

T-Mobile®

Q1 2017

Effect of Change in Accounting Principle, Financial Results,  
Supplementary Data, Non-GAAP Reconciliations,  
Reconciliation of Operating Measures

REWRITING THE RULES.  
**FORCING  
CHANGE.**



## Definitions of Terms

Operating and financial measures are utilized by T-Mobile's management to evaluate its operating performance and, in certain cases, its ability to meet liquidity requirements. Although companies in the wireless industry may not define measures in precisely the same way, T-Mobile believes the measures facilitate key operating performance comparisons with other companies in the wireless industry to provide management, investors and analysts with useful information to assess and evaluate past performance and assist in forecasting future performance.

- 1 Customer - SIM card with a unique T-Mobile mobile identity number which generates revenue. Branded customers generally include customers that are qualified either for postpaid service, where they generally pay after incurring service, or prepaid service, where they generally pay in advance. Wholesale customers include Machine-to-Machine (M2M) and Mobile Virtual Network Operator (MVNO) customers that operate on T-Mobile's network, but are managed by wholesale partners.
- 2 Churn - Number of customers whose service was disconnected as a percentage of the average number of customers during the specified period. The number of customers whose service was disconnected is presented net of customers that subsequently have their service restored within a certain period of time.
- 3 Customers per account - The number of branded postpaid customers as of the end of the period divided by the number of branded postpaid accounts as of the end of the period. An account may include branded postpaid phone and mobile broadband customers.
- 4 Average Revenue Per User (ARPU) - Average monthly service revenue earned from customers. Service revenues for the specified period divided by the average customers during the period, further divided by the number of months in the period.

Branded postpaid phone ARPU excludes mobile broadband customers and related revenues.

Average Billings per User (ABPU) - Average monthly branded postpaid service revenue earned from customers plus monthly EIP billings and lease revenues divided by the average branded postpaid customers during the period, further divided by the number of months in the period. T-Mobile believes branded postpaid ABPU is indicative of estimated cash collections, including device financing payments, from T-Mobile's postpaid customers each month.

Service revenues - Branded postpaid, including handset insurance, branded prepaid, wholesale, and roaming and other service revenues.

- 5 Cost of services - Costs directly attributable to providing wireless service through the operation of T-Mobile's network, including direct switch and cell site costs, such as rent, network access and transport costs, utilities, maintenance, associated labor costs, long distance costs, regulatory program costs, roaming fees paid to other carriers and data content costs.

Cost of equipment sales - Costs of devices and accessories sold to customers and dealers, device costs to fulfill insurance and warranty claims, write-downs of inventory related to shrinkage and obsolescence, and shipping and handling costs.

Selling, general and administrative expenses - Costs not directly attributable to providing wireless service for the operation of sales, customer care and corporate activities. These include commissions paid to dealers and retail employees for activations and upgrades, labor and facilities costs associated with retail sales force and administrative space, marketing and promotional costs, customer support and billing, bad debt expense and administrative support activities.

- 6 Net income margin - Margin % calculated as net income divided by service revenues.
- 7 Adjusted EBITDA - Earnings before interest expense, net of interest income, income tax expense, depreciation and amortization expense, non-cash stock-based compensation and certain expenses not reflective of T-Mobile's ongoing operating performance. Adjusted EBITDA margin represents Adjusted EBITDA divided by service revenues. Adjusted EBITDA is a non-GAAP financial measure utilized by T-Mobile's management to monitor the financial performance of our operations. T-Mobile uses Adjusted EBITDA internally as a metric to evaluate and compensate its personnel and management for their performance, and as a benchmark to evaluate T-Mobile's operating performance in comparison to its competitors. Management believes analysts and investors use Adjusted EBITDA as a supplemental measure to evaluate overall operating performance and facilitate comparisons with other wireless communications companies because it is indicative of T-Mobile's ongoing operating performance and trends by excluding the impact of interest expense from financing, non-cash depreciation and amortization from capital investments, non-cash stock-based compensation, network decommissioning costs as they are not indicative of T-Mobile's ongoing operating performance and certain other nonrecurring expenses. Adjusted EBITDA has limitations as an analytical tool and should not be considered in isolation or as a substitute for income from operations, net income or any other measure of financial performance reported in accordance with GAAP. In Q1 2017, we made an accounting change to include imputed interest associated with equipment installment plan ("EIP") receivables in Other revenues which are included in Adjusted EBITDA.
- 8 Adjusted EBITDA Margin - Margin % calculated as Adjusted EBITDA divided by service revenues.
- 9 Cash capital expenditures - Amounts paid for construction and the purchase of property and equipment.
- 10 Smartphones - UMTS/HSPA/HSPA+ 21/HSPA+ 42/4G LTE enabled converged devices, which integrate voice and data services.
- 11 Free Cash Flow - Net cash provided by operating activities less cash capital expenditures for property and equipment. Free Cash Flow is utilized by T-Mobile's management, investors, and analysts to evaluate cash available to pay debt and provide further investment in the business. The reconciliation of Free Cash Flow to net cash provided by operating activities is detailed in the Reconciliation of Non-GAAP Financial Measures to GAAP Financial Measures schedule.
- 12 Net debt - Short-term debt, long-term debt to affiliates, and long-term debt (excluding tower obligations), less cash and cash equivalents and short-term investments.

**T-Mobile US, Inc.**  
**Effect of Change in Accounting Principle**  
**(Unaudited)**

Effective January 1, 2017, we began presenting the amortization of the imputed discount on our Equipment Installment Plan ("EIP") receivables as Other revenue on our Condensed Consolidated Statements of Comprehensive Income. Prior to the change, the imputed interest was presented as Interest income. We made this change to provide a better representation of amounts earned from our major ongoing operations, align with industry practice and enhance comparability. We have applied this change in accounting principle retrospectively and presented the effect of the change in the table below. For additional information, see Note 1 - Basis of Presentation of the Notes to the Consolidated Financial Statements included in Part I, Item 1 of our Form 10-Q filed April 24, 2017.

(in millions, except for Adjusted EBITDA margin and Net Debt Ratio)	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017
<b>EIP imputed discount</b>	\$ 65	\$ 65	\$ 59	\$ 59	\$ 62
<b>Other revenue - as adjusted</b>	\$ 235	\$ 211	\$ 224	\$ 249	\$ 241
<b>Other revenues - unadjusted</b>	170	146	165	190	179
<b>Total revenues - as adjusted</b>	\$ 8,664	\$ 9,287	\$ 9,305	\$ 10,234	\$ 9,613
<b>Total revenues - unadjusted</b>	8,599	9,222	9,246	10,175	9,551
<b>Interest income - as adjusted</b>	\$ 3	\$ 3	\$ 3	\$ 4	\$ 7
<b>Interest income - unadjusted</b>	68	68	62	63	69
<b>Operating income - as adjusted</b>	\$ 1,168	\$ 833	\$ 1,048	\$ 1,001	\$ 1,037
<b>Operating income - unadjusted</b>	1,103	768	989	942	975
<b>Adjusted EBITDA - as adjusted</b>	\$ 2,814	\$ 2,529	\$ 2,689	\$ 2,607	\$ 2,668
<b>Adjusted EBITDA - unadjusted</b>	2,749	2,464	2,630	2,548	2,606
<b>Adjusted EBITDA margin - as adjusted</b>	43%	37%	38%	36%	36%
<b>Adjusted EBITDA margin - unadjusted</b>	42%	36%	37%	35%	36%
<b>Last twelve months Adjusted EBITDA - as adjusted</b>	\$ 9,124	\$ 9,723	\$ 10,396	\$ 10,639	\$ 10,493
<b>Last twelve months Adjusted EBITDA - unadjusted</b>	8,754	9,401	10,123	10,391	10,248
<b>Net Debt (excluding Tower Obligations) to LTM Adjusted EBITDA Ratio - as adjusted</b>	2.2	2.3	2.2	2.1	2.2
<b>Net Debt (excluding Tower Obligations) to LTM Adjusted EBITDA Ratio - unadjusted</b>	2.3	2.3	2.2	2.1	2.2

**T-Mobile US, Inc. Supplementary Operating and Financial Data**

(in thousands)	Quarter				
	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017
<b>Customers, end of period</b>					
Branded postpaid phone customers	30,232	30,878	30,364	31,297	32,095
Branded postpaid mobile broadband customers	2,504	2,748	2,866	3,130	3,246
Total branded postpaid customers	32,736	33,626	33,230	34,427	35,341
Branded prepaid customers	18,438	18,914	19,272	19,813	20,199
Total branded customers	51,174	52,540	52,502	54,240	55,540
Wholesale customers	14,329	14,844	16,852	17,215	17,057
Total customers, end of period	65,503	67,384	69,354	71,455	72,597

(in thousands)	Quarter				
	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017
<b>Net customer additions (losses)</b>					
Branded postpaid phone customers	877	646	851	933	798
Branded postpaid mobile broadband customers	164	244	118	264	116
Total branded postpaid customers	1,041	890	969	1,197	914
Branded prepaid customers	807	476	684	541	386
Total branded customers	1,848	1,366	1,653	1,738	1,300
Wholesale customers	373	515	317	363	(158)
Total net customer additions	2,221	1,881	1,970	2,101	1,142
Transfer from branded postpaid phone customers	-	-	(1,365)	-	-
Transfer from branded prepaid customers	-	-	(326)	-	-
Transfer to wholesale customers	-	-	1,691	-	-

	Quarter				
	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017
Branded postpaid phone churn	1.33%	1.27%	1.32%	1.28%	1.18%
Branded prepaid churn	3.84%	3.91%	3.82%	3.94%	4.01%

**T-Mobile US, Inc. Supplementary Operating and Financial Data (continued)**

	Quarter				
	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017
<b>Financial Metrics</b>					
Service revenues (in millions)	\$ 6,578	\$ 6,888	\$ 7,133	\$ 7,245	\$ 7,329
Total revenues (in millions) <sup>(1)</sup>	\$ 8,664	\$ 9,287	\$ 9,305	\$ 10,234	\$ 9,613
Net income (in millions)	\$ 479	\$ 225	\$ 366	\$ 390	\$ 698
Net income margin	7%	3%	5%	5%	10%
Adjusted EBITDA (in millions) <sup>(1)</sup>	\$ 2,814	\$ 2,529	\$ 2,689	\$ 2,607	\$ 2,668
Adjusted EBITDA margin <sup>(1)</sup>	43%	37%	38%	36%	36%
Cash capex - Property & Equipment (in millions)	\$ 1,335	\$ 1,349	\$ 1,159	\$ 859	\$ 1,528
Capitalized Interest (in millions)	\$ 36	\$ 18	\$ 17	\$ 71	\$ 48
Cash capex - Property & Equipment excluding cap interest (in millions)	\$ 1,299	\$ 1,331	\$ 1,142	\$ 788	\$ 1,480
Net cash provided by operating activities (in millions)	\$ 1,025	\$ 1,768	\$ 1,740	\$ 1,602	\$ 1,713
Net cash used in investing activities (in millions)	\$ (1,860)	\$ (667)	\$ (1,859)	\$ (1,294)	\$ (1,550)
Net cash provided by (used in) financing activities (in millions)	\$ (100)	\$ 790	\$ (67)	\$ (160)	\$ 1,838
Free Cash Flow (in millions)	\$ (310)	\$ 419	\$ 581	\$ 743	\$ 185
<b>Revenue Metrics</b>					
Branded postpaid phone ARPU	\$ 46.21	\$ 47.11	\$ 48.15	\$ 48.37	\$ 47.53
Branded postpaid ABPU	\$ 61.90	\$ 62.59	\$ 63.38	\$ 63.08	\$ 61.89
Branded prepaid ARPU	\$ 37.58	\$ 37.86	\$ 38.01	\$ 38.20	\$ 38.53
Branded postpaid accounts, end of period (in thousands)	12,639	12,753	11,932	12,055	12,275
Branded postpaid customers per account	2.59	2.64	2.78	2.86	2.88
<b>Device Sales and Leased Devices</b>					
Smartphone units (in millions)	8.8	8.1	8.7	9.9	8.6
Branded postpaid handset upgrade rate	7%	6%	7%	10%	7%
<b>Device Financing</b>					
Gross EIP financed (in millions)	\$ 1,246	\$ 1,562	\$ 1,372	\$ 1,956	\$ 1,339
EIP billings (in millions)	\$ 1,324	\$ 1,344	\$ 1,394	\$ 1,370	\$ 1,402
EIP receivables, net (in millions)	\$ 3,053	\$ 2,662	\$ 2,508	\$ 2,914	\$ 2,855
Lease revenues (in millions)	\$ 342	\$ 367	\$ 353	\$ 354	\$ 324
Leased devices transferred from inventory to property and equipment (in millions)	\$ 784	\$ 157	\$ 234	\$ 413	\$ 243
Returned leased devices transferred from property and equipment to inventory (in millions)	\$ (131)	\$ (105)	\$ (186)	\$ (180)	\$ (197)
<b>Customer Quality</b>					
EIP receivables, classified as prime	47%	42%	42%	44%	43%
EIP receivables classified as prime (including EIP receivables sold)	52%	53%	53%	53%	53%
Total bad debt expense and losses from sales of receivables (in millions)	\$ 173	\$ 165	\$ 177	\$ 190	\$ 188

(1) The amortized imputed discount on EIP receivables previously recognized as Interest income has been retrospectively reclassified as Other revenues. See Effect of Change in Accounting Principle table for further detail.

**T-Mobile US, Inc.**  
**Condensed Consolidated Balance Sheets**  
**(Unaudited)**

(in millions, except share and per share amounts)	March 31, 2017	December 31, 2016
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 7,501	\$ 5,500
Accounts receivable, net of allowances of \$100 and \$102	1,851	1,896
Equipment installment plan receivables, net	1,880	1,930
Accounts receivable from affiliates	37	40
Inventories	1,021	1,111
Asset purchase deposit	2,203	2,203
Other current assets	1,406	1,537
Total current assets	15,899	14,217
Property and equipment, net	21,235	20,943
Goodwill	1,683	1,683
Spectrum licenses	27,150	27,014
Other intangible assets, net	338	376
Equipment installment plan receivables due after one year, net	975	984
Other assets	768	674
Total assets	\$ 68,048	\$ 65,891
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 6,160	\$ 7,152
Payables to affiliates	256	125
Short-term debt	7,542	354
Deferred revenue	934	986
Other current liabilities	393	405
Total current liabilities	15,285	9,022
Long-term debt	13,105	21,832
Long-term debt to affiliates	9,600	5,600
Tower obligations	2,614	2,621
Deferred tax liabilities	4,842	4,938
Deferred rent expense	2,635	2,616
Other long-term liabilities	1,004	1,026
Total long-term liabilities	33,800	38,633
Commitments and contingencies		
Stockholders' equity		
5.50% Mandatory Convertible Preferred Stock Series A, par value \$0.00001 per share, 100,000,000 shares authorized; 20,000,000 and 20,000,000 shares issued and outstanding; \$1,000 and \$1,000 aggregate liquidation value	-	-
Common Stock, par value \$0.00001 per share, 1,000,000,000 shares authorized; 832,259,647 and 827,768,818 shares issued, 830,804,268 and 826,357,331 shares outstanding	-	-
Additional paid-in capital	38,877	38,846
Treasury stock, at cost, 1,455,379 and 1,411,487 shares issued	(4)	(1)
Accumulated other comprehensive income	2	1
Accumulated deficit	(19,912)	(20,610)
Total stockholders' equity	18,963	18,236
Total liabilities and stockholders' equity	\$ 68,048	\$ 65,891



**T-Mobile US, Inc.**  
**Condensed Consolidated Statements of Comprehensive Income**  
**(Unaudited)**

(in millions, except share and per share amounts)	Three Months Ended		
	March 31, 2017	December 31, 2016	March 31, 2016
		As Adjusted (1)	As Adjusted (1)
<b>Revenues</b>			
Branded postpaid revenues	\$ 4,725	\$ 4,680	\$ 4,302
Branded prepaid revenues	2,299	2,227	2,025
Wholesale revenues	270	258	200
Roaming and other service revenues	35	80	51
Total service revenues	7,329	7,245	6,578
Equipment revenues	2,043	2,740	1,851
Other revenues <sup>(1)</sup>	241	249	235
Total revenues <sup>(1)</sup>	9,613	10,234	8,664
<b>Operating expenses</b>			
Cost of services, exclusive of depreciation and amortization shown separately below	1,408	1,445	1,421
Cost of equipment sales	2,686	3,287	2,374
Selling, general and administrative	2,955	2,959	2,749
Depreciation and amortization	1,564	1,548	1,552
Cost of MetroPCS business combination	-	(6)	36
Gains on disposal of spectrum licenses	(37)	-	(636)
Total operating expenses	8,576	9,233	7,496
Operating income <sup>(1)</sup>	1,037	1,001	1,168
<b>Other income (expense)</b>			
Interest expense	(339)	(335)	(339)
Interest expense to affiliates	(100)	(64)	(79)
Interest income <sup>(1)</sup>	7	4	3
Other income (expense), net	2	-	(2)
Total other expense, net <sup>(1)</sup>	(430)	(395)	(417)
Income before income taxes	607	606	751
Income tax benefit (expense)	91	(216)	(272)
Net income	698	390	479
Dividends on preferred stock	(14)	(14)	(14)
Net income attributable to common stockholders	\$ 684	\$ 376	\$ 465
Net income	\$ 698	\$ 390	\$ 479
<b>Other comprehensive income (loss), net of tax</b>			
Unrealized gain (loss) on available-for-sale securities, net of tax effect of \$1, \$0 and \$(2)	1	-	(3)
Other comprehensive income (loss)	1	-	(3)
Total comprehensive income	\$ 699	\$ 390	\$ 476
<b>Earnings per share</b>			
Basic	\$ 0.83	\$ 0.46	\$ 0.57
Diluted	\$ 0.80	\$ 0.45	\$ 0.56
<b>Weighted average shares outstanding</b>			
Basic	827,723,034	824,982,734	819,431,761
Diluted	869,395,250	867,262,400	859,382,827

(1) The amortized imputed discount on EIP receivables previously recognized as Interest income has been retrospectively reclassified as Other revenues. See the Effect of Change in Accounting Principle table for further detail.

**T-Mobile US, Inc.**  
**Condensed Consolidated Statements of Cash Flows**  
**(Unaudited)**

(in millions)	Three Months Ended		
	March 31, 2017	December 31, 2016	March 31, 2016
<b>Operating activities</b>			
Net income	\$ 698	\$ 390	\$ 479
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	1,564	1,548	1,552
Stock-based compensation expense	67	64	52
Deferred income tax expense (benefit)	(97)	291	264
Bad debt expense	93	119	121
Losses from sales of receivables	95	71	52
Deferred rent expense	20	24	32
Gains on disposal of spectrum licenses	(37)	-	(636)
Changes in operating assets and liabilities			
Accounts receivable	(68)	(141)	(202)
Equipment installment plan receivables	(13)	(459)	109
Inventories	44	(305)	(801)
Deferred purchase price from sales of receivables	(19)	(71)	21
Other current and long-term assets	(11)	(164)	185
Accounts payable and accrued liabilities	(651)	367	(492)
Other current and long-term liabilities	45	(168)	288
Other, net	(17)	36	1
Net cash provided by operating activities	1,713	1,602	1,025
<b>Investing activities</b>			
Purchases of property and equipment, including capitalized interest of \$48, \$71 and \$36	(1,528)	(859)	(1,335)
Purchases of spectrum licenses and other intangible assets, including deposits	(14)	(424)	(594)
Sales of short-term investments	-	-	75
Other, net	(8)	(11)	(6)
Net cash used in investing activities	(1,550)	(1,294)	(1,860)
<b>Financing activities</b>			
Proceeds from issuance of long-term debt	5,495	-	-
Repayments of capital lease obligations	(90)	(72)	(36)
Repayments of long-term debt	(3,480)	(5)	(5)
Tax withholdings on share-based awards	(92)	(69)	(46)
Dividends on preferred stock	(14)	(14)	(14)
Other, net	19	-	1
Net cash provided by (used in) financing activities	1,838	(160)	(100)
Change in cash and cash equivalents	2,001	148	(935)
<b>Cash and cash equivalents</b>			
Beginning of period	5,500	5,352	4,582
End of period	\$ 7,501	\$ 5,500	\$ 3,647
<b>Supplemental disclosure of cash flow information</b>			
Interest payments, net of amounts capitalized	\$ 495	\$ 389	\$ 415
Income tax payments	15	2	2
Changes in accounts payable for purchases of property and equipment	(325)	592	(127)
Leased devices transferred from inventory to property and equipment	243	413	784
Returned leased devices transferred from property and equipment to inventory	(197)	(180)	(131)
Issuance of short-term debt for financing of property and equipment	288	-	150
Assets acquired under capital lease obligations	284	120	124



**T-Mobile US, Inc.**  
**Reconciliation of Non-GAAP Financial Measures to GAAP Financial Measures**  
**(Unaudited)**

This Investor Factbook includes non-GAAP financial measures. The non-GAAP financial measures should be considered in addition to, but not as a substitute for, the information provided in accordance with GAAP. Reconciliations for the non-GAAP financial measures to the most directly comparable GAAP financial measures are provided below. T-Mobile is not able to forecast net income on a forward looking basis without unreasonable efforts due to the high variability and difficulty in predicting certain items that affect GAAP net income including, but not limited to, income tax expense, stock based compensation expense, interest expense and interest income. We made an accounting change in 2017 to include imputed interest associated with EIP receivables in Other revenues which are included in Adjusted EBITDA.

Adjusted EBITDA is reconciled to net income as follows:

(in millions)	Quarter				
	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017
Net income	\$ 479	\$ 225	\$ 366	\$ 390	\$ 698
Adjustments:					
Interest expense	339	368	376	335	339
Interest expense to affiliates	79	93	76	64	100
Interest income <sup>(1)</sup>	(3)	(3)	(3)	(4)	(7)
Other expense (income), net	2	3	1	-	(2)
Income tax expense (benefit)	272	147	232	216	(91)
Operating income <sup>(1)</sup>	1,168	833	1,048	1,001	1,037
Depreciation and amortization	1,552	1,575	1,568	1,548	1,564
Cost of MetroPCS business combination <sup>(2)</sup>	36	59	15	(6)	-
Stock-based compensation <sup>(3)</sup>	53	61	57	64	67
Other, net <sup>(3)</sup>	5	1	1	-	-
Adjusted EBITDA <sup>(1)</sup>	<u>\$ 2,814</u>	<u>\$ 2,529</u>	<u>\$ 2,689</u>	<u>\$ 2,607</u>	<u>\$ 2,668</u>

(1) The amortized imputed discount on EIP receivables previously recognized as Interest income has been retrospectively reclassified as Other revenues. See the Effect of Change in Accounting Principle table for further detail.

(2) Beginning Q1 2017, we will no longer separately present Cost of MetroPCS business combination as it is insignificant.

(3) Stock-based compensation includes payroll tax impacts and may not agree to stock-based compensation expense in the condensed consolidated financial statements. Other, net may not agree to the Condensed Consolidated Statements of Comprehensive Income primarily due to certain non-routine operating activities, such as other special items that would not be expected to reoccur, and are therefore excluded in Adjusted EBITDA.

Net debt (excluding Tower Obligations) to last twelve months adjusted EBITDA ratio is calculated as follows:

(in millions, except net debt ratio)	Mar 31, 2016	Jun 30, 2016	Sep 30, 2016	Dec 31, 2016	Mar 31, 2017
Short-term debt	\$ 365	\$ 258	\$ 325	\$ 354	\$ 7,542
Long-term debt to affiliates	5,600	5,600	5,600	5,600	9,600
Long-term debt	20,505	21,574	21,825	21,832	13,105
Less: Cash and cash equivalents	(3,647)	(5,538)	(5,352)	(5,500)	(7,501)
Less: Short-term investments	(2,925)	-	-	-	-
Net Debt (excluding Tower Obligations)	<u>\$ 19,898</u>	<u>\$ 21,894</u>	<u>\$ 22,398</u>	<u>\$ 22,286</u>	<u>\$ 22,746</u>
Divided by: Last twelve months Adjusted EBITDA <sup>(1)</sup>	<u>\$ 9,124</u>	<u>\$ 9,723</u>	<u>\$ 10,396</u>	<u>\$ 10,639</u>	<u>\$ 10,493</u>
Net Debt (excluding Tower Obligations) to Last Twelve Months Adjusted EBITDA Ratio <sup>(1)</sup>	<u>2.2</u>	<u>2.3</u>	<u>2.2</u>	<u>2.1</u>	<u>2.2</u>

(1) The amortized imputed discount on EIP receivables previously recognized as Interest income has been retrospectively reclassified as Other revenues. See the Effect of Change in Accounting Principle table for further detail.

**T-Mobile US, Inc.**  
**Reconciliation of Non-GAAP Financial Measures to GAAP Financial Measures (continued)**  
**(Unaudited)**

Free cash flow is calculated as follows:

(in millions)	Quarter				
	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017
Net cash provided by operating activities	\$ 1,025	\$ 1,768	\$ 1,740	\$ 1,602	\$ 1,713
Cash purchases of property and equipment	(1,335)	(1,349)	(1,159)	(859)	(1,528)
Free Cash Flow	\$ (310)	\$ 419	\$ 581	\$ 743	\$ 185
Net cash used in investing activities	\$ (1,860)	\$ (667)	\$ (1,859)	\$ (1,294)	\$ (1,550)
Net cash provided by (used in) financing activities	\$ (100)	\$ 790	\$ (67)	\$ (160)	\$ 1,838

Free cash flow three-year CAGR is calculated as follows:

(in millions, except CAGR Range)	FY	FY		CAGR Range	
	2016	2019 Guidance Range		CAGR Range	
Net cash provided by operating activities	\$ 6,135	\$ 9,400	\$ 10,000	15%	18%
Cash purchases of property and equipment	(4,702)	(5,000)	(5,400)	2%	5%
Free Cash Flow	\$ 1,433	\$ 4,400	\$ 4,600	45%	48%

T-Mobile US, Inc.

Reconciliation of Operating Measures to Branded Postpaid Service Revenues  
(Unaudited)

The following tables illustrate the calculation of our operating measures ARPU and ABPU and reconcile these measures to the related service revenues:

(in millions, except average number of customers, ARPU and ABPU)	Quarter				
	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017
<b>Calculation of Branded Postpaid Phone ARPU</b>					
Branded postpaid service revenues	\$ 4,302	\$ 4,509	\$ 4,647	\$ 4,680	\$ 4,725
Less: Branded postpaid mobile broadband revenues	(182)	(193)	(193)	(205)	(225)
Branded postpaid phone service revenues	\$ 4,120	\$ 4,316	\$ 4,454	\$ 4,475	\$ 4,500
Divided by: Average number of branded postpaid phone customers (in thousands) and number of months in period	29,720	30,537	30,836	30,842	31,564
Branded postpaid phone ARPU	\$ 46.21	\$ 47.11	\$ 48.15	\$ 48.37	\$ 47.53
<b>Calculation of Branded Postpaid ABPU</b>					
Branded postpaid service revenues	\$ 4,302	\$ 4,509	\$ 4,647	\$ 4,680	\$ 4,725
EIP billings	1,324	1,344	1,394	1,370	1,402
Lease revenues	342	367	353	354	324
Total billings for branded postpaid customers	\$ 5,968	\$ 6,220	\$ 6,394	\$ 6,404	\$ 6,451
Divided by: Average number of branded postpaid customers (in thousands) and number of months in period	32,140	33,125	33,632	33,839	34,740
Branded postpaid ABPU	\$ 61.90	\$ 62.59	\$ 63.38	\$ 63.08	\$ 61.89
<b>Calculation of Branded Prepaid ARPU</b>					
Branded prepaid service revenues	\$ 2,025	\$ 2,119	\$ 2,182	\$ 2,227	\$ 2,299
Divided by: Average number of branded prepaid customers (in thousands) and number of months in period	17,962	18,662	19,134	19,431	19,889
Branded prepaid ARPU	\$ 37.58	\$ 37.86	\$ 38.01	\$ 38.20	\$ 38.53