

# T-Mobile USA, Inc.

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1st Quarter 2013 Financial Results, Supplementary Data, and  
Non-GAAP Reconciliations

May 8, 2013

## Definitions of Terms

Since all companies do not calculate these figures in the same manner, the information contained herein may not be comparable to similarly titled measures reported by other companies.

- 1 A customer is defined as a SIM card with a unique T-Mobile mobile identity number which generates revenue. Branded postpaid customers include customers that are qualified to pay after incurring a month of service whether on a contract or not, and branded prepaid customers include customers who generally pay in advance. Wholesale customers include Machine-to-Machine ("M2M") and Mobile Virtual Network Operator ("MVNO") customers that operate on the T-Mobile network, but are managed by wholesale partners.
- 2 Churn is defined as the number of customers whose service was discontinued percentage of the average number of customers during the specified period, rounded to the tenth percentage. We believe that churn, which is a measure of customer retention and loyalty, provides relevant and useful information and is used by our management to evaluate the operating performance of our business.
- 3 Average Revenue Per User ("ARPU") represents the average monthly service revenue earned from customers. ARPU is calculated by dividing service revenues for the specified period by the average customers during the period, and further dividing by the number of months in the period and rounding to the nearest dollar. We believe ARPU provides management with useful information to evaluate the revenues generated from our customer base.

Service revenues include postpaid, prepaid, and roaming and other service revenues, and do not include equipment sales and other revenues. Handset insurance revenues are included in postpaid service revenues.

Branded revenues include postpaid and prepaid revenues, and do not include wholesale (M2M and MVNO), roaming, other service revenues, equipment sales, and other revenues.

- 4 "Adjusted EBITDA" is a non-GAAP financial measure, which is defined as earnings before interest expense (net of interest income), tax, depreciation, amortization and excludes transactions that are not reflective of T-Mobile's ongoing operating performance. In a capital-intensive industry such as wireless telecommunications, T-Mobile believes Adjusted EBITDA, as well as the associated percentage margin calculation, to be meaningful measures of its operating performance. Adjusted EBITDA should not be construed as an alternative to operating income or net income as determined in accordance with GAAP, as an alternative to cash flows from operating activities as determined in accordance with GAAP or as a measure of liquidity. T-Mobile uses Adjusted EBITDA as an integral part of our planning and internal financial reporting processes, to evaluate the performance of our business by senior management and to compare its performance with that of many of our competitors. T-Mobile believes that net income (loss) is the financial measure calculated and presented in accordance with GAAP that is the most directly comparable to Adjusted EBITDA. Adjusted EBITDA excludes transactions that are not reflective of T-Mobile's ongoing operating performance and is detailed in the Reconciliation of Non-GAAP Financial Measures to GAAP Financial Measures schedule.
- 5 Adjusted EBITDA margin is a non-GAAP financial measure, which is defined as Adjusted EBITDA (as described in Note 4 above) divided by service revenues expressed as a percentage.
- 6 Capital expenditures consist of amounts paid for construction and the purchase of property and equipment.
- 7 High speed packet access plus (HSPA+ 21 and HSPA+ 42 technologies) offers customers a 4G experience, including data speeds comparable to other 4G network speeds currently available to mobile device users in the United States.
- 8 Smartphones are defined as UMTS/HSPA/HSPA+ 21/HSPA+ 42/4G LTE enabled converged devices, which integrate voice and data services.
- 9 Branded Cost Per Gross Addition ("Branded CPGA") is determined by dividing the costs of acquiring new customers, consisting of customer acquisition expenses plus the loss on equipment sales to acquiring new customers for the specified period, by gross branded customer additions during the period. The loss on equipment sales related to acquiring new customers consists primarily of the excess of handset and accessory costs over related revenues incurred to acquire new customers. Additionally, the loss on equipment associated with retaining existing customers, is excluded from this measure as Branded CPGA is intended to reflect only the acquisition costs to acquire new customers.
- 10 Branded Cost Per User (CPU) is determined by dividing network costs and general and administrative expenses plus the loss on equipment sales unrelated to customer acquisition, by the sum of the average monthly number of branded customers during such period. Additionally, the cost of serving customers includes the costs of providing handset insurance services.

### Supplementary Operating and Financial Data - US GAAP

(in thousands)	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013
Branded postpaid customers	23,999	23,463	23,074	22,367	21,857	21,300	20,809	20,293	20,094
Branded prepaid customers	4,416	4,345	4,599	4,819	5,068	5,295	5,659	5,826	6,028
Ending M2M customers	2,065	2,321	2,525	2,429	2,691	2,786	2,954	3,090	3,290
Ending MVNO customers	3,154	3,456	3,514	3,569	3,756	3,787	3,905	4,180	4,556
Customers, end of period	33,635	33,585	33,711	33,185	33,373	33,168	33,327	33,389	33,968
Branded postpaid net customer additions	(574)	(536)	(389)	(706)	(510)	(557)	(492)	(515)	(199)
Branded prepaid net customer additions	(82)	(71)	254	220	249	227	365	166	202
M2M net customer additions	192	256	204	(95)	262	95	168	135	200
MVNO net customer additions	365	302	57	56	187	30	119	275	376
Net customer additions	(99)	(50)	126	(526)	187	(205)	160	61	579
Branded postpaid churn	2.6 %	2.6 %	2.6 %	3.0 %	2.5 %	2.1 %	2.3 %	2.5 %	1.9 %
Branded prepaid churn	7.0 %	6.6 %	6.5 %	6.7 %	6.4 %	6.0 %	6.2 %	7.0 %	7.0 %
Branded churn	3.3 %	3.2 %	3.2 %	3.6 %	3.2 %	2.9 %	3.1 %	3.5 %	3.1 %
Blended churn	3.4 %	3.3 %	3.5 %	4.0 %	3.3 %	3.2 %	3.4 %	3.7 %	3.3 %

(dollars in millions)	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013
Service revenues	\$ 4,630	\$ 4,620	\$ 4,666	\$ 4,565	\$ 4,444	\$ 4,381	\$ 4,261	\$ 4,127	\$ 4,005
Total revenues	\$ 5,161	\$ 5,050	\$ 5,228	\$ 5,179	\$ 5,034	\$ 4,883	\$ 4,893	\$ 4,909	\$ 4,677
Adjusted EBITDA	\$ 1,188	\$ 1,277	\$ 1,445	\$ 1,400	\$ 1,274	\$ 1,338	\$ 1,226	\$ 1,048	\$ 1,178
Adjusted EBITDA margin	26.0 %	28.0 %	31.0 %	31.0 %	29.0 %	31.0 %	29.0 %	25.0 %	29.0 %
Net Income	\$ 135	\$ 212	\$ 332	\$ (5,397)	\$ 200	\$ 207	\$ (7,735)	\$ (8)	\$ 107
Cash Capex - Property & Equipment	\$ 749	\$ 688	\$ 741	\$ 551	\$ 747	\$ 539	\$ 717	\$ 898	\$ 1,076
ARPU (branded postpaid)	\$ 56.34	\$ 57.26	\$ 58.50	\$ 58.23	\$ 57.68	\$ 57.35	\$ 56.59	\$ 55.47	\$ 54.07
ARPU (branded prepaid)	\$ 24.23	\$ 23.60	\$ 24.31	\$ 24.90	\$ 25.39	\$ 26.81	\$ 27.35	\$ 27.69	\$ 28.25
ARPU (blended)	\$ 45.82	\$ 45.86	\$ 46.22	\$ 45.52	\$ 44.52	\$ 43.88	\$ 42.78	\$ 41.31	\$ 39.71
Branded CPGA	\$ 460	\$ 508	\$ 374	\$ 374	\$ 367	\$ 420	\$ 382	\$ 411	\$ 341
Branded CPU	\$ 29	\$ 28	\$ 28	\$ 28	\$ 29	\$ 28	\$ 28	\$ 28	\$ 26

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

(dollars in millions, except share and per share amounts)	March 31, 2013	December 31, 2012
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 449	\$ 394
respectively	2,599	2,678
Accounts receivable from affiliates	405	682
Inventory	413	457
Current portion of deferred tax assets, net	636	655
Other current assets	557	675
Total current assets	5,059	5,541
Property and equipment, net of accumulated depreciation of \$18,236 and \$17,744, respectively	13,236	12,807
Spectrum licenses	14,596	14,550
Other intangible assets, net of accumulated amortization of \$249 and \$243, respectively	76	79
Investments in unconsolidated affiliates	54	63
Long-term investments	36	31
Other assets	553	551
Total assets	\$ 33,610	\$ 33,622
<b>Liabilities and Stockholder's Equity</b>		
Current liabilities		
Accounts payable	\$ 2,186	\$ 2,161
Accrued liabilities	1,064	1,314
Current payables to affiliates	2,295	1,619
Deferred revenue	288	290
Other current liabilities	226	208
Total current liabilities	6,059	5,592
Long-term payables to affiliates	12,933	13,655
Long-term financial obligation	2,470	2,461
Deferred tax liabilities	3,678	3,618
Deferred rents	1,945	1,884
Other long-term liabilities	304	297
Total long-term liabilities	21,330	21,915
Commitments and contingencies		
Stockholder's equity		
authorized,		
292,669,971 shares issued and outstanding	29,197	29,197
Accumulated other comprehensive income	40	41
Accumulated deficit	(23,016)	(23,123)
Total stockholder's equity	6,221	6,115
Total liabilities and stockholder's equity	\$ 33,610	\$ 33,622

**T-Mobile USA, Inc.**  
**Consolidated Statements of Income and Comprehensive Income**  
**(Unaudited)**

(dollars in millions)	For the three months ended		
	March 31, 2013	December 31, 2012	March 31, 2012
<b>Revenues</b>			
Branded postpaid revenue	\$ 3,263	\$ 3,416	\$ 3,821
Branded prepaid revenue	503	474	377
Total branded revenues	3,766	3,890	4,198
Wholesale revenues	149	137	130
Roaming and other services	90	100	116
Total service revenues	4,005	4,127	4,444
Equipment sales	606	718	535
Other revenues	66	64	55
Total revenues	4,677	4,909	5,034
<b>Operating expenses</b>			
Network, excluding depreciation and amortization	1,109	1,146	1,196
Cost of equipment sales	886	981	845
Customer acquisition, excluding depreciation and amortization	737	963	749
General and administrative, excluding depreciation and amortization	769	829	970
Depreciation and amortization	755	796	747
MetroPCS transaction-related costs	13	7	—
Restructuring costs	31	(5)	6
Other, net	(2)	(55)	24
Total operating expenses	4,298	4,662	4,537
Operating income	379	247	497
<b>Other (expense) income</b>			
Interest expense to affiliates	(178)	(185)	(171)
Interest expense	(51)	—	—
Interest income	35	24	15
Other (expense) income, net	(6)	(16)	(16)
Total other expense, net	(200)	(177)	(172)
Income before income taxes	179	70	325
Income tax expense	(72)	(78)	(125)
Net income (loss)	107	(8)	200
<b>Other comprehensive (loss) income, net of tax:</b>			
Unrealized (loss) gain on derivatives held as cash flow hedges, net of tax of \$26, \$47 and \$42, respectively	(43)	78	71
Unrealized gain (loss) on foreign currency translation, net of tax of \$25, \$18 and \$27, respectively	42	(29)	(45)
Unrealized gain (loss) on available-for-sale securities, net of tax of \$0, \$0 and \$0, respectively	—	1	1
Total comprehensive income	\$ 106	\$ 42	\$ 227

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

(dollars in millions)	For the three months ended		
	March 31, 2013	December 31, 2012	March 31, 2012
<b>Operating activities</b>			
Net income	\$ 107	\$ (8)	\$ 200
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	755	796	747
Income tax expense	72	78	125
Amortization of debt discount and premium, net	(21)	(20)	(20)
Bad debt expense	114	26	256
Deferred rent expense	61	65	47
Losses (gains) and other, net	39	(33)	(5)
Changes in operating assets and liabilities			
Accounts receivable	(33)	(70)	(90)
Inventory	44	40	31
Other current and long-term assets	14	(189)	(89)
Accounts payable	(74)	223	(169)
Other current and accrued liabilities	(169)	247	(3)
Net cash provided by operating activities	909	1,155	1,030
<b>Investing activities</b>			
Purchases of property and equipment	(1,076)	(898)	(747)
Purchases of intangible assets	(49)	(8)	(4)
Short term affiliate loan receivable, net	275	(354)	(279)
Proceeds from disposals of property and equipment and intangible assets	—	48	2
Payments to acquire financial assets, net	(4)	2	(7)
Investments in unconsolidated affiliates, net	—	(38)	(6)
Net cash used in investing activities	(854)	(1,248)	(1,041)
<b>Financing activities</b>			
Other, net	—	57	—
Net cash provided by financing activities	—	57	—
Change in cash and cash equivalents	55	(36)	(11)
<b>Cash and cash equivalents</b>			
Beginning of period	394	430	390
End of period	\$ 449	\$ 394	\$ 379

**T-MOBILE USA**  
**Reconciliation of Non-GAAP Financial Measures to GAAP Financial Measures**  
**(Unaudited)**

These non-GAAP financial measures should be considered in addition to, but not as a substitute for, the information provided in accordance with GAAP. Reconciliations from the non-GAAP financial measures to the most directly comparable GAAP financial measures are provided below.

Adjusted EBITDA is reconciled to net income as follows:

(dollars in millions)	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013
<b>Calculation of Adjusted EBITDA:</b>					
Net income	\$ 200	\$ 207	\$ (7,735)	\$ (8)	\$ 107
Adjustments:					
Interest expense to affiliates	171	151	165	174	178
Interest expense	—	—	—	—	51
Interest income	(15)	(18)	(20)	(24)	(35)
Other (income) expense, net	16	(23)	(15)	27	6
Income tax expense (benefit)	125	135	12	78	72
Operating (loss) income	\$ 497	\$ 452	\$ (7,593)	\$ 247	\$ 379
Depreciation and amortization	747	819	825	796	755
MetroPCS transaction related costs	—	—	—	7	13
Restructuring costs	6	48	36	(5)	31
Impairment Charges	—	—	8,134	—	—
Other, net <sup>(1)</sup>	24	19	(176)	3	—
<b>Adjusted EBITDA</b>	<b>\$ 1,274</b>	<b>\$ 1,338</b>	<b>\$ 1,226</b>	<b>\$ 1,048</b>	<b>\$ 1,178</b>

(1) Other, net for the year ended December 31, 2012 represents transaction related retention costs from the terminated AT&T acquisition of T-Mobile, gains/losses on intangible assets, and other material transactions. Other, net transactions may not agree in total to the other, net classification in the Consolidated Statements of Income and Comprehensive Income due to certain routine operating activities that are not excluded from Adjusted EBITDA.

The following schedule reflects the Branded CPGA calculation and provides a reconciliation of cost of acquiring branded customers used for the Branded CPGA calculation to customer acquisition costs reporting on our condensed consolidated statements of operations:

(dollars in millions, except gross customer additions and CPGA)	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013
<b>Calculation of Cost Per Branded Gross Addition (CPGA):</b>					
Customer acquisition expenses	\$ 749	\$ 751	\$ 823	\$ 963	\$ 737
Add: Loss on equipment sales					
Equipment sales	(535)	(435)	(554)	(718)	(606)
Cost of equipment sales	845	745	866	981	886
Total loss on equipment sales	310	310	312	263	280
Less: Loss on equipment sales related to customer retention	203	228	232	240	195
Loss on equipment sales related to customer acquisition	107	82	80	23	85
Cost of acquiring new branded customers	\$ 856	\$ 833	\$ 903	\$ 986	\$ 822
Divided by: Gross branded customer additions (in thousands)	2,334	1,985	2,365	2,399	2,411
Branded CPGA	\$ 367	\$ 420	\$ 382	\$ 411	\$ 341

The following schedule reflects the Branded CPU calculation and provides a reconciliation of the cost of serving customers used for the Branded CPU calculation to total network costs plus general and administrative costs reported on our condensed consolidated statements of operations:

(dollars in millions, except average number of customers and CPU)	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013
<b>Calculation of Cost Per Branded User (CPU):</b>					
Network costs	\$ 1,196	\$ 1,178	\$ 1,141	\$ 1,146	\$ 1,109
Add: General and administrative expenses	970	871	840	829	769
Add: Loss on equipment sales related to customer retention	203	228	232	240	195
Total cost of serving customers	\$ 2,369	\$ 2,277	\$ 2,213	\$ 2,215	\$ 2,073
Divided by: Average number of branded customers (in thousands)	27,038	26,736	26,517	26,234	26,053
Branded CPU	\$ 29	\$ 28	\$ 28	\$ 28	\$ 26