

## T-Mobile USA Reports Second Quarter 2012 Operating Results

*Continued Solid Adjusted OIBDA in Q2; Churn Improvements*

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- Adjusted OIBDA increased 4.8% year-on-year to \$1.3 billion in the second quarter of 2012
  - Adjusted OIBDA margin improved 3 percentage points year-on-year to 31% in the second quarter of 2012
  - Total service revenues of \$4.4 billion in the second quarter of 2012 compared to \$4.4 billion in the first quarter of 2012 and \$4.6 billion in the second quarter of 2011, a decrease of 5.2% year-on-year
  - Branded contract churn of 2.10% in the second quarter of 2012; 40 bps decrease quarter-over-quarter and 50 bps decrease year-on-year
  - Net customer losses of 205,000 in the second quarter of 2012 compared to 50,000 net customer losses in the second quarter of 2011
    - Branded contract net customer losses of 557,000 in the second quarter of 2012, compared to 510,000 branded contract net customer losses in the first quarter of 2012 and 536,000 branded contract net customer losses in the second quarter of 2011
    - Strong branded prepaid net customer additions of 227,000 in the second quarter of 2012 compared to 71,000 branded prepaid net customer losses in the second quarter of 2011 and branded prepaid net customer additions of 249,000 in the first quarter of 2012
  - Branded contract ARPU increased slightly year-on-year to \$57.35 in the second quarter of 2012
  - Branded contract data ARPU increased 14.6% year-on-year to \$19.16 in the second quarter of 2012
  - Branded prepaid ARPU increased 13.6% year-on-year to \$26.81 in the second quarter of 2012
  - 3G/4G smartphones sold increased 31% year-on-year to 2.1 million in the second quarter of 2012
  - Solid progress on key strategic initiatives, including plans to expand network coverage and rollout LTE service in 2013
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**BELLEVUE, Wash., August 9, 2012** -- T-Mobile USA, Inc. today reported second quarter 2012 results. In the second quarter of 2012, T-Mobile USA reported adjusted OIBDA of \$1.34 billion, up 4.8% from \$1.28 billion reported in the second quarter of 2011. Net customer losses were 205,000 in the second quarter of 2012, compared to 50,000 net customer losses in the second quarter of 2011.

“In the second quarter, T-Mobile USA continued to show considerable progress in a number of key areas delivering solid adjusted OIBDA growth. While we reported encouraging branded contract and branded prepaid churn improvements in the quarter, we remain focused on customer loyalty as we continue to execute against our strategy” said Jim Alling, Interim CEO and President of T-Mobile USA. “Looking ahead, T-Mobile USA will continue to invest in a number of key areas including the modernization of our network as we pave the way for LTE service in 2013, retail expansion, as well as an increased investment in promoting our brand.”

“In the second quarter T-Mobile USA started the implementation of key initiatives, such as network modernization, which will improve its competitiveness going forward,” said René Obermann, CEO of Deutsche Telekom. “We are also encouraged by the strong cost discipline demonstrated by T-Mobile USA.”

## **T-Mobile USA Strategic Initiatives Update**

T-Mobile USA continues to execute on its key strategic initiatives, which include its \$4 billion 4G network evolution plan to expand its voice and data coverage around the country and to initiate long term evolution (“LTE”) service in 2013. In the second quarter of 2012, T-Mobile USA announced an agreement with Verizon Wireless for the purchase and exchange of certain Advanced Wireless Services (AWS) spectrum licenses (subject to regulatory approval), which would improve T-Mobile’s network coverage in 15 of the top 25 markets in the U.S.; completed the AT&T deal break-up AWS license transfers that will expand T-Mobile’s coverage in 12 of the top 20 U.S. markets; and announced a spectrum exchange agreement with Leap Wireless International, Inc. that will further 4G coverage in four states. In addition to these spectrum agreements, T-Mobile USA announced multi-year agreements with Ericsson and Nokia Siemens Networks to deploy state-of-the-art LTE-capable equipment at 37,000 cell sites in 2012 and 2013.

T-Mobile USA increased its distribution channels in the second quarter of 2012 announcing the opening of its 1,000<sup>th</sup> T-Mobile Premium Retailer (TPR) store. In addition, a new distribution arrangement with Dollar General Corporation brings an affordable phone and convenient access to T-Mobile’s prepaid and Monthly4G™ No Annual Contract service to more than 6,400 Dollar General stores. In total, T-Mobile USA added approximately 8,700 prepaid doors in the second quarter of 2012. To expand its reach in the business-to-business market, T-Mobile USA began offering two new suites of mobile broadband data plans to address the growing use of mobile broadband devices and the increasing demand for data among business customers. T-Mobile USA also launched its “Open Europe” plan for business customers – a new unlimited data feature with a flat-rate monthly fee. The Company also signed two additional agreements with Mobile Virtual Network Operator (“MVNO”) partners in the quarter to drive further expansion into this customer segment.

T-Mobile USA further expanded its portfolio of compelling 4G smartphones in the second quarter of 2012. T-Mobile USA became the first U.S. carrier to offer the 42 Mbps-capable HTC One™ S and also launched the highly anticipated Samsung Galaxy S™ III. In addition to these devices, T-Mobile USA also launched the T-Mobile® Prism™, a budget-friendly option for cost-conscious consumers and expanded T-Mobile’s myTouch® family with the announcement of the next-generation T-Mobile® myTouch® and T-Mobile® myTouch® Q, in July 2012. In early August, T-Mobile USA launched the Samsung Galaxy Note™, featuring a 5.3-inch HD Super AMOLED™ screen. The Company is supporting its strategic investments with its brand re-launch program, continuing with a new advertising campaign that encourages customers to Test Drive T-Mobile USA’s competitive 4G experience.

During the second quarter of 2012, T-Mobile USA continued to focus on driving efficiencies across the business. Examples of this include the new organizational structure announced in May 2012 that will enable the Company to react with greater speed and effectiveness to customer and market opportunities, that aligns costs with revenue realities, and that better positions T-Mobile USA for growth. The Company also continues with its efforts to drive operational efficiencies with the Reinvent program and is well on track to achieve \$900 million in gross savings, which will be partially reinvested into customer acquisition programs. Lastly, the multi-year churn reduction program showed encouraging progress in the second quarter of 2012.

## Customer Results

(thousands)	Quarter to Date			Y-o-Y %Δ
	June 30, 2012	March 31, 2012	June 30, 2011	
<b>Customers, end of period<sup>2</sup></b>				
Branded contract customers	21,300	21,857	23,463	(9%)
Branded prepaid customers	5,295	5,068	4,345	22%
<b>Total branded customers</b>	<b>26,595</b>	<b>26,925</b>	<b>27,808</b>	<b>(4%)</b>
M2M customers	2,786	2,691	2,321	20%
MVNO customers	3,787	3,756	3,456	10%
<b>Total wholesale customers</b>	<b>6,573</b>	<b>6,448</b>	<b>5,777</b>	<b>14%</b>
<b>Total T-Mobile USA customers, end of period</b>	<b>33,168</b>	<b>33,373</b>	<b>33,585</b>	<b>(1%)</b>
<i>Thereof, contract Customers</i>	<i>24,086</i>	<i>24,548</i>	<i>25,784</i>	<i>(7%)</i>
<i>Thereof, prepaid Customers</i>	<i>9,082</i>	<i>8,824</i>	<i>7,801</i>	<i>16%</i>
<b>Net customer additions/(losses)<sup>2</sup></b>				
Branded contract customers	(557)	(510)	(536)	(4%)
Branded prepaid customers	227	249	(71)	nm
<b>Total branded customers</b>	<b>(330)</b>	<b>(262)</b>	<b>(608)</b>	<b>46%</b>
M2M customers	95	262	256	(63%)
MVNO customers	30	187	302	(90%)
<b>Total wholesale customers</b>	<b>125</b>	<b>449</b>	<b>558</b>	<b>(78%)</b>
<b>Total T-Mobile USA net customer additions/(losses)</b>	<b>(205)</b>	<b>187</b>	<b>(50)</b>	<b>nm</b>
<i>Thereof, contract net customer additions/(losses)</i>	<i>(462)</i>	<i>(248)</i>	<i>(281)</i>	<i>(64%)</i>
<i>Thereof, prepaid net customer additions/(losses)</i>	<i>257</i>	<i>436</i>	<i>231</i>	<i>11%</i>

Note: Certain customer numbers may not add due to rounding.

### Total Customers

T-Mobile USA served 33.2 million customers at the end of second quarter 2012, compared to 33.4 million customers at the end of first quarter 2012 and 33.6 million customers at the end of second quarter 2011.

- Second quarter 2012 net customer losses of 205,000, compared to net customer additions of 187,000 in the first quarter of 2012 and net customer losses of 50,000 in the second quarter of 2011.
  - The sequential and year-on-year decrease in net customer additions was driven primarily by a decrease in wholesale net customer additions from fewer MVNO gross customer additions and increased churn from machine-to-machine (“M2M”) customers.

### Branded Customers

- Branded contract net customer losses, excluding M2M, were 557,000 in the second quarter of 2012, compared to 510,000 net customer losses in the first quarter of 2012 and 536,000 net customer losses in the second quarter of 2011.
  - Sequentially and year-over-year, the increase in branded contract customer losses was driven primarily by fewer branded contract gross additions related in part to credit optimization initiatives and fewer new handsets launched in the second quarter of 2012. Additionally, gross additions were also impacted by slowing industry gross additions in the second quarter of 2012. This was partially offset by improvements in branded contract deactivations largely a result of churn reduction initiatives. The strategic phase-out of discontinued products, which historically had higher churn, also helped benefit the year-on-year improvement in branded contract deactivations in the second quarter of 2012.

- Branded prepaid net customer additions, excluding MVNO customers, were 227,000 in the second quarter of 2012; down slightly from first quarter 2012 branded prepaid net customer additions of 249,000 and improved from 71,000 branded prepaid net customer losses in the second quarter of 2011.
  - The year-on-year improvement in branded prepaid net customer additions was due primarily to increased branded prepaid gross additions, a result of the continued popularity of unlimited Monthly4G plans compared to traditional contract plans.

### Wholesale

- M2M net customer additions were 95,000 in the second quarter of 2012, compared to net customer additions of 262,000 in the first quarter of 2012 and net customer additions of 256,000 in the second quarter of 2011.
  - The sequential and year-on-year change was driven by higher M2M deactivations. M2M customers, which have significantly lower ARPU's (averaging less than \$2) than branded contract customers, totaled 2.8 million at June 30, 2012.
- MVNO customers increased slightly in the second quarter of 2012, totaling 3.8 million customers as of June 30, 2012.
  - Sequentially and year-on-year, MVNO net customer additions decreased due primarily to fewer MVNO gross customer additions.

### Churn Results

	Quarter to Date			Y-o-Y bps $\Delta$
	June 30,	March 31,	June 30,	
	2012	2012	2011	
Branded churn <sup>3</sup>	2.90%	3.20%	3.20%	-30 bps
Branded contract churn <sup>3</sup>	2.10%	2.50%	2.60%	-50 bps
Branded prepaid churn <sup>3</sup>	6.00%	6.40%	6.60%	-60 bps

- Churn from branded customers was 2.9% in the second quarter of 2012, down 30 basis points from both the first quarter of 2012 and the second quarter of 2011.
  - Sequentially and year-on-year, branded churn decreased due in part to churn reduction initiatives such as credit optimization efforts and re-contracting its most loyal branded contract customers as part of T-Mobile USA's focus on improving its overall quality of its branded customer base. Additionally, seasonally lower churn was experienced industry-wide in the second quarter of 2012. T-Mobile USA's branded churn also benefitted year-on-year from the discontinuation of certain products that had higher churn, such as FlexPay Contract and FlexPay No Contract.
- Branded contract churn, excluding M2M customers, was 2.1% in the second quarter of 2012, down 40 basis points from the first quarter of 2012 and 50 basis points from the second quarter of 2011.
  - The sequential and year-on-year improvement in branded contract churn was the result of T-Mobile USA's continued churn reduction initiatives, as mentioned above.
- Branded prepaid churn, excluding MVNO, was 6.0% in the second quarter of 2012, down 40 basis points from the first quarter of 2012 and down 60 basis points from the second quarter of 2011.
  - The sequential and year-on-year decrease in branded prepaid churn was driven primarily by the strategic phase-out of high-churn products, such as FlexPay No Contract.

## ARPU Results

	Quarter to Date			Y-o-Y %Δ
	June 30,	March 31,	June 30,	
	2012	2012	2011	
(\$)				
ARPU (branded contract) <sup>4</sup>	57.35	57.68	57.26	0.2%
ARPU (branded prepaid) <sup>4</sup>	26.81	25.39	23.60	13.6%
ARPU (blended) <sup>4</sup>	43.88	44.52	45.86	(4.3%)
Data ARPU (branded contract) <sup>5</sup>	19.16	18.84	16.72	14.6%
Data ARPU (branded) <sup>5</sup>	17.21	16.94	15.25	12.9%

- Branded contract Average Revenue Per User (“ARPU”), excluding M2M customers, was \$57.35 in the second quarter of 2012, down slightly from the first quarter of 2012, but up slightly from the second quarter of 2011.
  - Sequentially, branded contract ARPU decreased due to lower voice revenue, which included effects from the shift to Value plans.
  - Year-on-year, branded contract ARPU increased due primarily to increases in data revenues and other fee revenues, including reconnection fees. In addition, branded contract data ARPU of \$19.16 in the second quarter of 2012 increased 1.7% sequentially and 14.6% year-on-year from the continued adoption of smartphones and associated data plans. The year-on-year growth in branded contract ARPU in the second quarter of 2012 slowed compared to the year-on-year growth in the first quarter of 2012 due to a further shift in the customer mix towards lower-priced rate plans, including Value plans.
  - 3G/4G smartphones used by contract customers account for 11.6 million or 54% of total branded contract customers, compared to 11.6 million or 53% in the first quarter of 2012 and 9.8 million or 42% in the second quarter of 2011.
- Branded prepaid ARPU, excluding MVNO customers, was \$26.81 in the second quarter of 2012, up 5.6% from the first quarter of 2012 and up 13.6% from the second quarter of 2011.
  - Sequentially and year-on-year, branded prepaid ARPU increased primarily due to continued the success of unlimited Monthly4G products.
- Branded data ARPU in the second quarter of 2012 amounted to \$17.21 per branded customer, an increase of 1.6% from the first quarter of 2012 and 12.9% from the second quarter of 2011.
  - 3G/4G smartphone sales were 2.1 million units in the second quarter of 2012, down from 2.5 million units in the first quarter of 2012, but a 31% increase from 1.6 million units sold in the second quarter of 2011. Smartphone sales accounted for 71% of units, or 86% of handset sales revenues, in the second quarter of 2012.
- Blended ARPU was \$43.88 in the second quarter of 2012, down from \$44.52 in the first quarter of 2012 and \$45.86 in the second quarter of 2011 primarily due to a change in portfolio mix towards branded prepaid customers and wholesale customers, which traditionally have lower ARPU.

## Financial Results

(\$ millions)	Quarter to Date			Y-o-Y %Δ
	June 30,	March 31,	June 30,	
	2012	2012	2011	
Service revenues <sup>4</sup>	4,381	4,444	4,620	(5.2%)
Total revenues	4,883	5,034	5,050	(3.3%)
Adjusted OIBDA <sup>6</sup>	1,338	1,274	1,277	4.8%
Adjusted OIBDA margin <sup>7</sup>	31%	29%	28%	+3 pp
Capital expenditures <sup>8</sup>	539	747	688	(21.7%)

### Revenue

- Service revenues were \$4.4 billion in the second quarter of 2012, down 1.4% from the first quarter of 2012 and down 5.2% from the second quarter of 2011.
  - Sequentially and year-on-year, quarterly service revenues decreased primarily due to branded contract customer losses, which were partially offset by the increased adoption of data plans in the contract and prepaid customer base. Additionally, branded prepaid revenues increased compared to the first quarter of 2012 and second quarter of 2011, a result of the continued success of unlimited Monthly4G plans. Service revenues were also negatively impacted by the growth in Value plans, which do not include subsidized handset equipment. However, handset equipment sales sold in connection with Value plans result in higher equipment sales than traditional bundled price plans, as described below.
  - Data service revenues, including messaging, were \$1.4 billion in the second quarter of 2012, consistent with the first quarter of 2012 and up 5.6% from the second quarter of 2011. Data services revenues, excluding messaging revenues, accounted for over 70% of total data service revenues and increased 15.5% year-on-year.
- Total revenues, including service, equipment sales, and other revenues were \$4.9 billion in the second quarter of 2012, down 3.0% from the first quarter of 2012 and down 3.3% from the second quarter of 2011.
  - Compared to the first quarter of 2012 and the second quarter of 2011, total revenues changed due primarily to branded contract customer losses, as described above. Additionally, equipment revenues increased year-on-year, despite lower overall sales volumes, due to handset program changes in connection with T-Mobile USA's Value plans and stronger smartphone sales. As a result, total revenues declined less than service revenues compared to the second quarter of 2011.
- T-Mobile USA's Value plans allow customers to subscribe to wireless services without the purchase of or upfront payment for a bundled handset, resulting in reduced initial costs, benefitting adjusted OIBDA and net income within the quarter. Qualifying customers may separately purchase handsets at any time, either deferring payments over 20-month installment contracts or paying the full price at the point-of-sale. Compared to traditional bundled price plans, Value plans result in recording lower service revenues over the service contract period, while recognizing higher equipment revenues at the time of the sale.

### Adjusted OIBDA

- T-Mobile USA reported adjusted OIBDA of \$1.34 billion in the second quarter of 2012, up 5.0% from the first quarter of 2012 and up 4.8% from the second quarter of 2011.
  - Adjusted OIBDA in the second quarter of 2012 excludes special charges of \$67 million, primarily consisting of employee severance costs associated with restructuring initiatives announced in the first and second quarter of 2012. Adjusted OIBDA in the first quarter of 2012 and second quarter of 2011

excludes special charges of \$30 million and \$13 million, respectively, primarily consisting of employee retention benefit expenses related to the terminated AT&T transaction.

- Sequentially, adjusted OIBDA increased as a result of lower operating expenses, excluding depreciation and amortization expenses, which outpaced lower service revenues driven by branded customer losses.
- Year-on-year, adjusted OIBDA increased as a result of reduced losses from equipment subsidies due to handset program changes from the Value plans. In addition, adjusted OIBDA increased as a result of decreased network expenses and continued cost management programs.
- Adjusted OIBDA margin was 31% in the second quarter of 2012, up from 29% in first quarter of 2012 and 28% in the second quarter of 2011.

### **Operating Expenses**

- Total operating expenses (excluding restructuring and AT&T transaction-related costs) were \$4.4 billion in the second quarter of 2012, down 3.2% from the first quarter of 2012 and 3.6% from the second quarter of 2011.
  - Losses from equipment subsidies in the second quarter of 2012 were \$310 million (equipment revenues of \$435 million, less cost of equipment sales of \$745 million), consistent with the first quarter 2012 and down 38.1% from second quarter 2011. The year-on-year decrease in net subsidy was due primarily to handset program changes from the Value plans.
    - Equipment subsidies related to acquisition were \$83 million in the second quarter of 2012, down from \$107 million in the first quarter of 2012 and \$261 million in the second quarter of 2011.
    - Equipment subsidies related to retention were \$227 million in the second quarter of 2012, compared to \$203 million in the first quarter of 2012 and \$240 million in the second quarter of 2011.
  - Network expenses of \$1.2 billion in the second quarter of 2012 were fairly consistent with the first quarter of 2012, but decreased 5.6% from the second quarter of 2011. This year-on-year decrease was due primarily to lower roaming expenses and reduced rates of providing long distance service. Additionally, due to the transition to enhanced backhaul (e.g. fiber), T-Mobile USA was able to accommodate higher data volumes year-on-year without significant increases in network costs.
  - Customer acquisition expenses in the second quarter of 2012 of \$751 million were fairly consistent with the first quarter of 2012, but decreased 4.6% from the second quarter of 2011. Compared to the first quarter of 2012, lower commission expenses on lower volumes were offset by higher advertising expenses associated with new promotional campaigns. The year-on-year decrease was due primarily to the shift in mix towards prepaid customers, resulting in reduced commission expenses.
  - General and administrative expenses in the second quarter of 2012 of \$871 million decreased 10.2% from the first quarter of 2012 but were fairly consistent with the second quarter of 2011. This sequential decrease was due primarily to lower bad debt expense related to improved customer collection rates and lower upgrade commission costs from fewer contract renewals. In addition, general and administrative expenses benefitted sequentially and year-on-year as a result of continued cost management programs.
  - Depreciation and amortization expenses of \$819 million in the second quarter of 2012 increased 9.6% from the first quarter of 2012 and 8.5% from the second quarter of 2011. The sequential and year-on-year increase was primarily due to accelerated depreciation recorded in the second quarter of 2012 for equipment determined to be obsolete, which will be replaced or upgraded as part of the LTE network modernization plan.

### **Capital Expenditures**

- Cash capital expenditures were \$539 million in the second quarter of 2012, a decrease of 27.8% from the first quarter of 2012 and a decrease of 21.7% from the second quarter of 2011.
  - Sequentially and year-on-year, payment timing contributed to lower cash capital expenditures offset by higher incurred capex related to the anticipated network modernization transformation. As a result of the network modernization initiatives, capital expenditures are expected to rise in the second half of 2012.
  - In the first quarter of 2012, T-Mobile USA announced that it will invest \$4 billion in total to strengthen its 4G network, including the planned launch of LTE technology in 2013. Additionally, T-Mobile USA recorded a \$1.2 billion increase in spectrum licenses as a result of the AWS spectrum received as part of the terminated AT&T transaction.



T-MOBILE USA  
Condensed Consolidated Balance Sheets  
(dollars in millions)  
(unaudited)

ASSETS	June 30, 2012	December 31, 2011
Current assets:		
Cash and cash equivalents	\$ 423	\$ 390
Receivables from affiliates	602	1,820
Accounts receivable, net of allowances of \$442 and \$396, respectively	2,559	2,697
Inventory	444	455
Current portion of net deferred tax assets	681	668
Other current assets	676	572
Total current assets	5,385	6,602
Property and equipment, net of accumulated depreciation of \$16,798 and \$15,599, respectively	12,443	12,703
Goodwill	8,134	8,134
Spectrum licenses	13,918	12,814
Other intangible assets, net of accumulated amortization of \$232 and \$216, respectively	49	61
Long-term investments and other assets	319	295
Total assets	\$ 40,248	\$ 40,609
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 2,553	\$ 3,058
Current payables to affiliates	527	1,046
Other current liabilities	438	400
Total current liabilities	3,518	4,504
Long-term payables to affiliates	14,878	15,049
Deferred tax liabilities	3,541	3,282
Deferred rents and other long-term liabilities	2,124	1,989
Total long-term liabilities	20,543	20,320
Stockholder's equity:		
Common stock and additional paid-in capital	31,600	31,600
Accumulated other comprehensive loss	(33)	(28)
Accumulated deficit	(15,380)	(15,787)
Total stockholder's equity	16,187	15,785
Total liabilities and stockholder's equity	\$ 40,248	\$ 40,609

T-MOBILE USA  
Condensed Consolidated Statements of Operations  
(dollars in millions)  
(unaudited)

	Quarter Ended June 30, 2012	Quarter Ended March 31, 2012	Quarter Ended June 30, 2011
<b>Revenues:</b>			
Branded Contract	\$ 3,713	\$ 3,821	\$ 4,075
Branded Prepaid	414	377	308
<b>Total Branded Revenues</b>	<b>4,127</b>	<b>4,198</b>	<b>4,383</b>
Wholesale	143	130	113
Roaming and other services	111	116	124
<b>Total Service Revenues</b>	<b>4,381</b>	<b>4,444</b>	<b>4,620</b>
Equipment sales	435	535	380
Other	67	55	50
<b>Total revenues</b>	<b>4,883</b>	<b>5,034</b>	<b>5,050</b>
<b>Operating expenses:</b>			
Network	1,178	1,196	1,248
Cost of equipment sales	745	845	881
Customer acquisition	751	749	787
General and administrative	871	970	857
Depreciation and amortization	819	747	755
<b>Total operating expenses (excluding restructuring and AT&amp;T transaction-related costs)</b>	<b>4,364</b>	<b>4,507</b>	<b>4,528</b>
AT&T transaction-related costs	19	24	13
Restructuring costs	48	6	-
<b>Total operating expenses (including restructuring and AT&amp;T transaction-related costs)</b>	<b>4,431</b>	<b>4,537</b>	<b>4,541</b>
<b>Operating income</b>	<b>452</b>	<b>497</b>	<b>509</b>
Other expense, net	(110)	(172)	(156)
<b>Income before income taxes</b>	<b>342</b>	<b>325</b>	<b>353</b>
Income tax expense	(135)	(125)	(141)
<b>Net income</b>	<b>207</b>	<b>200</b>	<b>212</b>
<b>Other comprehensive income/(loss), net of tax:</b>			
Unrealized gain/(loss) on cash flow hedges and foreign currency translation	(30)	26	(11)
Unrealized gain/(loss) on available-for-sale securities	(2)	1	6
<b>Total comprehensive income</b>	<b>\$ 175</b>	<b>\$ 227</b>	<b>\$ 207</b>

T-MOBILE USA  
Condensed Consolidated Statements of Cash Flows  
(dollars in millions)  
(unaudited)

	Quarter Ended June 30, 2012	Quarter Ended March 31, 2012	Quarter Ended June 30, 2011
Operating activities:			
Net income	\$ 207	\$ 200	\$ 212
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	819	747	755
Income tax expense	135	125	141
Bad debt expense	218	256	149
Other, net	(8)	22	4
Changes in operating assets and liabilities:			
Accounts receivable	(258)	(90)	(122)
Inventory	(20)	31	169
Other current and non-current assets	16	(89)	(20)
Accounts payable and accrued liabilities	(221)	(63)	(114)
Accrued liabilities related to restructuring and AT&T transaction-related costs	(9)	(109)	13
Net cash provided by operating activities	<u>879</u>	<u>1,030</u>	<u>1,187</u>
Investing activities:			
Purchases of property and equipment	(539)	(747)	(688)
Expenditures related to spectrum licenses*	(6)	(4)	(4)
Short-term affiliate loan receivable, net *	(298)	(279)	(225)
Other, net	7	(11)	10
Net cash used in investing activities	<u>(836)</u>	<u>(1,041)</u>	<u>(907)</u>
Financing activities:			
Short-term borrowings, net	-	-	(33)
Other	1	-	-
Net cash provided by (used in) financing activities	<u>1</u>	<u>-</u>	<u>(33)</u>
Change in cash and cash equivalents	44	(11)	247
Cash and cash equivalents, beginning of period	<u>379</u>	<u>390</u>	<u>97</u>
Cash and cash equivalents, end of period	<u>\$ 423</u>	<u>\$ 379</u>	<u>\$ 344</u>

\* In the second quarter of 2012, spectrum licenses received in connection with the terminated AT&T transaction were transferred from Deutsche Telekom in a non-cash exchange for receivables held by Deutsche Telekom on T-Mobile USA's behalf.

**T-MOBILE USA**  
 Reconciliation of Non-GAAP Financial Measures to GAAP Financial Measures  
*(dollars in millions)*  
*(unaudited)*

This press release 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 from the non-GAAP financial measures to the most directly comparable GAAP financial measures are provided below following Selected Data and the financial statements.

Adjusted OIBDA is reconciled to operating income as follows:

	<b>Q2 2012</b>	<b>Q1 2012</b>	<b>Full Year 2011</b>	<b>Q4 2011</b>	<b>Q3 2011</b>	<b>Q2 2011</b>	<b>Q1 2011</b>
Adjusted OIBDA	\$ 1,338	\$ 1,274	\$ 5,310	\$ 1,400	\$ 1,445	\$ 1,277	\$ 1,188
Depreciation and amortization	(819)	(747)	(2,982)	(761)	(731)	(755)	(735)
Adjusted operating income (excl. impairment, restructuring and AT&T transaction-related costs)	519	527	2,328	639	714	522	453
Impairment charges	-	-	(6,420)	(6,420)	-	-	-
Restructuring charges	(48)	(6)	-	-	-	-	-
AT&T transaction-related costs	(19)	(24)	(187)	(123)	(51)	(13)	-
Operating income/(loss)	<u>\$ 452</u>	<u>\$ 497</u>	<u>\$ (4,279)</u>	<u>\$ (5,904)</u>	<u>\$ 663</u>	<u>\$ 509</u>	<u>\$ 453</u>

## Forward-Looking Statements

This news release includes “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. The statements in this news release regarding the business outlook, expected performance and forward-looking guidance, as well as other statements that are not historical facts, are forward looking statements. The words “estimate”, “project”, “forecast”, “intend”, “expect”, “believe”, “target”, “providing guidance” and similar expressions are intended to identify forward looking statements.

Forward-looking statements are estimates and projections reflecting management’s judgment based on currently available information and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. With respect to these forward-looking statements, management has made assumptions regarding, among other things, customer and network usage, customer growth and retention, pricing, operating costs, the timing of various events and the economic and regulatory environment.

## About T-Mobile USA

Based in Bellevue, Wash., T-Mobile USA, Inc. is the U.S. wireless operation of Deutsche Telekom AG (OTCQX: DTEGY). By the end of the second quarter of 2012, approximately 130 million mobile customers were served by the mobile communication segments of the Deutsche Telekom group — 33.2 million by T-Mobile USA — all via a common technology platform based on GSM and UMTS and additionally HSPA+ 21/HSPA+ 42. T-Mobile USA’s innovative wireless products and services help empower people to connect to those who matter most. Multiple independent research studies continue to rank T-Mobile USA among the highest in numerous regions throughout the U.S. in wireless customer care and call quality.

In order to provide comparability with the results of other US wireless carriers, all financial amounts are in US dollars and are based on accounting principles generally accepted in the United States (“GAAP”). T-Mobile USA results are included in the consolidated results of Deutsche Telekom, but differ from the information contained herein as, among other things, Deutsche Telekom reports financial results in Euros and in accordance with International Financial Reporting Standards (IFRS).

For more information, please visit <http://www.T-Mobile.com>. T-Mobile is a federally registered trademark of Deutsche Telekom AG. For further information on Deutsche Telekom, please visit [www.telekom.de/investor-relations](http://www.telekom.de/investor-relations).

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## Definitions of Terms

Since all companies do not calculate these figures in the same manner, the information contained in this press release 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 USA mobile identity number which generates revenue. Branded contract and prepaid customers include FlexPay customers depending on the type of rate plan selected. FlexPay customers with a contract are included in branded contract customers, and FlexPay customers without a contract are included in branded prepaid customers. Additionally, machine-to-machine customers (also known as M2M) are included within contract customers, some of which may not have monthly recurring charges required under contract. Mobile virtual network operators (MVNO) are classified as prepaid customers as they most closely align with this customer segment.
2. Prior quarter amounts have been restated to conform to current period customer reporting classifications.
3. Churn is defined as the number of customers whose service was discontinued, expressed as a rounded monthly percentage of the average number of customers during the specified period. 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.
4. 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 contract, prepaid, and roaming and other service revenues, and do not include equipment sales and other revenues. Data services revenues (including messaging and non-messaging revenue) are a non-GAAP financial measure and are included in the various components of service revenues. Handset insurance revenues are included in contract service revenues.

5. Data ARPU is defined as total data revenues divided by average total customers during the period, rounded to the nearest ten cents. Total data revenues include data revenues from contract customers, prepaid customers, Wi-Fi revenues and data roaming revenues. Branded data revenues exclude data revenues from M2M customers, MVNO, Wi-Fi revenues and data roaming revenues. The relative value of data revenues from bundled unlimited voice and data plans (including a relative value for messaging and non-messaging data revenue) are included in total data revenues.
6. Operating Income Before Interest, Depreciation, Amortization and Impairment ("OIBDA") is a non-GAAP financial measure, which we define as operating income before depreciation, amortization and impairment charges. In a capital-intensive industry such as wireless telecommunications, we believe OIBDA, as well as the associated percentage margin calculation, to be meaningful measures of our operating performance. OIBDA 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. We use OIBDA 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 our performance with that of many of our competitors. We believe that operating income is the financial measure calculated and presented in accordance with GAAP that is the most directly comparable to OIBDA. OIBDA is adjusted to exclude impairment changes, AT&T transaction-related costs and restructuring charges that are not reflective of our ongoing operating performance.
7. Adjusted OIBDA margin is a non-GAAP financial measure, which we define as adjusted OIBDA (as described in Note 6 above) divided by service revenues.
8. Capital expenditures consist of amounts paid for construction and the purchase of property and equipment.
9. 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.
10. Smartphones are defined as UMTS/HSPA/HSPA+ 21/HSPA+ 42 enabled converged devices distributed by T-Mobile USA, which integrate voice and data services.

## Supplementary Operating and Financial Data – US GAAP

(thousands)	Full Year						
	Q2 2012	Q1 2012	2011	Q4 2011	Q3 2011	Q2 2011	Q1 2011
<b>Customers, end of period<sup>2</sup></b>							
Branded contract customers	21,300	21,857	22,367	22,367	23,074	23,463	23,999
Branded prepaid customers	<u>5,295</u>	<u>5,068</u>	<u>4,819</u>	<u>4,819</u>	<u>4,599</u>	<u>4,345</u>	<u>4,416</u>
<b>Total branded customers</b>	<u>26,595</u>	<u>26,925</u>	<u>27,186</u>	<u>27,186</u>	<u>27,673</u>	<u>27,808</u>	<u>28,415</u>
M2M customers	2,786	2,691	2,429	2,429	2,525	2,321	2,065
MVNO customers	<u>3,787</u>	<u>3,756</u>	<u>3,569</u>	<u>3,569</u>	<u>3,514</u>	<u>3,456</u>	<u>3,154</u>
<b>Total wholesale customers</b>	<u>6,573</u>	<u>6,448</u>	<u>5,999</u>	<u>5,999</u>	<u>6,038</u>	<u>5,777</u>	<u>5,220</u>
<b>Total T-Mobile USA customers, end of period</b>	<u><b>33,168</b></u>	<u><b>33,373</b></u>	<u><b>33,185</b></u>	<u><b>33,185</b></u>	<u><b>33,711</b></u>	<u><b>33,585</b></u>	<u><b>33,635</b></u>
<i>Thereof, contract customers</i>	24,086	24,548	24,797	24,797	25,598	25,784	26,065
<i>Thereof, prepaid customers</i>	9,082	8,824	8,389	8,389	8,113	7,801	7,570
<b>Net customer additions/(losses)<sup>2</sup></b>							
Branded contract customers	(557)	(510)	(2,206)	(706)	(389)	(536)	(574)
Branded prepaid customers	<u>227</u>	<u>249</u>	<u>321</u>	<u>220</u>	<u>254</u>	<u>(71)</u>	<u>(82)</u>
<b>Total branded customers</b>	<u>(330)</u>	<u>(262)</u>	<u>(1,885)</u>	<u>(486)</u>	<u>(135)</u>	<u>(608)</u>	<u>(656)</u>
M2M customers	95	262	556	(95)	204	256	192
MVNO customers	<u>30</u>	<u>187</u>	<u>780</u>	<u>56</u>	<u>57</u>	<u>302</u>	<u>365</u>
<b>Total wholesale customers</b>	<u>125</u>	<u>449</u>	<u>1,336</u>	<u>(40)</u>	<u>261</u>	<u>558</u>	<u>557</u>
<b>Total T-Mobile USA net customer additions/(losses)</b>	<u><b>(205)</b></u>	<u><b>187</b></u>	<u><b>(549)</b></u>	<u><b>(526)</b></u>	<u><b>126</b></u>	<u><b>(50)</b></u>	<u><b>(99)</b></u>
<i>Thereof, contract net customer additions/(losses)</i>	(462)	(248)	(1,650)	(802)	(186)	(281)	(382)
<i>Thereof, prepaid net customer additions/(losses)</i>	257	436	1,101	276	312	231	283
<i>Note: Certain customer numbers may not add due to rounding.</i>							
Branded contract churn <sup>3</sup>	2.10%	2.50%	2.70%	3.00%	2.60%	2.60%	2.60%
Branded prepaid churn <sup>3</sup>	6.00%	6.40%	6.70%	6.70%	6.50%	6.60%	7.00%
Branded churn <sup>3</sup>	2.90%	3.20%	3.30%	3.60%	3.20%	3.20%	3.30%
Contract churn <sup>3</sup>	2.20%	2.30%	2.60%	3.10%	2.40%	2.40%	2.40%
Blended churn <sup>3</sup>	3.20%	3.30%	3.60%	4.00%	3.50%	3.30%	3.40%
(\$)							
ARPU (branded contract) <sup>4</sup>	57.35	57.68	57.56	58.23	58.50	57.26	56.34
ARPU (contract) <sup>4</sup>	50.90	51.81	52.57	52.52	53.05	52.52	52.21
ARPU (branded prepaid) <sup>4</sup>	26.81	25.39	24.27	24.90	24.31	23.60	24.23
ARPU (prepaid) <sup>4</sup>	20.58	19.29	18.38	19.12	18.23	17.99	18.13
ARPU (blended) <sup>4</sup>	43.88	44.52	45.86	45.52	46.22	45.86	45.82
Data ARPU (blended) <sup>5</sup>	14.45	14.38	13.71	14.16	13.98	13.56	13.13
Data ARPU (branded) <sup>5</sup>	17.21	16.94	15.54	16.45	15.97	15.25	14.55
Data ARPU (branded contract) <sup>5</sup>	19.16	18.84	17.07	18.13	17.62	16.72	15.91
(\$ millions)							
Service revenues <sup>4</sup>	4,381	4,444	18,481	4,565	4,666	4,620	4,630
Total revenues	4,883	5,034	20,618	5,179	5,228	5,050	5,161
Adjusted OIBDA <sup>6</sup>	1,338	1,274	5,310	1,400	1,445	1,277	1,188
Adjusted OIBDA margin <sup>7</sup>	31%	29%	29%	31%	31%	28%	26%
Capital expenditures <sup>8</sup>	539	747	2,729	551	741	688	749