 2004. The primary driver for the increase was an increase in handsets sold to current customers for retention purposes, while gross customer activations decreased 7% and overall cost per handset decreased slightly as well. The decrease in overall cost per handset was due to the slight decrease in the cost of data enabled handsets since the second quarter of 2004.

Selling, general and administrative expenses increased $18.6 million, or 7%, to $284.2 million in 2005 from $265.6 million in 2004. The increase was primarily attributable to the increase in employee-related expenses associated with acquiring, serving and retaining customers, primarily as a result of the increase in U.S. Cellular s customer base. Selling, general and administrative expenses were also affected by the following factors:

a $5.1 million increase in expenses related to USF contributions, driven by increases in retail service revenues, upon which payments into the fund are based, and specified contribution rates. Most of these payments are offset by increases in retail service revenues for amounts passed through to customers;

a $5.2 million increase in advertising expenses, primarily related to the marketing of the U.S. Cellular brand in the markets launched in 2004 and the St. Louis market, which was launched in the third quarter of 2005;

a $4.9 million increase in consulting and outsourcing costs as U.S. Cellular increased its use of third parties to perform certain functions and participate in certain projects; and

a $4.8 million decrease in bad debt expense, primarily attributable to the improvement in U.S. Cellular s collections of outstanding accounts receivable in 2005.

Sales and marketing cost per gross customer addition increased to $461 in the second quarter of 2005 from $394 in 2004, primarily due to increased handset subsidies and advertising expenses. Below is a summary of sales and marketing cost per gross customer activation for each period.

	Three Months Ended June 30, 2005 (As Restated)	2004 (As Restated)
	(Dollars in thousands, except per customer amounts)	
Components of cost:		
Selling, general and administrative expenses related to the acquisition of new customers (1)	$ 124,109	$ 115,842
Cost of equipment sold to new customers (2)	88,362	78,938
Less equipment sales revenue from new customers (3)	(55,567)	(50,964)
Total costs	$ 156,904	$ 143,816
Gross customer activations (000s) (4)	340	365
Sales and marketing cost per gross customer activation	$ 461	$ 394

(1) Selling, general and administrative expenses related to the acquisition of new customers is reconciled to total selling, general and administrative expenses as follows:

	Three Months Ended June 30, 2005 (As Restated)	Three Months Ended June 30, 2004 (As Restated)
	(Dollars in thousands)	
Selling, general and administrative expenses, as reported	$ 284,209	$ 265,623
Less expenses related to serving and retaining customers	(160,100)	(149,781)
Selling, general and administrative expenses related to the acquisition of new customers	$ 124,109	$ 115,842

(2) Cost of equipment sold to new customers is reconciled to cost of equipment sold as follows:

	Three Months Ended June 30, 2005 (As Restated)		Three Months Ended June 30, 2004 (As Restated)
	(Dollars in thousands)		
Cost of equipment sold as reported	$ 116,811		$ 110,605
Less cost of equipment sold related to the retention of current customers	(28,449)		(31,667)
Cost of equipment sold to new customers	$ 88,362		$ 78,938

(3) Equipment sales revenue from new customers is reconciled to equipment sales revenues as follows:

	Three Months Ended June 30, 2005 (As Restated)	Three Months Ended June 30, 2004 (As Restated)
	(Dollars in thousands)	
Equipment sales revenue as reported	$ 50,219	$ 49,808
Less equipment sales revenues related to the retention of current customers, excluding agent rebates	(6,666)	(6,879)
Add agent rebate reductions of equipment sales revenues related to the retention of current customers	12,014	8,035
Equipment sales revenues from new customers	$ 55,567	$ 50,964

(4) Gross customer activations represent customers added to U.S. Cellular s customer base through its marketing distribution channels, including customers added through third party resellers, during the respective periods presented.

Monthly general and administrative expenses per customer, including the net costs related to the renewal or upgrade of service contracts of current U.S. Cellular customers (net customer retention costs), decreased 5% to $12.48 in 2005 from $13.17 in 2004. This measurement is reconciled to total selling, general and administrative expenses as follows:

	Three Months Ended June 30, 2005 (As Restated)	Three Months Ended June 30, 2004 (As Restated)
	(Dollars in thousands, except per customer amounts)	
Components of cost (1)		
Selling, general and administrative expenses as reported	$ 284,209	$ 265,623
Less selling, general and administrative expenses related to the acquisition of new customers	(124,109)	(115,842)
Add cost of equipment sold related to the retention of current customers	28,449	31,667
Less equipment sales revenues related to the retention of current customers, excluding agent rebates	(6,666)	(6,879)

Add agent rebate reductions of equipment sales revenues related to the retention of current customers		12,014		8,035
Net cost of serving and retaining customers	$	193,897	$	182,604
Divided by average customers during period (000s) (2)		5,179		4,622
Divided by three months in each period		3		3
Average monthly general and administrative expenses per customer	$	12.48	$	13.17

(1) These components were previously identified in the table which calculates sales and marketing cost per customer activation and related footnotes.

(2) Average customers for the three month periods were derived in a manner similar to the average customers definition used in the discussion of operating revenues.

Depreciation, amortization and accretion expense increased $4.6 million, or 4%, to $126.8 million in 2005 from $122.2 million in 2004. The majority of the increase reflects rising average fixed asset balances, which increased 12% in the second quarter of 2005. Such increased fixed asset balances resulted from the following factors:

the addition of 614 cell sites to U.S. Cellular s network since June 30, 2004; new cell sites were built to improve coverage and capacity in U.S. Cellular s markets, both in currently served areas as well as in areas where U.S. Cellular has launched or is preparing to launch commercial service; and

the addition of digital radio channels and switching capacity to U.S. Cellular s network to accommodate increased usage.

In the second quarter of 2005, additional depreciation expense was recorded related to the following:

$2.0 million of writeoffs of fixed assets related to the disposal of assets or trade-in of older assets for replacement assets; and

$1.3 million of writeoffs of certain TDMA digital radio equipment related to its disposal or consignment for future sale.

In the second quarter of 2004, a change in the useful lives of certain asset categories increased depreciation expense $2.5 million. Additionally, certain TDMA digital radio equipment consigned to a third party for future sale was written down by $6.3 million prior to its consignment, increasing depreciation expense by that amount.

Also in 2004, U.S. Cellular estimated that the ongoing physical inventory review of its fixed assets, when completed, would result in a write-off of certain assets with a net book value of approximately $4.0 million, and charged $4.0 million to depreciation expense for the estimated write-off in the second quarter of 2004.

U.S. Cellular s operating expenses in the second quarter of 2004 also included a $582,000 reduction of loss on assets held for sale previously recorded on the sale of wireless properties in southern Texas to AT&T Wireless in February 2004.

Operating Income increased $4.5 million, or 7%, to $66.9 million in 2005 from $62.4 million in 2004; operating income margins (as a percent of service revenues) totaled 9.7% in 2005 and 9.5% in 2004.

Investment and other income (expense) totaled income of $0.7 million in 2005 and expense of $(4.1) million in 2004. Investment income increased $1.5 million, or 9%, to $17.8 million in 2005 from $16.3 million in 2004. In 2005, the dividend from U.S. Cellular s investment in Vodafone shares increased $2.0 million.

Gain (loss) on investments totaled a loss of $1.8 million in 2004 reflecting an impairment in the carrying value of a U.S. Cellular investment in a non-operational market in Florida. There were no such gains or losses in 2005.

Interest (expense) increased $0.4 million, or 2%, to $21.4 million in 2005 from $21.0 million in 2004 for reasons generally the same as for the first six months of 2005.

Income tax expense increased $5.6 million to $27.0 million in 2005 from $21.4 million in 2004 primarily due to higher pretax income. For an analysis and discussion of U.S. Cellular s effective tax rates in 2005 and 2004, see Application of Critical Accounting Policies and Estimates Income Taxes and Note 3 Income Taxes.

Net income increased to $38.1 million in 2005 from $34.4 million in 2004. *Diluted earnings per share* totaled $0.44 in 2005 and $0.40 in 2004.

RECENT ACCOUNTING PRONOUNCEMENTS

Share-Based Payment

Statement of Financial Accounting Standards (SFAS) No. 123 (revised 2004), Share-Based Payment, was issued in December 2004. In April 2005, the SEC postponed the effective date of SFAS 123R until the issuer s first fiscal year beginning after June 15, 2005. As a result, U.S. Cellular will be required to adopt SFAS 123R in the first quarter of 2006. The statement requires that compensation cost resulting from all share-based payment transactions be recognized in the financial statements. SFAS 123R also requires that the benefits of tax deductions in excess of recognized compensation cost be reported as a financing cash flow, rather than as an operating cash flow. This requirement may reduce net cash flows from operating activities and increase net cash flows from financing activities in periods after adoption. In addition, in March 2005, the SEC issued Staff Accounting Bulletin No. 107 (SAB 107) regarding the SEC s interpretation of SFAS 123R and the valuation of share-based payments for public companies. U.S. Cellular has reviewed the provisions of these statements and expects to record additional compensation expense for certain share-based payment transactions, primarily related to stock options, in the Consolidated Statements of Operations upon adoption of SFAS 123R. See the Stock-Based Compensation disclosure above for a discussion of the pro forma impact on net income and earnings per share under current accounting requirements.

Accounting Changes and Error Corrections

SFAS No. 154, Accounting Changes and Error Corrections (SFAS 154) which replaces Accounting Principles Board Opinions No. 20 Accounting Changes and SFAS No. 3, Reporting Accounting Changes in Interim Financial Statements An Amendment of APB Opinion No. 28 was issued in May 2005. SFAS 154 provides guidance on the accounting for and reporting of accounting changes and error corrections. Specifically, this statement requires retrospective application of the direct effect of a voluntary change in accounting principle to prior periods financial statements, if it is practicable to do so. SFAS 154 also strictly redefines the term restatement to mean the correction of an error by revising previously issued financial statements. SFAS 154 replaces APB No. 20, which requires that most voluntary changes in accounting principle be recognized by including in net income of the period of the change the cumulative effect of changing to the new accounting principle. Unless adopted early, SFAS 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. U.S. Cellular does not expect the adoption of SFAS 154 to have a material impact on its financial position or results of operations except to the extent that the statement requires retrospective application in circumstances that would previously have been effected in the period of the change under APB No. 20.

Conditional Asset Retirement Obligations

FASB Interpretation No. 47, Accounting for Conditional Asset Retirement Obligations, was issued in March 2005. It is effective no later than December 31, 2005. This Interpretation clarifies that the term conditional asset retirement obligation, as used in SFAS No. 143, Accounting for Asset Retirement Obligations, refers to a legal obligation to perform an asset retirement activity in which the timing and (or) method of settlement are conditional on a future event that may or may not be within the control of the entity. The obligation to perform the asset retirement activity is unconditional even though uncertainty exists about the timing and (or) method of settlement. Uncertainty about the timing and (or) method of settlement of a conditional asset retirement obligation should be factored into the measurement of the liability when sufficient information exists. FASB Interpretation No. 47 also clarifies when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation. U.S. Cellular is currently reviewing the requirement of this Interpretation and has not yet determined the impact, if any, on U.S. Cellular s financial position or results of operations.

FINANCIAL RESOURCES

U.S. Cellular operates a capital- and marketing-intensive business. In recent years, U.S. Cellular has generated cash from its operations, received cash proceeds from divestitures, used its short-term credit facilities and used long-term debt financing to fund its network construction costs. U.S. Cellular anticipates further increases in wireless customers, revenues, operating expenses, cash flows from operating activities and fixed asset additions in the future. Cash flows may fluctuate from quarter to quarter depending on the seasonality of each of these factors. Following is a summary of cash flow activities:

	Six Months Ended June 30, 2005 (As Restated)	Six Months Ended June 30, 2004 (As Restated)
	(Dollars in thousands)	
Cash flows from (used in)		
Operating activities	$ 327,224	$ 236,734
Investing activities	(383,397)	(208,180)
Financing activities	32,756	308,217
Net increase (decrease) in cash and cash equivalents	$ (23,417)	$ 336,771

Cash Flows from Operating Activities

U.S. Cellular generates substantial internal funds from operations. Cash flows from operating activities provided $327.2 million in the six months ended June 30, 2005 compared to $236.7 million in the same period of 2004. Income including adjustments to reconcile net income to net cash provided by operating activities (noncash items), excluding changes in assets and liabilities from operations totaled $365.6 million in 2005 and $325.5 million in 2004. Changes in assets and liabilities from operations required $38.4 million in 2005 and $88.8 million in 2004, primarily reflecting timing differences in the payment of accounts payable, payment of accrued taxes, receipt of accounts receivable and changes in inventory.

The following table is a summary of the components of cash flows from operating activities:

	Six Months Ended June 30, 2005 (As Restated)	Six Months Ended June 30, 2004 (As Restated)
	(Dollars in thousands)	
Net income	$ 57,642	$ 43,834
Adjustments to reconcile net income to net cash provided by operating activities	307,952	281,653
	365,594	325,487
Changes in assets and liabilities	(38,370)	(88,753)
	$ 327,224	$ 236,734

Cash distributions from wireless entities in which U.S. Cellular has an interest provided $28.0 million in 2005 and $7.2 million in 2004, as distributions from certain entities were received in the first half of 2005 whereas similar distributions from the same entities were not received until the second half of the year in 2004.

Cash Flows from Investing Activities

U.S. Cellular makes substantial investments each year to acquire, construct, operate and upgrade modern high-quality wireless networks and facilities as a basis for creating long-term value for shareowners. In recent years, rapid changes in technology and new opportunities have required substantial investments in revenue enhancing upgrades to U.S. Cellular s networks. Cash flows used for investing activities required $383.4 million in the six months ended June 30, 2005 compared to $208.2 million in the same period of 2004.

Cash required for property, plant and equipment expenditures totaled $256.6 million in 2005 and $263.9 million in 2004. In both periods, these expenditures were financed primarily with internally generated cash and borrowings from U.S. Cellular s revolving credit facilities. These expenditures primarily represent the construction of 168 and 369 cell sites in 2005 and 2004, respectively, as well as other plant additions and costs related to the development of U.S. Cellular s office systems. In 2004, these plant additions included approximately $10 million for the migration to a single digital equipment platform, which was completed in 2004. In both periods, other plant additions included significant amounts related to the replacement of retired assets.

In 2005, U.S. Cellular s consolidated subsidiary, Carroll Wireless, paid $120.9 million to the FCC to complete the payment for the licenses in which it was the winning bidder in the FCC s Auction 58. In 2004, net cash received from the sale of wireless properties in southern Texas to AT&T Wireless totaled $96.9 million, subject to a working capital adjustment. Cash paid for the acquisition of certain minority wireless interests in several wireless markets in which U.S. Cellular already owned a controlling interest totaled $40.4 million in 2004. See Acquisitions, Exchanges and Divestitures in the Liquidity and Capital Resources section for more information on these transactions.

Cash Flows from Financing Activities

Cash flows from financing activities provided $32.8 million in the six months ended June 30, 2005 and $308.2 million in the same period of 2004. Issuances of $330 million of 7.5% senior notes and $100 million of 6.7% senior notes provided $412.5 million in 2004. Cash received from the long-term debt issuances was temporarily used to reduce short-term debt prior to the redemption of long-term debt in the third quarter of 2004. In 2004, U.S. Cellular repaid the $105.0 million Intercompany Note to TDS using borrowings from its revolving credit facility. Cash received from short-term borrowings under U.S. Cellular s revolving line of credit provided $310.0 million in 2005 and $270.0 million in 2004, while repayments required $290.0 million in 2005 and $270.0 million in 2004. Issuances of treasury shares under employee benefits plans provided $14.0 million in 2005 and $1.7 million in 2004.

LIQUIDITY AND CAPITAL RESOURCES

U.S. Cellular generates substantial cash from its operations and anticipates financing all of its 2005 obligations with internally generated cash and with short- and long-term debt as the timing of such expenditures warrants. U.S. Cellular had $17.6 million of cash and cash equivalents at June 30, 2005.

U.S. Cellular believes that internal cash flow, existing cash and cash equivalents, funds available from line of credit arrangements and access to long-term debt provide sufficient financial flexibility for U.S. Cellular to meet both its short- and long-term needs. U.S. Cellular also may have access to public and private capital markets to help meet its long-term financing needs. U.S. Cellular anticipates issuing debt and equity securities only when capital requirements (including acquisitions), financial market conditions and other factors warrant.

However, the availability of capital resources is dependent on economic events, business developments, technological changes, financial conditions and other factors, many of which are not in U.S. Cellular s control. If at any time financing is not available on acceptable terms, U.S. Cellular might be required to reduce its business development and capital expenditure plans, which could have a materially adverse effect on its business and financial condition. U.S. Cellular cannot provide assurances that circumstances that could materially adversely affect U.S. Cellular s liquidity or capital resources will not occur. Economic downturns, changes in financial markets or other factors could change the availability of U.S. Cellular s liquidity and capital resources. Uncertainty of access to capital for telecommunications companies, deterioration in the capital markets, other changes in market conditions or other factors could limit or restrict the availability of financing on terms and prices acceptable to U.S. Cellular, which could require U.S. Cellular to reduce its construction, development and acquisition programs.

Revolving Credit Facility

U.S. Cellular has a $700 million revolving credit facility available for general corporate purposes. At June 30, 2005, this credit facility had $649.8 million available for use, net of borrowings of $50.0 million and outstanding letters of credit of $0.2 million. This credit facility expires in December 2009. Generally, borrowings bear interest at the London InterBank Offered Rate (LIBOR) plus a contractual spread based on U.S. Cellular s credit rating. At June 30, 2005, the contractual spread was 30 basis points (the one-month LIBOR rate was 3.34% at June 30, 2005). Under certain circumstances, with less than two days notice of intent to borrow, interest on borrowings are at the prime rate less 50 basis points (the prime rate was 6.25% at June 30, 2005).

Since the interest rates applicable to borrowings under the revolving credit facility are based in part on U.S. Cellular s credit rating, U.S. Cellular s interest cost on such borrowings could increase if its current credit ratings from either Standard & Poor s or Moody s were lowered. However, the line of credit would not cease to be available solely as a result of a decline in its credit rating. Nevertheless, a downgrade in U.S. Cellular s credit rating could adversely affect its ability to renew existing, or obtain access to new, credit facilities in the future. On July 11, 2005, Moody s Investor Service downgraded U.S. Cellular from a Baa1 rating with a negative outlook to Baa2 with a stable outlook. As a result of the downgrade, the contractual spread applied to LIBOR in determining the interest rate applicable to borrowings under the revolving credit facility has increased to 45 basis points from 30 basis points. In addition, the facility fee charged on the revolving credit agreements has increased to 15 basis points from 10 basis points. Standard & Poor s currently rates U.S. Cellular at A- with a Negative Outlook.

The maturity date of U.S. Cellular s borrowings under the revolving credit facility would accelerate in the event of a change in control. The continued availability of this facility requires U.S. Cellular to comply with certain covenants, maintain certain financial ratios and to represent certain matters at the time of each borrowing. As of the date of filing of this Form 10-Q/A, U.S. Cellular believes that it is in compliance with all material covenants and other requirements set forth in the revolving credit facility.

As disclosed in Note 1 to Consolidated Financial Statements, U.S. Cellular and its audit committee concluded on November 9, 2005 to restate the Consolidated Financial Statements for each of the three years ended December 31, 2004 and for the first and second quarters of 2005. The restatement resulted in defaults under the revolving credit agreement. U.S. Cellular was not in violation of any covenants that require U.S. Cellular to maintain certain financial ratios. U.S. Cellular did not fail to make any scheduled payments under such credit agreement. U.S. Cellular received waivers from the lenders associated with the credit agreement, under which the lenders agreed to waive any defaults that may have occurred as a result of the restatement.

Long-Term Debt

As of the date of filing of this Form 10-Q/A, U.S. Cellular believes that it is in compliance with all material covenants and other requirements set forth in its long-term debt indentures. Such indentures do not contain any provisions resulting in acceleration of the maturities of outstanding debt in the event of a change in U.S. Cellular s credit rating. However, a downgrade in U.S. Cellular s credit rating could adversely affect its ability to obtain long-term debt financing in the future.

Marketable Equity Securities and Forward Contracts

U.S. Cellular and its subsidiaries hold a substantial amount of marketable equity securities that are publicly traded and can have volatile share prices. U.S. Cellular and its subsidiaries do not make direct investments in publicly traded companies and all of these interests were acquired as a result of sales, trades or reorganizations of other assets. The investment in Vodafone Group Plc (Vodafone) resulted from certain dispositions of non-strategic cellular investments to or settlements with AirTouch Communications, Inc. (AirTouch), in exchange for stock of AirTouch, which was then acquired by Vodafone whereby U.S. Cellular received American Depositary Receipts representing Vodafone stock. The investment in Rural Cellular Corporation (Rural Cellular) is the result of a consolidation of several cellular partnerships in which U.S. Cellular subsidiaries held interests into Rural Cellular, and the distribution of Rural Cellular stock in exchange for these interests. A contributing factor in U.S. Cellular s decision not to dispose of the investments is that their tax basis is significantly lower compared to current stock prices, and therefore would trigger a substantial taxable gain upon disposition.

A subsidiary of U.S. Cellular has entered into a number of variable prepaid forward contracts (forward contracts) with counterparties related to the marketable equity securities that it holds. The forward contracts mature in May 2007 and, at U.S. Cellular s option, may be settled in shares of the respective security or cash. U.S. Cellular has provided guarantees to the counterparties which provide assurance that all principal and interest amounts will be paid upon settlement of the contracts by its subsidiary. If shares are delivered in the settlement of the forward contract, 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 on the forward contract through maturity. 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 Consolidated Balance Sheets. As of June 30, 2005, such deferred tax liabilities totaled $73.0 million.

U.S. Cellular is required to comply with certain covenants under the forward contracts. As of the date of filing of this Form 10-Q/A, U.S. Cellular believes that it is in compliance with all material covenants and other requirements set forth in the forward contracts.

As disclosed in Note 1 to Consolidated Financial Statements, U.S. Cellular and its audit committee concluded on November 9, 2005 to restate the Consolidated Financial Statements for each of the three years ended December 31, 2004 and for the first and second quarters of 2005. The restatement resulted in defaults under certain of the forward contracts. U.S. Cellular was not in violation of any covenants that require U.S. Cellular to maintain certain financial ratios. U.S. Cellular did not fail to make any scheduled payments under such forward contracts. U.S. Cellular received waivers from the counterparty to such forward contracts, under which the counterparty agreed to waive any defaults that may have occurred as a result of the restatement.

Capital Expenditures

U.S. Cellular s anticipated capital expenditures for 2005 primarily reflect U.S. Cellular s plans for construction, system and capacity expansion, the buildout of certain of its licensed areas and additional expenditures related to its plans to migrate to a single digital equipment platform. U.S. Cellular plans to finance its construction program using internally generated cash and short-term and long-term financing. U.S. Cellular s estimated capital spending for 2005 is currently expected to range from $575 million to $595 million, including any additional capital spending required to facilitate the commercial launch of its services in the St. Louis area. Significant capital expenditures were made prior to 2005 in the St. Louis area to facilitate the provision of service to roaming customers in that market. U.S. Cellular s capital expenditures for the six months ended June 30, 2005 totaled $256.6 million.

U.S. Cellular s 2005 capital expenditures will primarily address the following needs:

Expand and enhance U.S. Cellular s coverage in its service areas.

Provide additional capacity to accommodate increased network usage by current customers.

Enhance U.S. Cellular s retail store network and office systems.

Acquisitions, Exchanges and Divestitures

U.S. Cellular reviews attractive opportunities to acquire additional operating wireless markets and wireless spectrum. As part of this strategy, U.S. Cellular may from time-to-time be engaged in negotiations relating to the acquisition of companies, strategic properties or wireless spectrum. U.S. Cellular may participate as a bidder, or member of a bidding group, in auctions administered by the FCC, as it did in the recently completed Auction 58. Recently, U.S. Cellular has been selling or trading those markets that are not strategic to its long-term success and redeploying capital to more strategically important parts of the business. As part of this strategy, U.S. Cellular may from time-to-time be engaged in negotiations relating to the disposition or exchange of other non-strategic properties.

2005 Activity

U.S. Cellular is a limited partner in Carroll Wireless, L.P. (Carroll Wireless), an entity which participated in the auction of wireless spectrum designated by the FCC as Auction 58. Carroll Wireless was qualified to bid on spectrum which was available only to companies that fall under the FCC definition of designated entities, which are small businesses that have a limited amount of assets. Carroll Wireless was a successful bidder for 17 licensed areas in Auction 58, which ended on February 15, 2005. The aggregate amount paid to the FCC for the 17 licenses was $129.9 million, net of all bidding credits to which Carroll Wireless was entitled as a designated entity. These 17 licensed areas cover portions of 12 states and are in markets which are either adjacent to or overlap current U.S. Cellular licensed areas.

In March 2005, Carroll Wireless filed an application with the FCC seeking a grant of the subject licenses. U.S. Cellular expects that the FCC will grant the licenses in the third quarter of 2005. The $129.9 million deposited with the FCC is included in licenses on the Consolidated Balance Sheet as of June 30, 2005. U.S. Cellular consolidates Carroll Wireless and Carroll PCS, Inc., the general partner of Carroll Wireless, for financial reporting purposes, pursuant to the guidelines of Financial Accounting Standards Board (FASB) Interpretation No. 46R (FIN 46R), as U.S. Cellular anticipates absorbing a majority of Carroll Wireless expected gains or losses.

Carroll Wireless is in the process of developing its long-term business and financing plans. As of June 30, 2005, U.S. Cellular has made capital contributions and advances to Carroll Wireless and/or its general partner of approximately $130 million. Pending finalization of Carroll Wireless permanent financing plan, and upon request by Carroll Wireless, U.S. Cellular may agree to make additional capital contributions and advances to Carroll Wireless and/or its general partner; however, U.S. Cellular has not entered into any commitments to provide Carroll Wireless with any financing beyond the $130 million it has provided to date.

In the first quarter of 2005, U.S. Cellular adjusted the previously reported gain related to its sale to ALLTEL of certain wireless properties on November 30, 2004. The adjustment increased the total gain on investment from this transaction by $0.6 million due to a working capital adjustment which was finalized during the first quarter of 2005 related to the entities sold in which U.S. Cellular previously owned a non-controlling investment interest.

2004 Activity

On February 18, 2004, U.S. Cellular completed the sale of certain of its wireless properties in southern Texas to AT&T Wireless for $96.9 million in cash, subject to a working capital adjustment. The U.S. Cellular markets sold to AT&T Wireless included wireless assets and customers in six cellular markets. An aggregate loss of $21.3 million (including a $22.0 million estimate of the loss on assets held for sale in the fourth quarter of 2003 and subsequent $0.1 million and $0.6 million reductions of the loss in the first and second quarters of 2004, respectively) was recorded as a loss on assets held for sale (included in operating expenses), representing the difference between the carrying value of the markets sold to AT&T Wireless and the cash received in the transaction. The results of operations of the markets sold to AT&T Wireless were included in results of operations through February 17, 2004.

In addition, in the first six months of 2004, U.S. Cellular purchased certain minority interests in several wireless markets in which it already owned a controlling interest for $40.4 million in cash. These acquisitions increased investment in licenses, goodwill and customer lists by $2.7 million, $3.6 million and $12.9 million, respectively.

Repurchase of Securities

U.S. Cellular has an ongoing authorization to repurchase a limited amount of U.S. Cellular Common Shares on a quarterly basis, primarily for use in employee benefit plans. No U.S. Cellular Common Shares were repurchased in the first six months of 2005 or 2004.

Contractual and Other Obligations

There has been no material change in the resources required for scheduled repayment of contractual obligations from the table of Contractual and Other Obligations included in the Management s Discussion and Analysis of Financial Condition and Results of Operations included in U.S. Cellular s Annual Report on Form 10-K/A for the year ended December 31, 2004.

Off-Balance Sheet Arrangements

U.S. Cellular has no transactions, agreements or contractual arrangements with unconsolidated entities involving off-balance sheet arrangements, as defined by SEC rules, that have or are reasonably likely to have a material current or future effect on financial condition, changes in financial condition, results of operations, liquidity, capital expenditures, capital resources, revenues or expenses.

U.S. Cellular has certain variable interests in investments in unconsolidated entities where U.S. Cellular holds a minority interest. The investments in unconsolidated entities totaled $161.2 million as of June 30, 2005 and are accounted for using either the equity or cost method. U.S. Cellular s maximum loss exposure for these variable interests is limited to the aggregate carrying amount of the investments.

Indemnity Agreements. U.S. Cellular enters into agreements in the normal course of business that provide for indemnification of counterparties. These include certain asset sales and financings with other parties. The term of the indemnification varies by agreement. The events or circumstances that would require U.S. Cellular to perform under these indemnities are transaction specific; however these agreements may require U.S. Cellular to indemnify the counterparty for costs and losses incurred from litigation or claims arising from the underlying transaction. U.S. Cellular is unable to estimate the maximum potential liability for these types of indemnifications as the amounts are dependent on the outcome of future events, the nature and likelihood of which cannot be determined at this time. Historically, U.S. Cellular has not made any significant indemnification payments under such agreements.

APPLICATION OF CRITICAL ACCOUNTING POLICIES AND ESTIMATES

U.S. Cellular prepares its consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). U.S. Cellular s significant accounting policies are discussed in detail in Note 1 to the consolidated financial statements included in its Annual Report on Form 10-K/A for the year ended December 31, 2004.

The preparation of financial statements in accordance with U.S. GAAP requires U.S. Cellular to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. U.S. Cellular bases its estimates on historical experience and on various other assumptions and information that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results may differ from estimates under different assumptions or conditions.

U.S. Cellular believes the following critical accounting estimates reflect its more significant judgments and estimates used in the preparation of its consolidated financial statements. U.S. Cellular s senior management has discussed the development and selection of each of the following accounting policies and estimates and the following disclosures with the audit committee of U.S. Cellular s Board of Directors.

Licenses and Goodwill

At June 30, 2005, U.S. Cellular reported $1,362.4 million of licenses and $445.4 million of goodwill as a result of the acquisitions of wireless licenses and markets. Licenses include those expected to be received from the FCC in the third quarter of 2005 that were won by Carroll Wireless in the FCC wireless license auction completed in February 2005 and license rights related to licenses that will be received when the 2003 AT&T Wireless exchange transaction is fully completed. See footnote 2 of Summary of Holdings in the Management s Discussion and Analysis of Financial Condition and Results of Operations.

Licenses and goodwill must be reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. U.S. Cellular performs the annual impairment review on licenses and goodwill during the second quarter. There can be no assurance that, upon review at a later date, material impairment charges will not be required.

The intangible asset impairment test consists of comparing the fair value of the intangible asset to the carrying amount of the intangible asset. If the carrying amount exceeds the fair value, an impairment loss is recognized for the difference. The goodwill impairment test is a two-step process. The first step compares the fair value of the reporting unit, as identified in accordance with SFAS No. 142, to its carrying value. If the carrying amount exceeds the fair value, the second step of the test is performed to measure the amount of impairment loss, if any. The second step compares the implied fair value of reporting unit goodwill with the carrying amount of that goodwill. To calculate the implied fair value of goodwill, an enterprise allocates the fair value of the reporting unit to all of the assets and liabilities of that reporting unit (including any unrecognized intangible assets) as if the reporting unit had been acquired in a business combination and the fair value was the price paid to acquire the reporting unit. The excess of the fair value of the reporting unit over the amounts assigned to the assets and liabilities of the reporting unit is the implied fair value of goodwill. If the carrying amount exceeds the implied fair value, an impairment loss is recognized for that difference.

The fair value of an intangible asset and reporting unit goodwill is the amount at which that asset or reporting unit could be bought or sold in a current transaction between willing parties. Therefore, quoted market prices in active markets are the best evidence of fair value and should be used when available. If quoted market prices are not available, the estimate of fair value is based on the best information available, including prices for similar assets and the use of other valuation techniques. Other valuation techniques include present value analysis, multiples of earnings or revenue or a similar performance measure. The use of these techniques involves assumptions by U.S. Cellular about factors that are highly uncertain, including future cash flows, the appropriate discount rate and other inputs. Different assumptions for these inputs or different valuation methods could create materially different results.

U.S. Cellular tests goodwill for impairment at the level of reporting referred to as a reporting unit. U.S. Cellular has identified five reporting units pursuant to paragraph 30 of SFAS No. 142. The five reporting units represent five geographic groupings of FCC licenses, constituting five geographic service areas. U.S. Cellular combines its FCC licenses into five units of accounting for purposes of testing the licenses for impairment pursuant to Emerging Issues Task Force Statement 02-7, Units of Accounting for Testing Impairment of Indefinite-Lived Assets (EITF 02-7) and SFAS No. 142, using the same geographic groupings as its reporting units.

U.S. Cellular prepares valuations of each of the reporting units for purposes of goodwill impairment testing. A discounted cash flow approach is used to value each of the reporting units, using value drivers and risks specific to each individual geographic region. The cash flow estimates incorporate assumptions that market participants would use in their estimates of fair value. Key assumptions made in this process are the selection of a discount rate, estimated future cash flow levels, projected capital expenditures, and selection of terminal values.

U.S. Cellular also prepares valuations of similar groupings of FCC licenses (units of accounting pursuant to EITF 02-7), using an excess earnings methodology, through the use of a discounted cash flow approach. This excess earnings methodology estimates the fair value of the intangible assets (FCC license units of accounting) by measuring the future cash flows of the license groups, reduced by charges for contributory assets such as working capital, trademarks, existing subscribers, fixed assets, assembled workforce and goodwill.

The changes in the carrying amounts of licenses and goodwill for the six months ended June 30, 2005 were as follows:

	Licenses and License Rights	Goodwill (As Restated)
	(Dollars in thousands)	
Beginning Balance December 31, 2004	$ 1,228,801	$ 445,212
Acquisitions and divestitures (1)	133,633	150
Other adjustments		(10)
Ending Balance June 30, 2005	$ 1,362,434	$ 445,352

(1) The $9.0 million deposit with the FCC for Auction 58 as of December 31, 2004 was reclassified to licenses from other current assets in the Consolidated Balance Sheet in the first quarter of 2005.

The annual impairment tests for investments in licenses and goodwill were performed in the second quarter of 2005 and 2004. There was no impairment loss as a result of the 2005 impairment testing. In the second quarter of 2004, an impairment loss of $1.8 million was recorded related to a non-operating wireless license in Florida that was sold in December 2004.

Asset Retirement Obligations

SFAS No. 143, Accounting for Asset Retirement Obligations, requires entities to record 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 present 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 Consolidated Statements of Operations as a gain or loss.

The calculation of the asset retirement obligation for U.S. Cellular is a critical accounting estimate because changing the factors used in calculating the obligation could result in larger or smaller estimated obligations that could have a significant impact on its results of operations and financial condition. Such factors may include probabilities or likelihood of remediation, cost estimates, lease renewals and salvage values. Actual results may differ materially from estimates under different assumptions or conditions.

U.S. Cellular is subject to asset retirement obligations associated primarily with its cell sites, retail sites and office locations. Asset retirement obligations include costs 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. The asset retirement obligation is included in other deferred liabilities and credits in the Consolidated Balance Sheets.

During the second quarter of 2005, U.S. Cellular reviewed the assumptions related to its asset retirement obligations and made certain changes to those assumptions as a result. Such changes did not have a material impact on U.S. Cellular s financial condition or results of operations.

The table below summarizes the change in asset retirement obligation during the six months ended June 30, 2005 and 2004.

	June 30, 2005 (As Restated)	June 30, 2004 (As Restated)
	(Dollars in thousands)	
Balance, beginning of period	$ 72,575	$ 64,540
Additional liabilities accrued	3,223	1,013
Accretion expense	2,282	2,438
Disposition of assets (1)		(1,635)
Balance, end of period	$ 78,080	$ 66,356

(1) This change in the asset retirement obligations relates to those obligations which were associated with the properties sold to AT&T Wireless in February 2004 and are no longer obligations of U.S. Cellular.

Income Taxes

U.S. Cellular is included in a consolidated federal income tax return with other members of the TDS consolidated group. TDS and U.S. Cellular are parties to the Tax Allocation Agreement. The Tax Allocation Agreement provides that U.S. Cellular and its subsidiaries be included with the TDS affiliated group in a consolidated federal income tax return and in state income or franchise tax returns in certain situations. U.S. Cellular and its subsidiaries calculate their income tax and credits as if they comprised a separate affiliated group. Under the Tax Allocation Agreement, U.S. Cellular remits its applicable income tax payments to TDS.

The accounting for income taxes, the amounts of income tax assets and liabilities and the related income tax provision are critical accounting estimates because such amounts are significant to U.S. Cellular s financial condition, changes in financial condition and results of operations.

The preparation of the consolidated financial statements requires U.S. Cellular to calculate its provision for income taxes. This process involves estimating the actual current income tax liability together with assessing temporary differences resulting from the different treatment of items, such as depreciation expense, for tax and accounting purposes. These temporary differences result in deferred tax assets and liabilities, which are included in U.S. Cellular s Consolidated Balance Sheets. U.S. Cellular must then assess the likelihood that deferred tax assets will be recovered from future taxable income, and, to the extent U.S. Cellular believes that recovery is not likely, establish a valuation allowance. Judgment is required in determining the provision for income taxes, deferred tax assets and liabilities and any valuation allowance recorded against deferred tax assets. U.S. Cellular s current net deferred tax asset totaled $35.9 million, and $73.2 million, as of June 30, 2005 and December 31, 2004, respectively. The net current deferred tax asset primarily represents the deferred tax effects of federal net operating loss carryforwards expected to be utilized within twelve months and the allowance for doubtful accounts on accounts receivable.

The temporary differences that gave rise to the noncurrent deferred tax assets and liabilities as of June 30, 2005 and December 31, 2004 are as follows:

	June 30, 2005 (As Restated)	December 31, 2004 (As Restated)
	(Dollars in thousands)	
Deferred Tax Asset - noncurrent		
Net operating loss carryforward	$ 19,383	$ 23,896
Derivative instruments	17,137	26,026
Other		382
	36,520	50,304
Less valuation allowance	(8,166)	(12,347)
Total Deferred Tax Asset	28,948	37,957
Deferred Tax Liability - noncurrent		
Property, plant and equipment	286,052	322,799
Licenses	256,176	240,401
Marketable equity securities	72,962	85,592
Partnership investments	74,893	59,415
Other	1,886	
Total Deferred Tax Liability	691,969	708,207
Net Deferred Income Tax Liability	$ 663,615	$ 670,250

State net operating loss carryforwards are available to offset future taxable income primarily of the individual subsidiaries which generated the losses. Certain subsidiaries that are not included in the federal consolidated income tax return, but file separate federal tax returns, had federal net operating loss carryforwards available to offset future taxable income. A valuation allowance was established for a portion of the state and federal net operating loss carryforwards since it is more likely than not that a portion of such carryforwards will expire before they can be utilized.

The deferred income tax liability relating to marketable equity securities totaled $73.0 million and $85.6 million, as of June 30, 2005 and December 31, 2004, respectively. These amounts represent deferred income taxes calculated on the difference between the book basis and the tax basis of the marketable equity securities. Income taxes will be payable when U.S. Cellular disposes of the marketable equity securities.

TDS s consolidated federal income tax return, which includes U.S. Cellular, is routinely subject to examination of its income tax returns by the Internal Revenue Service (IRS) and other tax authorities. U.S. Cellular periodically assesses the likelihood of adjustments to its tax liabilities resulting from these examinations to determine the adequacy of its provision for income taxes, including related interest. Judgment is required in assessing the eventual outcome of these examinations. Changes to such assessments affect the calculation of U.S. Cellular s income tax expense.

In the event of an increase in the value of tax assets or a decrease in tax liabilities, U.S. Cellular would decrease the income tax expense or increase the income tax benefit by an equivalent amount. In the event of a decrease in the value of tax assets or an increase in tax liabilities, U.S. Cellular would increase the income tax expense or decrease the income tax benefit by an equivalent amount.

Property, Plant and Equipment

U.S. Cellular provides for depreciation on its property, plant and equipment using the straight-line method over the estimated useful lives of the assets. Annually, U.S. Cellular reviews its property, plant and equipment to assess whether the estimated useful lives are appropriate. The estimated useful lives of property, plant and equipment are critical accounting estimates because changing the lives of assets can result in larger or smaller charges for depreciation expense. Factors used in determining useful lives include technology changes, regulatory requirements, obsolescence and type of use.

In the first quarter of 2004, U.S. Cellular adjusted the useful lives of TDMA radio equipment, switch software and antenna equipment. TDMA radio equipment lives were adjusted to be fully depreciated by the end of 2008, which is the latest date the wireless industry will be required by regulation to support analog service. U.S. Cellular currently uses TDMA radio equipment to support analog service, and expects to have its digital radio network fully migrated to CDMA 1XRTT or some future generation of CDMA technology by that time. The useful lives for certain switch software was reduced to one year from three years and antenna equipment lives were reduced from eight years to seven years in order to better align the useful lives with the actual length of time the assets are in use.

U.S. Cellular periodically evaluates potential impairment of its long-lived assets, including property, plant and equipment, in accordance with SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. If indicators of impairment exist and the amount of impairment is quantifiable, U.S. Cellular would write down the net book value of its long lived assets to the determined fair market value with the difference recorded as a loss in the Consolidated Statements of Operations.

Contingencies, Indemnities and Commitments

Contingent obligations, including indemnities, litigation and other possible commitments are accounted for in accordance with SFAS No. 5, Accounting for Contingencies, which requires that an estimated loss be recorded if it is probable that an asset has been impaired or a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Accordingly, those contingencies that are deemed to be probable and where the amount of such settlement is reasonably estimable are accrued in the financial statements. If only a range of loss can be determined, the best estimate within that range is accrued; if none of the estimates within that range is better than another, the low end of the range is accrued. Disclosure of a contingency is required if there is at least a reasonable possibility that a loss has been or will be incurred, even if the amount is not estimable. The assessment of contingencies is a highly subjective process that requires judgments about future events. Contingencies are reviewed at least quarterly to determine the adequacy of the accruals and related financial statement disclosure. The ultimate settlement of contingencies may differ materially from amounts accrued in the financial statements.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

In August 2002, U.S. Cellular entered into a loan agreement with TDS (Intercompany Note) under which it borrowed $105 million, which was used for the Chicago market purchase. The loan had an annual interest rate of 8.1%, payable quarterly, and was due in August 2008, with prepayments optional. U.S. Cellular s Board of Directors, including independent directors, approved the terms of this loan and determined that such terms were fair to U.S. Cellular and all of its shareholders. In February 2004, U.S. Cellular repaid this note.

U.S. Cellular is billed for all services it receives from TDS, pursuant to the terms of various agreements between it and TDS. The majority of these billings are included in U.S. Cellular s selling, general and administrative expenses. Some of these agreements were established at a time prior to U.S. Cellular s initial public offering when TDS owned more than 90% of U.S. Cellular s outstanding capital stock and may not reflect terms that would be obtainable from an unrelated third party through arms-length negotiations. The principal arrangements that affect U.S. Cellular s operations are described in Item 13 of its Annual Report on Form 10-K for the year ended December 31, 2004. U.S. Cellular believes the method TDS uses to allocate common expenses is reasonable and that all material expenses and costs applicable to U.S. Cellular are reflected in its financial statements.

The following persons are partners of Sidley Austin Brown & Wood LLP, the principal law firm of U.S. Cellular and its subsidiaries: Walter C.D. Carlson, a director of U.S. Cellular, a director and non-executive Chairman of the Board of Directors of TDS and a trustee and beneficiary of a voting trust that controls TDS; William S. DeCarlo, the General Counsel of TDS and an Assistant Secretary of TDS and certain subsidiaries of TDS; and Stephen P. Fitzell, the General Counsel and an Assistant Secretary of U.S. Cellular and the General Counsel and/or Assistant Secretary of U.S. Cellular and certain other subsidiaries of TDS. Walter C.D. Carlson does not provide legal services to TDS, U.S. Cellular or their subsidiaries.

PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

SAFE HARBOR CAUTIONARY STATEMENT

This Management s Discussion and Analysis of Financial Condition and Results of Operations and other sections of this Quarterly Report contain statements that are not based on historical fact, including the words believes, anticipates, intends, expects, and similar words. These statements constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, events or developments to be significantly different from any future results, events or developments expressed or implied by such forward-looking statements. Such factors include, but are not limited to, the following risks:

Increases in the level of competition in the markets in which U.S. Cellular operates could adversely affect its revenues or increase its costs to compete.

Consolidation in the wireless industry may create stronger competitors both operationally and financially which could adversely affect U.S. Cellular s revenues and increase its costs to compete.

Consolidation of long distance carriers could result in U.S. Cellular having to pay more for long-distance services which could increase U.S. Cellular s cost of doing business.

Advances or changes in telecommunications technology could render certain technologies used by U.S. Cellular obsolete, could reduce its revenues or could increase its cost of doing business.

Changes in the telecommunications regulatory environment, or a failure to timely or fully comply with any regulatory requirements, such as E-911 services, could adversely affect U.S. Cellular s financial condition, results of operations or ability to do business.

Changes in the telecommunications regulatory environment, including the effects of potential changes in the rules governing universal service and eligible telecommunications carrier funding and potential changes in the amounts or methods of intercarrier compensation, could have an adverse effect on U.S. Cellular s financial condition, results of operations or cash flows.

Changes in U.S. Cellular s enterprise value, changes in the supply or demand of the market for wireless licenses, adverse developments in U.S. Cellular s business or the wireless industry and/or other factors could require U.S. Cellular to recognize impairments in the carrying value of U.S. Cellular s licenses, goodwill and/or physical assets.

Early redemptions of debt or repurchases of debt, issuance of debt, changes in forward contracts, changes in operating leases, changes in purchase obligations or other factors or developments could cause the amounts reported under Contractual Obligations in U.S. Cellular s Annual Report on Form 10-K/A for the year ended December 31, 2004, or this Quarterly Report on Form 10-Q/A to be different from the amounts presented.

Changes in accounting standards or U.S. Cellular s accounting policies, estimates and/or the assumptions underlying the accounting estimates, including those described under Application of Critical Accounting Policies and Estimates, could have an adverse effect on its financial condition or results of operations.

Settlements, judgments, restraints on its current or future manner of doing business and/or legal costs resulting from pending or future litigation could have an adverse effect on U.S. Cellular s financial condition, results of operations or ability to do business.

Costs, integration problems or other factors associated with acquisitions/divestitures of properties and or licenses could have an adverse effect on U.S. Cellular s financial condition or results of operations.

Changes in prices, the number of wireless customers, average revenue per unit, penetration rates, churn rates, selling expenses and net customer retention costs associated with wireless number portability, roaming rates and the mix of products and services offered in wireless markets could have an adverse effect on U.S. Cellular s business, financial condition or results of operations.

Changes in roaming partners rates for voice services and the lack of standards and roaming agreements for wireless data products could place U.S. Cellular s service offerings at a disadvantage to those offered by other wireless carriers with more nationwide service territories, and could have an adverse effect on U.S. Cellular s operations.

Changes in competitive factors with national and global wireless carriers could result in product and cost disadvantages and could have an adverse effect on U.S. Cellular s business, financial condition or results of operations.

Changes in guidance or interpretations of accounting requirements, changes in industry practice or changes in management assumptions could require amendments to or restatements of financial information or disclosures included in this or prior filings with the SEC.

Uncertainty of access to capital for telecommunications companies, deterioration in the capital markets, other changes in market conditions, changes in U.S. Cellular s credit ratings or other factors could limit or restrict the availability of financing on terms and prices acceptable to it, which could require it to reduce its construction, development and acquisition programs.

Changes in income tax rates, tax laws, regulations or rulings, or federal or state tax assessments could have an adverse effect on U.S. Cellular s financial condition or results of operations.

War, conflicts, hostilities and/or terrorist attacks could have an adverse effect on U.S. Cellular s business.

Changes in general economic and business conditions, both nationally and in the markets in which U.S. Cellular operates, including difficulties by telecommunications companies, could have an adverse effect on U.S. Cellular s business.

Changes in fact or circumstances, including new or additional information that affects the calculation of investment income from unconsolidated subsidiaries, accrued liabilities for contingent obligations under guarantees, indemnities or otherwise could require U.S. Cellular to record charges in excess of amounts accrued on the financial statements, if any, which could have an adverse effect on U.S. Cellular s financial condition or results of operations.

A material weakness in the effectiveness of internal control over financial reporting could result in inaccurate financial statements or other disclosures or permit fraud, which could have an adverse effect on U.S. Cellular s business, financial condition or results of operations. Assurances cannot be provided as to when such material weaknesses disclosed herein will be remediated.

The possible development of adverse precedent in litigation or conclusions in professional studies to the effect that *radio frequency emissions from handsets, wireless data devices and/or cell sites cause harmful health consequences, including cancer or tumors, or may interfere with various electronic medical devices such as pacemakers, could have a material adverse effect on U.S. Cellular s business operations, financial condition or results of operations.*

Any of the foregoing events or other events could cause revenues, customer additions, operating income, capital expenditures and or any other financial or statistical information to vary from management s forward estimates included in this report by a material amount.

U.S. Cellular 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.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

MARKET RISK

Long-term Debt

U.S. Cellular is subject to market risks due to fluctuations in interest rates and equity markets. The majority of U.S. Cellular s debt, excluding long-term debt related to the forward contracts, is in the form of long-term, fixed-rate notes with original maturities ranging up to 30 years. Accordingly, fluctuations in interest rates can lead to significant fluctuations in the fair value of such instruments. The long-term debt related to the forward contracts consists of both variable-rate debt and fixed-rate zero coupon debt. The variable-rate forward contracts require quarterly interest payments that are dependent on market interest rates. Increases in interest rates will result in increased interest expense. As of June 30, 2005, U.S. Cellular had not entered into any significant financial derivatives to reduce its exposure to interest rate risks.

Reference is made to the disclosure under Market Risk Long Term Debt in U.S. Cellular s Annual Report on Form 10-K/A for the year ended December 31, 2004, for additional information about the annual requirements of principal payments, the average interest rates, and the estimated fair values of long-term debt.

Marketable Equity Securities and Derivatives

U.S. Cellular 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 $251.1 million at June 30, 2005. As of June 30, 2005, the net unrealized holding gain, net of tax included in accumulated other comprehensive income in the Consolidated Balance Sheet totaled $57.5 million.

A subsidiary of U.S. Cellular has entered into forward contracts related to the marketable equity securities that they hold. U.S. Cellular has provided guarantees to the counterparties which provide assurance to the counterparties that all principal and interest amounts are paid upon settlement of the contracts by such subsidiary. 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, U.S. Cellular continues to own the contracted shares and will receive dividends paid on such contracted shares, if any. The forward contracts mature in May 2007 and, at 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 the dividend increases, the collar s upside potential is typically reduced. If the dividend decreases, the collar s upside potential is typically increased. If U.S. Cellular elects to settle in shares, it 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, 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 under the forward contract through maturity. If U.S. Cellular elects to settle in cash, it 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. If cash is delivered in the settlement of the forward contract, U.S. Cellular would incur a current tax liability or a deferred tax benefit, based on the difference between the amount of cash paid in the settlement and the net amount realized through maturity.

Deferred taxes have been provided for the difference between the carrying value and the income tax basis of the marketable equity securities and are included in deferred tax liabilities on the Consolidated Balance Sheets. Such deferred tax liabilities totaled $73.0 million at June 30, 2005.

The following table summarizes certain details surrounding the contracted securities as of June 30, 2005.

		Collar (1)		
Security	**Shares**	**Downside Limit (Floor)**	**Upside Potential (Ceiling)**	**Loan Amount (000s)**
Vodafone	10,245,370	$ 15.07 - $16.07	$ 20.11 - $21.58	$ 159,856

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

The following analysis presents the hypothetical change in the fair value of marketable equity securities and derivative instruments at June 30, 2005, 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 U.S. Cellular has any intention of selling any marketable equity securities or canceling any derivative instruments.

	Valuation of investments assuming indicated decrease			June 30, 2005	Valuation of investments assuming indicated increase		
(Dollars in millions)	**-30%**	**-20%**	**-10%**	**Fair Value**	**+10%**	**+20%**	**+30%**
Marketable Equity Securities	$ 175.8	$ 200.9	$ 226.0	$ 251.1	$ 276.2	$ 301.3	$ 326.4
Derivative Instruments (1)	$ 2.2	$ (14.2)	$ (32.6)	$ (46.6)	$ (75.6)	$ (99.2)	$ (123.5)

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

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ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures.

U.S. Cellular maintains disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)) that are designed to ensure that information required to be disclosed in its reports filed or submitted under the Exchange Act is processed, recorded, summarized and reported within the time periods specified in the SEC s rules and forms, and that such information is accumulated and communicated to U.S. Cellular s management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

As required by SEC Rule 13a-15(b), U.S. Cellular carried out an evaluation, under the supervision and with the participation of management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of U.S. Cellular s disclosure controls and procedures as of the end of the period covered by this Quarterly Report. Based on this evaluation, management concluded that U.S. Cellular s disclosure controls and procedures were not effective as of June 30, 2005, at the reasonable assurance level, because of the material weaknesses described below. Notwithstanding the material weaknesses that existed as of June 30, 2005, management has concluded that the consolidated financial statements included in this Quarterly Report on Form 10-Q/A present fairly, in all material respects, the financial position, results of operation and cash flows of U.S. Cellular and its subsidiaries in conformity with accounting principles generally accepted in the United States of America.

A material weakness is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. In connection with the restatement as discussed in Note 1 to the Consolidated Financial Statements included in this Quarterly Report on Form 10-Q/A, the following material weaknesses were identified in U.S. Cellular s internal control over financial reporting as of December 31, 2004 which continued to exist at June 30, 2005:

1. U.S. Cellular did not have a sufficient complement of personnel with an appropriate level of accounting knowledge, experience and training in the application of generally accepted accounting principles commensurate with its financial reporting requirements and the complexity of its operations and transactions. This control deficiency contributed to the material weakness discussed in item 2 below and the restatement of U.S. Cellular s annual consolidated financial statements for 2004, 2003 and 2002, the interim financial statements for all quarters in 2004 and 2003, the first and second quarter financial statements for 2005, as well as adjustments, including audit adjustments, to the third quarter of 2005 and the 2005 annual consolidated financial statements. Additionally, this control deficiency could result in a misstatement of substantially all accounts and disclosures that would result in a material misstatement to U.S. Cellular s interim or annual consolidated financial statements that would not be prevented or detected.

2. U.S. Cellular did not maintain effective controls over the completeness, accuracy, presentation and disclosure of its accounting for income taxes, including the determination of income tax expense, income taxes payable, liabilities accrued for tax contingencies and deferred income tax assets and liabilities. Specifically, U.S. Cellular did not have effective controls designed and in place to accurately calculate the income tax expense and income tax payable,

monitor the difference between the income tax basis and the financial reporting basis of assets and liabilities and reconcile the resulting basis difference to its deferred income tax asset and liability balances. This control deficiency resulted in the restatement of U.S. Cellular s annual consolidated financial statements for 2004 and 2003, the interim financial statements for all quarters in 2004 and 2003, the first and second quarter financial statements for 2005, as well as adjustments, including audit adjustments, to the third quarter of 2005 and the 2005 annual consolidated financial statements. Additionally, this control deficiency could result in a misstatement of the aforementioned accounts that would result in a material misstatement to U.S. Cellular s interim or annual consolidated financial statements that would not be prevented or detected.

Remediation of Material Weaknesses in Internal Control Over Financial Reporting

Prior to the identification of the material weaknesses described above, U.S. Cellular had begun the following processes to enhance its internal control over financial reporting:

Controller Review Committee

The Controller Review Committee was formed in the fourth quarter of 2004 and consists of TDS s Corporate Controller and Assistant Corporate Controller, U.S. Cellular s Controller and TDS Telecom s Chief Financial Officer. The Committee meets regularly to discuss accounting treatment for current, unusual or nonrecurring matters. In addition, the Committee engaged external consultants to provide technical accounting training related to current accounting developments on a quarterly basis. TDS provides shared services to U.S. Cellular including assistance on technical accounting issues and external financial reporting.

Enhancements and additions to technical accounting personnel

TDS a Vice President and Assistant Corporate Controller was hired in the second quarter of 2005; a Manager, Accounting and Reporting was added in the second quarter of 2005 and a Manager, External Reporting was added in the third quarter of 2005. TDS provides shared services to U.S. Cellular including assistance on technical accounting issues and external financial reporting.

U.S. Cellular a Vice President and Controller was hired in the second quarter of 2005 and was designated as U.S. Cellular s principal accounting officer in the third quarter of 2005; a Director, Operations Accounting was hired in the second quarter of 2005 and a Manager, Accounting Policy was added in the first quarter of 2005.

U.S. Cellular believes the above changes have improved its internal control over financial reporting.

Management is currently addressing each of the material weaknesses in internal control over financial reporting and is committed to remediating them as expeditiously as possible. Management will devote significant time and resources to the remediation effort. Management s remediation plans include the following:

Review of Existing Internal Control Over Financial Reporting U.S. Cellular has engaged external consultants to assist in reviewing its existing internal control over financial reporting with the intent of improving the design and operating effectiveness of controls and processes. In addition, management has currently enhanced controls related to restatement items.

Training Management has engaged external consultants to assist U.S. Cellular in developing and implementing a training program specific to the needs of accounting personnel.

Recruiting U.S. Cellular has made several key additions to its technical accounting personnel in 2005, as discussed above. Management is currently assessing the need for additional personnel with skill sets to enhance the overall level of technical expertise and enable improvements in controls and processes.

Finance Leadership Team In late 2005, the Finance Leadership Team, consisting of key finance leaders from each of TDS s business units and Corporate headquarters, formed a Financial Infrastructure Committee. The Committee is planning for longer-term improvements in key business processes and support systems with an emphasis on preventive controls versus detective controls, and system-based controls versus manual controls.

Income Tax Accounting TDS provides shared services to U.S. Cellular including assistance with accounting for income taxes. TDS has engaged external tax advisors to assist in enhancing controls with respect to monitoring the difference between the income tax basis and financial reporting basis of assets and liabilities and reconciling the difference to the deferred income tax asset and liability balances. The scope of this project encompasses controls over income taxes on a TDS enterprise-wide basis, including U.S. Cellular. In addition, TDS is in the process of implementing a tax provisioning software which it believes will enhance its internal controls related to income taxes on a TDS enterprise-wide basis, including U.S. Cellular.

Changes in Internal Control Over Financial Reporting

Except for the addition of technical accounting personnel as discussed above, there were no changes in U.S. Cellular s internal control over financial reporting during the quarter ended June 30, 2005, that have materially affected, or are reasonably likely to materially affect U.S. Cellular s internal control over financial reporting. Also, as discussed herein, U.S. Cellular has made or intends to make material changes to internal control over financial reporting in order to remediate the material weaknesses discussed above.

UNITED STATES CELLULAR CORPORATION AND SUBSIDIARIES

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

U.S. Cellular is involved in a number of legal proceedings before the FCC and various state and federal courts. If U.S. Cellular believes that a loss arising from such legal proceedings is probable and can be reasonably estimated, an amount is accrued in the financial statements for the estimated loss. If only a range of loss can be determined, the best estimate within that range is accrued; if none of the estimates within that range is better than another, the low end of the range is accrued. The assessment of legal proceedings is a highly subjective process that requires judgments about future events. The legal proceedings are reviewed at least quarterly to determine the adequacy of the accruals and related financial statement disclosure. The ultimate settlement of proceedings may differ materially from amounts accrued in the financial statements.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

The following table provides certain information with respect to all purchases made by or on behalf of U.S. Cellular, and any open market purchases made by any affiliated purchaser (as defined by the SEC) of U.S. Cellular, of U.S. Cellular Common Shares during the quarter covered by this Form 10-Q/A.

U.S. CELLULAR PURCHASES OF COMMON SHARES

Period	**(a) Total Number of Common Shares Purchased**	**(b) Average Price Paid per Common Share**	**(c) Total Number of Common Shares Purchased as Part of Publicly Announced Plans or Programs**	**(d) Maximum Number of Common Shares that May Yet Be Purchased Under the Plans or Programs (1)**
April 1 30, 2005		$		159,142
May 1 31, 2005				159,572
June 1 30, 2005				160,471
Total for or as of end of the quarter ended 6/30/05		$		160,471

(1) Represents the aggregate number of Common Shares that could have been purchased under U.S. Cellular s publicly announced Common Share repurchase program at the end of the applicable period, considering the amount of Common Shares repurchased during the three months preceding the end of such period.

The following is additional information with respect to U.S. Cellular s publicly announced Common Share repurchase program:

i. The date the program was announced was May 15, 2000 by Form 10-Q/A.

ii. The share amount originally approved was up to 1% of the number of outstanding Common Shares of U.S. Cellular not held by TDS or any affiliate thereof in any three-month period. As of June 30, 2005, this would permit U.S. Cellular to acquire up to 160,471 Common Shares in a three-month period based on the number of unaffiliated Common Shares outstanding on such date, less the number of shares purchased within three months prior to any specific purchase.

iii. There is no expiration date for the program.

iv. No Common Share repurchase program has expired during the quarter covered by this Form 10-Q/A.

v. U.S. Cellular has not determined to terminate the foregoing Common Share repurchase program prior to expiration, or to cease making further purchases thereunder, during the quarter covered by this Form 10-Q/A.

Item 4. Submission of Matters to a Vote of Security-Holders.

At the Annual Meeting of Shareholders of U.S. Cellular, held on May 3, 2005, the following number of votes were cast for the matters indicated:

1. Election of Directors:

a. For the election of one Class III Director of the Company by the holders of Common Shares:

Nominee	For	Withhold	Broker Non-vote
J. Samuel Crowley	51,880,970	574,565	0

b. For the election of two Class III Directors of the Company by the holder of Series A Common Shares:

Nominee	For	Withhold	Broker Non-vote
LeRoy T. Carlson, Jr.	330,058,770	0	0
Walter C.D. Carlson	330,058,770	0	0

2. Proposal to Approve the Company s 2005 Long-Term Incentive Plan:

For	Against	Abstain	Broker Non-vote
378,256,699	2,337,262	41,992	1,878,352

3. Proposal to Ratify the Selection of PricewaterhouseCoopers LLP as Independent Public Accountants for 2005:

For	Against	Abstain	Broker Non-vote
382,435,207	28,185	50,913	0

Item 5. Other Information.

a) In lieu of filing a Form 8-K, under Item 2.03 Creation of a Direct Financial Obligation or an Obligation Under an Off-Balance Sheet Arrangement of a Registrant, U.S. Cellular is providing the following disclosure.

U.S. Cellular has borrowed $50.0 million against its Revolving Credit Facility as of June 30, 2005. The borrowings occurred throughout 2005. U.S. Cellular anticipates repaying the amounts with future cash flows from operations or long-term debt financing. As of June 30, 2005, the notes range in maturity dates from two days to 30 days at rates ranging from 3.63% to 5.50%. The notes can be renewed when they come due based on the London InterBank Offered Rate (LIBOR) plus a contractual spread 30 basis points at June 30, 2005. On July 11, 2005, Moody s Investor Service downgraded U.S. Cellular s credit rating from a Baa1 rating with a negative outlook to Baa2 with a stable outlook. As a result of the downgrade, the contractual spread applied to LIBOR in determining the interest rate applicable to borrowings under the revolving credit facility has increased to 45 basis points from 30 basis points.

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The foregoing description is qualified by reference to the description of the Revolving Credit Facility under Item 1.01 in U.S. Cellular s Current Report on Form 8-K dated December 9, 2004, and a copy of the Revolving Credit Facility, which is included as Exhibit 4.1 of U.S. Cellular s Current Report on such Form 8-K dated December 9, 2004 and is incorporated by reference herein.

b) Pursuant to SEC requirements, the following information is being provided under Item 5 of this Form 10-Q/A because it was not previously disclosed as required on a Form 8-K under Item 1.01 - Entry into a Material Definitive Agreement during the quarter covered by this Form 10-Q/A.

On June 16, 2005, the United States Cellular Corporation 2005 Executive Officer Annual Incentive Plan Effective January 1, 2005 (Executive Incentive Plan) was approved by U.S. Cellular s Chairman, who does not participate in such incentive plan.

The purposes of the Executive Incentive Plan are: to provide incentive for the officers of U.S. Cellular to extend their best efforts toward achieving superior results in relation to key business measures; to reward U.S. Cellular s executive officers in relation to their success in meeting and exceeding the performance targets; and to help U.S. Cellular attract and retain talented leaders in positions of critical importance to the success of U.S. Cellular. Eligible participants in the Executive Incentive Plan are executive vice presidents and senior vice presidents of U.S. Cellular. Each participant s target incentive is expressed as a percentage of base salary.

The officer bonus plans of U.S. Cellular are discretionary in nature and are based, in part, on U.S. Cellular s performance, individual performance and individual bonus targets, which contribute to the formation and size of a bonus pool. The President and CEO may allocate this bonus pool to the participants as he deems appropriate, provided however, the sum of all participants actual awards cannot deviate from the total officer pool ±18% for 2005.

The President and CEO will consider the performance factors with their assigned weights as described below and any other information he deems relevant in evaluating the achievements of the eligible officer group for purposes of the Executive Incentive Plan:

Customer Addition Equivalents	20%
Consolidated Cash Flow	20%
Consolidated Revenue	20%
Return on Capital	20%
Customer Defections	20%

The President and CEO will determine the actual payout that each officer will receive. The individual performance multiplier will generally range from 50%-150% for each officer. The Chairman of the Board must approve all officer bonuses prior to payout.

The foregoing description of the Executive Incentive Plan is not purported to be complete with respect to the material terms of such plan and is qualified by reference to the complete Executive Incentive Plan for the material terms of such plan, which is filed herewith as Exhibit 10.6 and incorporated by reference herein.

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Item 6. Exhibits

Exhibit 10.1 2005 Long-Term Incentive Plan, is hereby incorporated by reference to Exhibit B to U.S. Cellular s Proxy Statement dated April 5, 2005.

Exhibit 10.2 Form of Stock Option Award Agreement for John E. Rooney, is hereby incorporated by reference to Exhibit 10.1 to U.S. Cellular s Form 8-K dated March 31, 2005.

Exhibit 10.3 Form of Restricted Stock Award Agreement for John E. Rooney, is hereby incorporated by reference to Exhibit 10.2 to U.S. Cellular s Form 8-K dated March 31, 2005.

Exhibit 10.4 Compensation Plan for Non-Employee Directors, as amended as of May 3, 2005, is hereby incorporated by reference to Exhibit 10.4 to U.S. Cellular s Form 10-Q for the quarter ended March 31, 2005, as originally filed on May 4, 2005.

Exhibit 10.5 Letter agreement between United States Cellular Corporation and Steven T. Campbell dated June 1, 2005 is hereby incorporated by reference to Exhibit 99.2 to U.S. Cellular s Form 8-K dated June 1, 2005.

Exhibit 10.6 United States Cellular Corporation 2005 Executive Officer Annual Incentive Plan.

Exhibit 11 - Statement regarding computation of per share earnings is included herein as Note 5 to the consolidated financial statements.

Exhibit 12 - Statement regarding computation of ratio of earnings to fixed charges.

Exhibit 31.1 - Chief Executive Officer certification pursuant to Rule 13a-14 of the Securities Exchange Act of 1934.

Exhibit 31.2 Chief Financial Officer certification pursuant to Rule 13a-14 of the Securities Exchange Act of 1934.

Exhibit 32.1 Chief Executive Officer certification pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code.

Exhibit 32.2 Chief Financial Officer certification pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code.

Exhibit 99.1 Consolidated Statement of Operations for the twelve months ended June 30, 2005 (As restated).

The foregoing exhibits include only the exhibits that relate specifically to this Form 10-Q/A or that supplement the exhibits identified in the Company s Form 10-K/A for the year ended December 31, 2004. Reference is made to the Company s Form 10-K/A for the year ended December 31, 2004 for a complete list of exhibits, which are incorporated herein except to the extent supplemented or superseded above.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

UNITED STATES CELLULAR CORPORATION

(Registrant)

Date April 26, 2006	/s/ John E. Rooney John E. Rooney President and Chief Executive Officer
Date April 26, 2006	/s/ Kenneth R. Meyers Kenneth R. Meyers Executive Vice President-Finance, Chief Financial Officer and Treasurer
Date April 26, 2006	/s/ Steven T. Campbell Steven T. Campbell Vice President and Controller (Principal Accounting Officer)

Signature page for the U.S. Cellular 2005 Second Quarter Form 10-Q/A