

## T-Mobile USA Reports Third Quarter 2012 Financial Results

### Net Customer Growth in the Third Quarter; Continued Year-on-Year Churn Improvements

**BELLEVUE, Wash., November 8, 2012** -- T-Mobile USA, Inc. ("T-Mobile") today reported its third quarter 2012 results, which demonstrate that successful execution of the Company's Challenger Strategy continues to improve performance in key operational and financial areas. T-Mobile ended the third quarter of 2012 with 33.3 million customers, a net addition of 160,000 customers compared to the second quarter of 2012. The sequential improvement was driven primarily by the continued expansion of branded prepaid customers and a reduction in branded contract net customer losses. The Company's branded prepaid customer growth was its best quarterly performance of this year and exceeded the annual growth reported in 2011.

In the quarter, the Company reported adjusted OIBDA of \$1.2 billion and an adjusted OIBDA margin of 29%, which are down sequentially and from the third quarter of 2011. As expected, third quarter 2012 adjusted OIBDA reflects higher advertising expenditures related to the Company's brand re-launch.

### Third Quarter 2012 Financial Summary

#### Customer Results

| (thousands)   | Quarter Ended        |                      |                      | Y-o-Y % $\Delta$ |
|---|----------------------|----------------------|----------------------|------------------|
|   | Sept 30, 2012        | June 30, 2012        | Sept 30, 2011        |                  |
| <b>Customers, end of period</b> <sup>1,2</sup>            |                      |                      |                      |                  |
| Branded contract customers                                | 20,809               | 21,300               | 23,074               | (10%)            |
| Branded prepaid customers                                 | 5,659                | 5,295                | 4,599                | 23%              |
| <b>Total branded customers</b>                            | <u>26,468</u>        | <u>26,595</u>        | <u>27,673</u>        | (4%)             |
| M2M customers   | 2,954                | 2,786                | 2,525                | 17%              |
| MVNO customers  | 3,905                | 3,787                | 3,514                | 11%              |
| <b>Total wholesale customers</b>                          | <u>6,859</u>         | <u>6,573</u>         | <u>6,038</u>         | 14%              |
| <b>Total T-Mobile USA customers, end of period</b>        | <u><b>33,327</b></u> | <u><b>33,168</b></u> | <u><b>33,711</b></u> | (1%)             |
| <i>Thereof, contract customers</i>                        | 23,763               | 24,086               | 25,598               | (7%)             |
| <i>Thereof, prepaid customers</i>                         | 9,564                | 9,082                | 8,113                | 18%              |
| <b>Net customer additions/(losses)</b>                    |                      |                      |                      |                  |
| Branded contract customers                                | (492)                | (557)                | (389)                | (26%)            |
| Branded prepaid customers                                 | 365                  | 227                  | 254                  | 44%              |
| <b>Total branded customers</b>                            | <u>(127)</u>         | <u>(330)</u>         | <u>(135)</u>         | 6%               |
| M2M customers   | 168                  | 95                   | 204                  | (18%)            |
| MVNO customers  | 119                  | 30                   | 57                   | 109%             |
| <b>Total wholesale customers</b>                          | <u>287</u>           | <u>125</u>           | <u>261</u>           | 10%              |
| <b>Total T-Mobile USA net customer additions/(losses)</b> | <u><b>160</b></u>    | <u><b>(205)</b></u>  | <u><b>126</b></u>    | 27%              |
| <i>Thereof, contract net customer additions/(losses)</i>  | (324)                | (462)                | (186)                | (74%)            |
| <i>Thereof, prepaid net customer additions/(losses)</i>   | 483                  | 257                  | 312                  | 55%              |

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

#### Branded Customers

- Branded prepaid net customer additions, excluding MVNO, were 365,000 in the third quarter of 2012; up from the second quarter of 2012 branded prepaid net customer additions of 227,000 and up from 254,000 in the third quarter of 2011.

- The sequential and year-on-year improvement was due to the continued popularity of the Monthly4G plans compared to traditional contract plans and competitive offers.
- Branded contract net customer losses, excluding M2M, were 492,000 in the third quarter of 2012, compared to 557,000 net customer losses in the second quarter of 2012 and 389,000 net customer losses in the third quarter of 2011.
  - Sequentially, the Company's churn reduction efforts, along with its network improvements and expanded value priced offerings, enabled it to improve its branded contract performance even with the iPhone 5 launch in September. The Company also benefitted from the strategic phase-out of certain discontinued products, which historically had higher churn. Branded contract gross adds increased by 17% compared to the second quarter.
  - Year-on-year, the increase in net branded contract customer losses was due to lower gross customer additions in line with general industry trends, partially offset by improvements in branded contract deactivations. The lower gross additions were also driven in part by the Company's credit risk optimization initiatives. Additionally, year-on-year comparisons were impacted by the timing of the iPhone 4S launch in the fourth quarter of 2011, whereas the iPhone 5 launched in the third quarter of this year.

### Wholesale

- M2M net customer additions were 168,000 in the third quarter of 2012, compared to net customer additions of 95,000 in the second quarter of 2012 and net customer additions of 204,000 in the third quarter of 2011.
  - The sequential change was driven by higher M2M customer additions and lower M2M customer deactivations. The year-on-year change was driven by higher M2M deactivations. M2M customers, which have significantly lower ARPU (averaging less than \$1) than branded contract customers, totaled 3.0 million at September 30, 2012.
- MVNO customers increased slightly in the third quarter of 2012, totaling 3.9 million customers as of September 30, 2012.
  - Sequentially MVNO net customer additions increased primarily due to higher MVNO gross customer additions. Year-on-year, MVNO net customer additions increased due primarily to fewer MVNO deactivations.

### Churn Results

|                                     | Quarter Ended |               |               |                    |
|-------------------------------------|---------------|---------------|---------------|--------------------|
|                                     | Sept 30, 2012 | June 30, 2012 | Sept 30, 2011 | Y-o-Y bps $\Delta$ |
| Branded churn <sup>3</sup>          | 3.10%         | 2.90%         | 3.20%         | -10 bps            |
| Branded contract churn <sup>3</sup> | 2.30%         | 2.10%         | 2.60%         | -30 bps            |
| Branded prepaid churn <sup>3</sup>  | 6.20%         | 6.00%         | 6.50%         | -30 bps            |

- Churn from branded customers was 3.1% in the third quarter of 2012, up 20 basis points from the second quarter of 2012 and down 10 basis points from the third quarter of 2011.
  - Sequentially, the increase in branded customer churn was driven by both higher branded contract and branded prepaid churn, due in part to seasonality as well as the competitive pressures from the iPhone 5 launch in the third quarter of 2012. Additionally, the Company historically experiences seasonally higher churn in the third quarter of each year.
  - Year-on-year, branded churn decreased as a result of churn reduction initiatives focused on improving the overall quality of the Company's branded customer base. These initiatives include credit risk

optimization efforts and re-contracting its most loyal branded contract customers. The Company'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 was 2.3% in the third quarter of 2012, up 20 basis points from the second quarter of 2012 and down 30 basis points from the third quarter of 2011.
  - The sequential increase in branded contract churn was due to seasonality and the iPhone 5 launch in the third quarter. The year-on-year improvement in branded contract churn was the result of the Company's continued churn reduction initiatives, as discussed above.
- Branded prepaid churn was 6.2% in the third quarter of 2012, up 20 basis points from the second quarter of 2012 and down 30 basis points from the third quarter of 2011.
  - The sequential increase in branded prepaid churn was due to seasonally higher churn in the third quarter of the year.
  - The year-on-year decrease in branded prepaid churn was driven primarily by the continued success of the Monthly 4G products, which have lower churn, as well as the strategic phase-out of high-churn products, such as FlexPay No Contract.

## ARPU Results

|   | Quarter Ended |               |               | Y-o-Y %Δ |
|---|---------------|---------------|---------------|----------|
|   | Sept 30, 2012 | June 30, 2012 | Sept 30, 2011 |          |
| (\$)                                      |               |               |               |          |
| ARPU (branded contract) <sup>4</sup>      | 56.59         | 57.35         | 58.50         | (3.3%)   |
| ARPU (branded prepaid) <sup>4</sup>       | 27.35         | 26.81         | 24.31         | 12.5%    |
| ARPU (blended) <sup>4</sup>               | 42.78         | 43.88         | 46.22         | (7.4%)   |
| Data ARPU (branded contract) <sup>5</sup> | 19.45         | 19.16         | 17.62         | 10.4%    |
| Data ARPU (branded) <sup>5</sup>          | 17.40         | 17.21         | 15.97         | 9.0%     |

- Branded contract Average Revenue Per User ("ARPU"), excluding M2M customers, was \$56.59 in the third quarter of 2012, down from \$57.35 in the second quarter of 2012 and down from \$58.50 in the third quarter of 2011.
  - Sequentially and year-on-year, branded contract ARPU decreased due to lower voice revenue, impacted by the shift to Value plans, which results in recording lower service revenues while recognizing higher equipment revenues at the time of sale.
  - Branded contract data ARPU was \$19.45 in the third quarter of 2012, an increase of 1.5% from the second quarter of 2012 and an increase of 10.4% from the third quarter of 2011. These increases were driven by the continued adoption of data plans and higher smartphone penetration. In addition, the sequential and year-on-year improvements were partially due to the new Unlimited Nationwide 4G Data plan introduced in the third quarter of 2012.
  - 3G/4G smartphones used by contract customers accounted for 11.8 million or 57% of total branded contract customers, compared to 11.6 million or 54% in the second quarter of 2012 and 10.1 million or 44% in the third quarter of 2011.
- Branded prepaid ARPU, excluding MVNO customers, was \$27.35 in the third quarter of 2012, up 2.0% from the second quarter of 2012 and up 12.5% from the third quarter of 2011.
  - Year-on-year, branded prepaid ARPU increased primarily due to the continued success of the Monthly4G products which have higher ARPU than the Company's Pay-As-You-Go prepaid products.

- Branded data ARPU in the third quarter of 2012 amounted to \$17.40 per branded customer, an increase of 1.1% from the second quarter of 2012 and an increase of 9.0% from the third quarter of 2011.
  - 3G/4G smartphone sales were 2.3 million units in the third quarter of 2012, up 9.5% from 2.1 million units in the second quarter of 2012 and a 27.8% increase from 1.8 million units sold in the third quarter of 2011. Smartphone sales accounted for 77% of units sold, or 94% of handset sales revenues, in the third quarter of 2012, up from 71% of units sold and 86% of handset sales revenues in the second quarter of 2012 and 52% of units sold and 77% of handset sales revenues in the third quarter of 2011. This result reflects strong sales of the Samsung Galaxy S® III in particular.
- Blended ARPU was \$42.78 in the third quarter of 2012, down from \$43.88 in the second quarter of 2012 and down from \$46.22 in the third quarter of 2011 primarily due to a change in customer mix towards Value plans, branded prepaid customers and wholesale customers, which traditionally all have lower ARPU.

## Financial Results

| (\$ millions)                             | Quarter Ended |               |               |          |
|---|---------------|---------------|---------------|----------|
|   | Sept 30, 2012 | June 30, 2012 | Sept 30, 2011 | Y-o-Y %Δ |
| Service revenues <sup>4</sup>             | 4,261         | 4,381         | 4,666         | (8.7%)   |
| Branded Revenues <sup>4</sup>             | 4,021         | 4,127         | 4,407         | (8.8%)   |
| <i>Thereof, branded contract revenues</i> | 3,571         | 3,713         | 4,081         | (12.5%)  |
| <i>Thereof, branded prepaid revenues</i>  | 450           | 414           | 326           | 38.0%    |
| Total revenues                            | 4,893         | 4,883         | 5,228         | (6.4%)   |
| Adjusted OIBDA <sup>6</sup>               | 1,226         | 1,338         | 1,445         | (15.2%)  |
| Adjusted OIBDA margin <sup>7</sup>        | 29%           | 31%           | 31%           | -2 pp    |
| Capital expenditures <sup>8</sup>         | 717           | 539           | 741           | (3.2%)   |

## Revenue

- Service revenues were \$4.3 billion in the third quarter of 2012, down 2.7% from the second quarter of 2012 and down 8.7% from the third quarter of 2011.
  - Sequentially and year-on-year, quarterly service revenues decreased 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 second quarter of 2012 and the third quarter of 2011, a result of the continued success of the Monthly4G plans. Service revenues were also negatively impacted by growth in the adoption of the Company's Value plans, which do not include subsidized handset equipment. However, handset equipment sales sold in connection with Value plans result in higher equipment revenues than traditional bundled price plans, as described below.
  - Data service revenues, including messaging, were \$1.4 billion in the third quarter of 2012, consistent with both the second quarter of 2012 and the third quarter of 2011. Data service revenues, excluding messaging revenues, accounted for over 70% of total data service revenues and increased 8.7% year-on-year.
- Total revenues, including service, equipment sales, and other revenues, were \$4.9 billion in the third quarter of 2012, consistent with the second quarter of 2012 and down from \$5.2 billion in the third quarter of 2011.
  - Compared to the third 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 the Company's Value plans and stronger smartphone sales. As a result, total revenues declined less than service revenues compared to the third quarter of 2011.

- The Company's Value plans, which were first introduced in the third quarter of 2011, 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. In the third quarter of 2012, Value plan customers accounted for over 50% of the branded contract gross additions, compared with 41% of branded contract gross additions in the second quarter of 2012. Additionally, Value plans made up 23% of the branded contract customer base at the end of the third quarter of 2012. This is up from 20% at the end of the second quarter of 2012.

### **Adjusted OIBDA and OIBDA**

- T-Mobile USA reported adjusted OIBDA of \$1.2 billion in the third quarter of 2012, down 8.4% from the second quarter of 2012 and down 15.2% from the third quarter of 2011.
  - Adjusted OIBDA in the third quarter of 2012 excludes a net benefit of \$140 million, primarily consisting of a gain associated with a spectrum swap, offset by employee severance costs as a result of restructuring initiatives announced in the first and second quarters of 2012. Adjusted OIBDA in the second quarter of 2012 excludes special transaction related charges of \$67 million consisting of employee severance costs associated with restructuring initiatives, while the third quarter of 2011 excludes special transaction related charges of \$51 million primarily consisting of employee retention benefit expenses related to the terminated AT&T transaction.
  - Sequentially, adjusted OIBDA decreased as a result of planned higher operating expenses associated with the Company's re-branding campaign and lower service revenues driven by branded customer losses. Year-on-year, adjusted OIBDA decreased as a result of lower service revenues due primarily to branded contract customer losses and increased expenses associated with the Company's rebranding initiatives. Adjusted OIBDA margin was 29% in the third quarter of 2012, down from 31% in both the second quarter of 2012 and the third quarter of 2011.
  - On October 3, 2012, Deutsche Telekom and MetroPCS announced their intent to combine T-Mobile USA and MetroPCS, which triggered an impairment assessment of indefinite-lived assets. As a result of the impairment assessment, T-Mobile USA recorded a non-cash impairment charge of \$8.1 billion related to goodwill for the quarter ended September 30, 2012. These charges have no effect on the Company's business operations, current cash balance or future cash flows.

### **Operating Expenses**

- Total operating expenses were \$12.5 billion in the third quarter of 2012 and included the impairment, restructuring charges, AT&T transaction costs, and a gain associated a spectrum swap. Excluding these non-recurring items for comparative purposes, total operating expenses were \$4.5 billion in the third quarter of 2012, up 3.0% from the second quarter of 2012 and down 0.4% from the third quarter of 2011.
  - Losses from equipment subsidies in the third quarter of 2012 were \$312 million (equipment revenues of \$554 million, less cost of equipment sales of \$866 million), consistent with the second quarter of 2012 and down 19.6% from the third quarter of 2011. The year-on-year decrease in net subsidy was due primarily to handset program changes from the Company's Value plans.

- Equipment subsidies related to customer acquisition were \$79 million in the third quarter of 2012, compared to \$83 million in the second quarter of 2012 and \$151 million in the third quarter of 2011.
- Equipment subsidies related to customer retention were \$233 million in the third quarter of 2012, compared to \$227 million in the second quarter of 2012 and \$237 million in the third quarter of 2011.
- Network expenses of \$1.1 billion in the third quarter of 2012 decreased 3.1% from the second quarter of 2012, and decreased 8.6% from the third quarter of 2011. This sequential and year-on-year decrease was due primarily to lower roaming expenses and reduced rates for providing long distance service to customers. Additionally, due to the transition to enhanced backhaul (e.g. fiber) over the past year, the Company was able to accommodate higher data volumes year-on-year without significant increases in network costs.
- Customer acquisition expenses in the third quarter of 2012 of \$823 million increased 9.6% from the second quarter of 2012 and increased 3.5% from the third quarter of 2011. Compared to the second quarter of 2012, the increase was primarily due to higher advertising expenses associated with new promotional campaigns, the Company's rebranding initiative and higher volume-based commission expenses. The year-on-year increase was due primarily to higher advertising expenses.
- General and administrative expenses in the third quarter of 2012 of \$840 million decreased 3.6% from the second quarter of 2012 and decreased 3.0% from the third quarter of 2011. The sequential decrease was due primarily to lower employee related costs associated with organizational restructuring initiatives and lower bad debt reflecting improved customer collection rates. The year-on-year decrease was primarily related to lower employee related costs. 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 \$825 million in the third quarter of 2012 were consistent sequentially and increased 12.9% from the third quarter of 2011. The year-on-year increase was primarily due to assets placed into service and accelerated depreciation related to network modernization initiatives.

### **Capital Expenditures**

- Cash capital expenditures (excluding spectrum licenses) were \$717 million in the third quarter of 2012, an increase of 33% from the second quarter of 2012 and a decrease of 3.2% from the third quarter of 2011.
  - Sequentially, higher cash capital expenditures were a result of the network modernization transformation. As a result of the network modernization initiatives, capital expenditures are expected to continue to rise in the fourth quarter of 2012 compared to the fourth quarter of 2011. Year-on-year, the decrease in cash capital expenditures was a result of payment timing differences.

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

|  | September 30,<br>2012 | December 31,<br>2011 |
|--|-----------------------|----------------------|
| <b>Assets</b>  |                       |                      |
| Current assets   |                       |                      |
| Cash and cash equivalents  | \$ 430                | \$ 390               |
| Receivables from affiliates  | 325                   | 1,820                |
| Accounts receivable, net of allowances of \$410 and \$347*, respectively                       | 2,636                 | 2,697                |
| Inventory  | 497                   | 455                  |
| Current portion of net deferred tax assets   | 669                   | 668                  |
| Other current assets   | 786                   | 572                  |
| Total current assets   | 5,343                 | 6,602                |
| Property and equipment, net of accumulated depreciation of \$17,410 and \$15,599, respectively | 12,535                | 12,703               |
| Goodwill   | -                     | 8,134                |
| Spectrum licenses  | 14,360                | 12,814               |
| Other intangible assets, net of accumulated amortization of \$237 and \$216, respectively      | 43                    | 61                   |
| Long-term investments and other assets   | 332                   | 295                  |
| Total assets   | \$ 32,613             | \$ 40,609            |
| <br><b>LIABILITIES AND STOCKHOLDER'S EQUITY</b>  |                       |                      |
| Current liabilities  |                       |                      |
| Accounts payable and accrued liabilities   | \$ 2,848              | \$ 3,058             |
| Current payables to affiliates   | 1,578                 | 1,046                |
| Other current liabilities  | 436                   | 400                  |
| Total current liabilities  | 4,862                 | 4,504                |
| Long-term payables to affiliates   | 13,620                | 15,049               |
| Deferred tax liabilities   | 3,614                 | 3,282                |
| Deferred rents and other long-term liabilities   | 2,112                 | 1,989                |
| Total long-term liabilities  | 19,346                | 20,320               |
| Stockholder's equity:  |                       |                      |
| Common stock and additional paid-in capital  | 31,600                | 31,600               |
| Accumulated other comprehensive loss   | (9)                   | (28)                 |
| Accumulated deficit  | (23,186)              | (15,787)             |
| Total stockholder's equity   | 8,405                 | 15,785               |
| Total liabilities and stockholder's equity   | \$ 32,613             | \$ 40,609            |

\* Certain prior year items have been reclassified to conform to current year presentation.

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

|   | Quarter Ended         |                  |                       |
|---|-----------------------|------------------|-----------------------|
|   | September 30,<br>2012 | June 30,<br>2012 | September 30,<br>2011 |
| <b>Revenues</b>   |                       |                  |                       |
| Branded Contract  | \$ 3,571              | \$ 3,713         | \$ 4,081              |
| Branded Prepaid   | 450                   | 414              | 326                   |
| Total Branded Revenues  | <u>4,021</u>          | <u>4,127</u>     | <u>4,407</u>          |
| Wholesale   | 134                   | 143              | 116                   |
| Roaming and other services  | 106                   | 111              | 143                   |
| Total Service Revenues  | <u>4,261</u>          | <u>4,381</u>     | <u>4,666</u>          |
| Equipment sales   | 554                   | 435              | 485                   |
| Other revenues  | 78                    | 67               | 77                    |
| Total revenues  | <u>4,893</u>          | <u>4,883</u>     | <u>5,228</u>          |
| <b>Operating expenses</b>   |                       |                  |                       |
| Network, excluding depreciation and amortization                            | 1,141                 | 1,178            | 1,249                 |
| Cost of equipment sales   | 866                   | 745              | 873                   |
| Customer acquisition, excluding depreciation and amortization               | 823                   | 751              | 795                   |
| General and administrative, excluding depreciation and amortization         | 840                   | 871              | 866                   |
| Depreciation and amortization   | 825                   | 819              | 731                   |
| Impairment charges  | 8,134                 | -                | -                     |
| Restructuring costs   | 36                    | 48               | -                     |
| Other, net  | (179)                 | 19               | 51                    |
| Total operating expenses*   | <u>12,486</u>         | <u>4,431</u>     | <u>4,565</u>          |
| Operating (loss) income   | <u>(7,593)</u>        | <u>452</u>       | <u>663</u>            |
| Other expense, net  | (130)                 | (110)            | (137)                 |
| (Loss) income before income taxes   | <u>(7,723)</u>        | <u>342</u>       | <u>526</u>            |
| Income tax expense  | (83)                  | (135)            | (194)                 |
| Net (loss) income   | <u>(7,806)</u>        | <u>207</u>       | <u>332</u>            |
| <b>Other comprehensive (loss) income, net of tax:</b>                       |                       |                  |                       |
| Unrealized gain (loss) on cash flow hedges and foreign currency translation | 23                    | (30)             | (56)                  |
| Unrealized gain (loss) on available-for-sale securities                     | 1                     | (2)              | (1)                   |
| Total comprehensive (loss) income   | <u>\$ (7,782)</u>     | <u>\$ 175</u>    | <u>\$ 275</u>         |

\* Certain prior year items have been reclassified to conform to current year presentation.



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

|   | Quarter Ended         |                  |                       |
|---|-----------------------|------------------|-----------------------|
|   | September 30,<br>2012 | June 30,<br>2012 | September 30,<br>2011 |
| <b>Operating activities</b>   |                       |                  |                       |
| Net (loss) income   | \$ (7,806)            | \$ 207           | \$ 332                |
| Adjustments to reconcile net (loss) income to net cash provided by operating activities |                       |                  |                       |
| Impairment charges  | 8,134                 | -                | -                     |
| Depreciation and amortization   | 825                   | 819              | 731                   |
| Income tax expense  | 83                    | 135              | 194                   |
| Bad debt expense  | 202                   | 218              | 169                   |
| Other, net  | (159)                 | (8)              | 7                     |
| Changes in operating assets and liabilities   |                       |                  |                       |
| Accounts receivable   | (282)                 | (258)            | (320)                 |
| Inventory   | (53)                  | (20)             | (41)                  |
| Other current and non-current assets  | (54)                  | 16               | (25)                  |
| Accounts payable and accrued liabilities  | (82)                  | (221)            | 137                   |
| Accrued liabilities related to restructuring and AT&T transaction-related costs         | (10)                  | (9)              | 43                    |
| Net cash provided by operating activities   | <u>798</u>            | <u>879</u>       | <u>1,227</u>          |
| <b>Investing activities</b>   |                       |                  |                       |
| Purchases of property and equipment   | (717)                 | (539)            | (741)                 |
| Expenditures related to spectrum licenses   | (369)                 | (6)              | (7)                   |
| Short-term affiliate loan receivable, net   | 280                   | (298)            | (425)                 |
| Other, net  | 16                    | 7                | 23                    |
| Net cash used in investing activities   | <u>(790)</u>          | <u>(836)</u>     | <u>(1,150)</u>        |
| <b>Financing activities:</b>  |                       |                  |                       |
| Other, net  | (1)                   | 1                | -                     |
| Net cash (used in) provided by financing activities                                     | <u>(1)</u>            | <u>1</u>         | <u>-</u>              |
| Change in cash and cash equivalents   | 7                     | 44               | 77                    |
| <b>Cash and cash equivalents</b>  |                       |                  |                       |
| Beginning of period   | 423                   | 379              | 344                   |
| End of period   | <u>\$ 430</u>         | <u>\$ 423</u>    | <u>\$ 421</u>         |

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:

|   | Q3<br>2012        | Q2<br>2012    | Q1<br>2012    | Full Year<br>2011 | Q4<br>2011        | Q3<br>2011    | Q2<br>2011    | Q1<br>2011    |
|---|-------------------|---------------|---------------|-------------------|-------------------|---------------|---------------|---------------|
| Adjusted OIBDA  | \$ 1,226          | \$ 1,338      | \$ 1,274      | \$ 5,310          | \$ 1,400          | \$ 1,445      | \$ 1,277      | \$ 1,188      |
| Depreciation and amortization   | (825)             | (819)         | (747)         | (2,982)           | (761)             | (731)         | (755)         | (735)         |
| Adjusted operating income (excl. impairment, restructuring and other transaction-related costs) | 401               | 519           | 527           | 2,328             | 639               | 714           | 522           | 453           |
| Impairment charges  | (8,134)           | -             | -             | (6,420)           | (6,420)           | -             | -             | -             |
| Restructuring costs   | (36)              | (48)          | (6)           | -                 | -                 | -             | -             | -             |
| Other transactions*   | 176               | (19)          | (24)          | (187)             | (123)             | (51)          | (13)          | -             |
| Operating (loss) income   | <u>\$ (7,593)</u> | <u>\$ 452</u> | <u>\$ 497</u> | <u>\$ (4,279)</u> | <u>\$ (5,904)</u> | <u>\$ 663</u> | <u>\$ 509</u> | <u>\$ 453</u> |

*\*Represents AT&T transaction-related costs incurred from the now terminated AT&T acquisition of T-Mobile USA, Inc. from Deutsche Telekom from Q2 2011 to Q3 2012, and a net gain from a spectrum swap transacted in Q3 2012. Other transactions may not agree in total to the Other, net classification in the Statement of Operations due to certain routine operating activities that are not excluded from Adjusted OIBDA.*

### 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 third quarter of 2012, approximately 131 million mobile customers were served by the mobile communication segments of the Deutsche Telekom group — 33.3 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 branded 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.

Branded revenues include contract and prepaid revenues, and do not include wholesale (M2M and MVNO), roaming, other service revenues, equipment sales, and other 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 transactions that are not reflective of our ongoing operating performance and is detailed in the Reconciliation of Non-GAAP Financials Measures to GAAP Financial Measures schedule.
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     |               |               |                |               |               |               |               |
|--|---------------|---------------|---------------|----------------|---------------|---------------|---------------|---------------|
|  | Q3 2012       | Q2 2012       | Q1 2012       | 2011           | Q4 2011       | Q3 2011       | Q2 2011       | Q1 2011       |
| <b>Customers, end of period</b> <sup>1,2</sup>                     |               |               |               |                |               |               |               |               |
| Branded contract customers   | 20,809        | 21,300        | 21,857        | 22,367         | 22,367        | 23,074        | 23,463        | 23,999        |
| Branded prepaid customers  | 5,659         | 5,295         | 5,068         | 4,819          | 4,819         | 4,599         | 4,345         | 4,416         |
| <b>Total branded customers</b>                                     | <b>26,468</b> | <b>26,595</b> | <b>26,925</b> | <b>27,186</b>  | <b>27,186</b> | <b>27,673</b> | <b>27,808</b> | <b>28,415</b> |
| M2M customers  | 2,954         | 2,786         | 2,691         | 2,429          | 2,429         | 2,525         | 2,321         | 2,065         |
| MVNO customers   | 3,905         | 3,787         | 3,756         | 3,569          | 3,569         | 3,514         | 3,456         | 3,154         |
| <b>Total wholesale customers</b>                                   | <b>6,859</b>  | <b>6,573</b>  | <b>6,448</b>  | <b>5,999</b>   | <b>5,999</b>  | <b>6,038</b>  | <b>5,777</b>  | <b>5,220</b>  |
| <b>Total T-Mobile USA customers, end of period</b>                 | <b>33,327</b> | <b>33,168</b> | <b>33,373</b> | <b>33,185</b>  | <b>33,185</b> | <b>33,711</b> | <b>33,585</b> | <b>33,635</b> |
| <i>Thereof, contract customers</i>                                 | <i>23,763</i> | <i>24,086</i> | <i>24,548</i> | <i>24,797</i>  | <i>24,797</i> | <i>25,598</i> | <i>25,784</i> | <i>26,065</i> |
| <i>Thereof, prepaid customers</i>                                  | <i>9,564</i>  | <i>9,082</i>  | <i>8,824</i>  | <i>8,389</i>   | <i>8,389</i>  | <i>8,113</i>  | <i>7,801</i>  | <i>7,570</i>  |
| <b>Net customer additions/(losses)</b> <sup>2</sup>                |               |               |               |                |               |               |               |               |
| Branded contract customers   | (492)         | (557)         | (510)         | (2,206)        | (706)         | (389)         | (536)         | (574)         |
| Branded prepaid customers  | 365           | 227           | 249           | 321            | 220           | 254           | (71)          | (82)          |
| <b>Total branded customers</b>                                     | <b>(127)</b>  | <b>(330)</b>  | <b>(262)</b>  | <b>(1,885)</b> | <b>(486)</b>  | <b>(135)</b>  | <b>(608)</b>  | <b>(656)</b>  |
| M2M customers  | 168           | 95            | 262           | 556            | (95)          | 204           | 256           | 192           |
| MVNO customers   | 119           | 30            | 187           | 780            | 56            | 57            | 302           | 365           |
| <b>Total wholesale customers</b>                                   | <b>287</b>    | <b>125</b>    | <b>449</b>    | <b>1,336</b>   | <b>(40)</b>   | <b>261</b>    | <b>558</b>    | <b>557</b>    |
| <b>Total T-Mobile USA net customer additions/(losses)</b>          | <b>160</b>    | <b>(205)</b>  | <b>187</b>    | <b>(549)</b>   | <b>(526)</b>  | <b>126</b>    | <b>(50)</b>   | <b>(99)</b>   |
| <i>Thereof, contract net customer additions/(losses)</i>           | <i>(324)</i>  | <i>(462)</i>  | <i>(248)</i>  | <i>(1,650)</i> | <i>(802)</i>  | <i>(186)</i>  | <i>(281)</i>  | <i>(382)</i>  |
| <i>Thereof, prepaid net customer additions/(losses)</i>            | <i>483</i>    | <i>257</i>    | <i>436</i>    | <i>1,101</i>   | <i>276</i>    | <i>312</i>    | <i>231</i>    | <i>283</i>    |
| <i>Note: Certain customer numbers may not add due to rounding.</i> |               |               |               |                |               |               |               |               |
| Branded contract churn <sup>3</sup>                                | 2.30%         | 2.10%         | 2.50%         | 2.70%          | 3.00%         | 2.60%         | 2.60%         | 2.60%         |
| Branded prepaid churn <sup>3</sup>                                 | 6.20%         | 6.00%         | 6.40%         | 6.70%          | 6.70%         | 6.50%         | 6.60%         | 7.00%         |
| Branded churn <sup>3</sup>   | 3.10%         | 2.90%         | 3.20%         | 3.30%          | 3.60%         | 3.20%         | 3.20%         | 3.30%         |
| Contract churn <sup>3</sup>  | 2.30%         | 2.20%         | 2.30%         | 2.60%          | 3.10%         | 2.40%         | 2.40%         | 2.40%         |
| Blended churn <sup>3</sup>   | 3.40%         | 3.20%         | 3.30%         | 3.60%          | 4.00%         | 3.50%         | 3.30%         | 3.40%         |
| (\$)   |               |               |               |                |               |               |               |               |
| ARPU (branded contract) <sup>4</sup>                               | 56.59         | 57.35         | 57.68         | 57.56          | 58.23         | 58.50         | 57.26         | 56.34         |
| ARPU (contract) <sup>4</sup>                                       | 49.95         | 50.90         | 51.81         | 52.57          | 52.52         | 53.05         | 52.52         | 52.21         |
| ARPU (branded prepaid) <sup>4</sup>                                | 27.35         | 26.81         | 25.39         | 24.27          | 24.90         | 24.31         | 23.60         | 24.23         |
| ARPU (prepaid) <sup>4</sup>  | 20.60         | 20.58         | 19.29         | 18.38          | 19.12         | 18.23         | 17.99         | 18.13         |
| ARPU (blended) <sup>4</sup>  | 42.78         | 43.88         | 44.52         | 45.86          | 45.52         | 46.22         | 45.86         | 45.82         |
| Data ARPU (blended) <sup>5</sup>                                   | 14.53         | 14.45         | 14.38         | 13.71          | 14.16         | 13.98         | 13.56         | 13.13         |
| Data ARPU (branded) <sup>5</sup>                                   | 17.40         | 17.21         | 16.94         | 15.54          | 16.45         | 15.97         | 15.25         | 14.55         |
| Data ARPU (branded contract) <sup>5</sup>                          | 19.45         | 19.16         | 18.84         | 17.07          | 18.13         | 17.62         | 16.72         | 15.91         |
| (\$ millions)  |               |               |               |                |               |               |               |               |
| Service revenues <sup>4</sup>                                      | 4,261         | 4,381         | 4,444         | 18,481         | 4,565         | 4,666         | 4,620         | 4,630         |
| Total revenues   | 4,893         | 4,883         | 5,034         | 20,618         | 5,179         | 5,228         | 5,050         | 5,161         |
| Adjusted OIBDA <sup>6</sup>  | 1,226         | 1,338         | 1,274         | 5,310          | 1,400         | 1,445         | 1,277         | 1,188         |
| Adjusted OIBDA margin <sup>7</sup>                                 | 29%           | 31%           | 29%           | 29%            | 31%           | 31%           | 28%           | 26%           |
| Capital expenditures <sup>8</sup>                                  | 717           | 539           | 747           | 2,729          | 551           | 741           | 688           | 749           |