T-Mobile USA Reports Fourth Quarter 2012 Financial Results

Successful Execution of Challenger Strategy Leads to Improved Customer Development and Reduced Churn

BELLEVUE, Wash. – February 28, 2013 – T-Mobile USA, Inc. ("T-Mobile") today reported its fourth quarter 2012 results which were highlighted by a year-on-year increase in net customers, improvement in branded contract churn, the continued investment in more customer-focused Value plans and an accelerated network modernization program. T-Mobile ended the fourth quarter of 2012 with 33.4 million customers, representing net additions of 61,000 customers compared to the prior quarter and 203,000 more customers than the end of 2011. The sequential and year-on-year improvement in net customer additions was driven primarily by the continued expansion of the branded prepaid and wholesale segments, in particular, with growth from the Mobile Virtual Network Operator (MVNO) component of the wholesale segment, and a year-on-year improvement in branded contract churn.

In the quarter, the Company reported adjusted OIBDA of $1.0 billion, compared to $1.2 billion in the prior quarter and $1.4 billion in the fourth quarter of 2011. As expected, the decline in fourth quarter 2012 adjusted OIBDA reflects higher advertising and promotional expenditures related to the Company's brand re-launch, partially offset by benefits from continued cost management programs in operational areas such as network optimization and overall Company overhead.

Fourth Quarter 2012 Financial Summary

Customer Results

	Quarter Ended			
(thousands)	Dec 31, 2012	Sept 30, 2012	Dec 31, 2011	Y-o-Y %∆
Customers, end of period [1,2]				
Branded contract customers	20,293	20,809	22,367	(9%)
Branded prepaid customers	5,826	5,659	4,819	21%
Total branded customers	26,119	26,468	27,186	(4%)
M2M customers	3,090	2,954	2,429	27%
MVNO customers	4,180	3,905	3,569	17%
Total wholesale customers	7,270	6,859	5,999	21%
Total T-Mobile USA customers, end of period	**33,389**	**33,327**	**33,185**	1%
Thereof, contract customers	*23,383*	*23,763*	*24,797*	*(6%)*
Thereof, prepaid customers	*10,006*	*9,564*	*8,389*	*19%*
Net customer additions/(losses)				
Branded contract customers	(515)	(492)	(706)	27%
Branded prepaid customers	166	365	220	(25%)
Total branded customers	(349)	(127)	(486)	28%
M2M customers	135	168	(95)	NM
MVNO customers	275	119	56	NM
Total wholesale customers	410	287	(40)	NM
Total T-Mobile USA net customer additions/(losses)	**61**	**160**	**(526)**	NM
Thereof, contract net customer additions/(losses)	*(380)*	*(324)*	*(802)*	*53%*
Thereof, prepaid net customer additions/(losses)	*441*	*483*	*276*	*60%*

NM - Not meaningful
Note: Certain customer numbers may not add due to rounding.

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Branded Customers

- Branded contract net customer losses, were 515,000 in the fourth quarter of 2012, compared to 492,000 in the third quarter of 2012 and 706,000 in the fourth quarter of 2011.
  - Sequentially, branded contract gross additions increased by 5% to over 1 million. The Company's churn reduction efforts including its network improvements and expanded value priced offerings continue to have positive impacts on customer deactivations. However, aggressive competitor promotions and the iPhone 5 launch in late September drove a slight increase in branded contract customer losses quarter-over-quarter.
  - Year-on-year, the significant improvement in the fourth quarter branded contract net customer losses was due to fewer branded contract deactivations resulting from significant customer retention programs in the quarter, partially offset by lower gross customer additions. The lower gross additions were in part a result of the Company's credit risk optimization initiatives introduced earlier in 2012.
- Branded prepaid net customer additions, were 166,000 in the fourth quarter of 2012; down from 365,000 in the third quarter of 2012 and down from 220,000 in the fourth quarter of 2011.
  - The Monthly4G plans continue to be popular with branded prepaid gross additions up significantly year-on-year and stable compared to the third quarter of 2012. The overall sequential and year-on-year decline in net customer additions were due to increased churn related to aggressive handset pricing, unlimited data rate plan offerings from competitors and a maturing Monthly 4G customer base.

Wholesale

- The Company's wholesale base, which includes the M2M and MVNO customer segments, had net customer additions of 410,000 in the fourth quarter of 2012, compared to 287,000 additions in the third quarter of 2012 and net losses of 40,000 in the fourth quarter of 2011.
  - The M2M customer segment, which has significantly lower ARPU than branded contract customers, had net customer additions of 135,000 for the quarter and totaled 3.1 million customers at the end of the fourth quarter of 2012, an increase of 27% compared to the end of 2011.
  - The MVNO customer segment experienced net customer additions of 275,000 in the fourth quarter of 2012 and was up significantly from the 119,000 additions in the third quarter of 2012. This increase was due in part to the launch of new MVNO partners, such as Spot Mobile, Solavei and UltraMobile and from higher activation volumes from existing MVNO partners driven in part by growth in the government-subsidized Lifeline support program.

Churn Results

	Quarter Ended			
	Dec 31, 2012	**Sept 30, 2012**	**Dec 31, 2011**	**Y-o-Y bps∆**
Branded churn[3]	3.50%	3.10%	3.60%	-10 bps
Branded contract churn[3]	2.50%	2.30%	3.00%	-50 bps
Branded prepaid churn[3]	7.00%	6.20%	6.70%	+30 bps

- Branded customer churn was 3.5% in the fourth quarter of 2012, up 40 basis points from the third quarter of 2012 but an improvement of 10 basis points from the fourth quarter of 2011.
  - Branded contract churn of 2.5% in the fourth quarter of 2012 increased 20 basis points from the prior quarter but improved 50 basis points from the fourth quarter of 2011.

  - The sequential increase in branded contract churn was due to seasonality and the launch of the iPhone 5 by competitors late in the third quarter of 2012.
  - Year-on-year, branded contract churn decreased as a result of initiatives focused on improving the overall quality of the Company's branded contract customer base. These initiatives include credit risk optimization programs and efforts in re-contracting the Company's most loyal branded contract customers.
- Branded prepaid churn of 7.0% in the fourth quarter of 2012 increased 80 basis points from the third quarter of 2012 and 30 basis points from the fourth quarter of 2011.
  - The sequential increase in branded prepaid churn was primarily due to impacts from the iPhone 5 launch and aggressive pricing on unlimited data plans and promotional handset pricing by competitors.
  - The year-on-year increase in branded prepaid churn was driven primarily by higher churn from a maturing Monthly 4G customer base and a more competitive environment in this market segment.

ARPU Results

	Quarter Ended			
	Dec 31, 2012	Sept 30, 2012	Dec 31, 2011	Y-o-Y %Δ
($)				
ARPU (branded contract) [4]	55.47	56.59	58.23	(4.7%)
ARPU (branded prepaid) [4]	27.69	27.35	24.90	11.2%
ARPU (blended) [4]	41.31	42.78	45.52	(9.2%)
Data ARPU (branded contract) [5]	20.07	19.45	18.13	10.7%
Data ARPU (branded) [5]	17.83	17.40	16.45	8.4%

- Branded contract Average Revenue Per User (ARPU), was $55.47 in the fourth quarter of 2012, down from $56.59 in the third quarter of 2012 and down from $58.23 in the fourth quarter of 2011.
  - Sequentially and year-on-year, branded contract ARPU declined primarily due to lower voice revenues which was due in part to a customer shift to the Company's Value plans. Value plans result in recording lower service revenues from lower monthly recurring charges while recognizing higher equipment revenues at the time of sale.
  - Branded contract data ARPU was $20.07 in the fourth quarter of 2012 which increased 3.2% from the prior quarter and increased 10.7% from the fourth quarter of 2011. The overall increases were the result of higher smartphone penetration and customer's continued adoption of data plans including the successful introduction of the Company's Unlimited Nationwide 4G Data plan in the third quarter of 2012.
  - At the end of the fourth quarter 2012, non-iPhone 3G/4G smartphones used by branded contract customers accounted for 12.4 million or 61% of total branded contract customers compared to 11.8 million or 57% at the end of the third quarter of 2012 and 11 million or 49% in the fourth quarter of 2011. In addition to the Company's branded customer smartphones, the Company's network supported 1.8 million iPhone customers at the end of the fourth quarter of 2012, of which, 900,000 were branded contract customers using the "bring your own device" (BYOD) program. The total number of iPhones at the end of the fourth quarter of 2012 includes customers in the Company's MVNO base. When the 900,000 branded contract customers using BYOD iPhones are included, over 66% of the T-Mobile branded contract customers are using smartphones as of year end.
- Branded prepaid ARPU, was $27.69 in the fourth quarter of 2012, up 1.2% from the third quarter of 2012 and up 11.2% from the fourth 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 fourth quarter of 2012 was $17.83 per branded customer, an increase of 2.5% from the third quarter of 2012 and an increase of 8.4% from the fourth quarter of 2011.
  - 3G/4G smartphone sales were 2.8 million units in the fourth quarter of 2012, up 21.7% from 2.3 million units in the prior quarter and a 7.7% increase from 2.6 million units sold in the fourth quarter of 2011. Smartphone sales accounted for 79% of units sold, and 95% of handset sales revenues in the fourth quarter of 2012, up from 77% of units sold and 94% of handset sales revenues in the prior quarter and 73% of units sold and 92% of handset sales revenues in the fourth quarter of 2011. This result reflects strong sales of the Samsung Galaxy S® III, in particular.
- Blended ARPU was $41.31 in the fourth quarter of 2012, down from $42.78 in the third quarter of 2012 and down from $45.52 in the fourth quarter of 2011. These declines are primarily due to customer shifts towards Value plans and branded prepaid programs and increases in wholesale customers. Branded prepaid, wholesale and Value plan customers now make up 57% of the customer base compared to 52% in the prior quarter and 40% in the fourth quarter of 2011.

Financial Results

	Quarter Ended			
($ millions)	Dec 31, 2012	Sept 30, 2012	Dec 31, 2011	Y-o-Y %Δ
Service revenues[4]	4,127	4,261	4,565	(9.6%)
Branded Revenues[4]	3,890	4,021	4,316	(9.9%)
Thereof, branded contract revenues	*3,416*	*3,571*	*3,966*	(13.9%)
Thereof, branded prepaid revenues	*474*	*450*	*350*	35.4%
Total revenues	4,909	4,893	5,179	(5.2%)
Adjusted OIBDA[6]	1,048	1,226	1,400	(25.1%)
Adjusted OIBDA margin[7]	25%	29%	31%	-6 pp
Capital expenditures[8]	898	717	551	63.0%

Revenue

- Service revenues were $4.1 billion in the fourth quarter of 2012, down 3.1% from the third quarter of 2012 and down 9.6% from the fourth quarter of 2011.
  - Sequentially and year-on-year, quarterly service revenues decreased primarily due to branded contract customer losses. The decrease, however, was partially offset by the increased adoption of data plans in both the contract and prepaid customer base. Additionally, branded prepaid revenues increased compared to the prior quarter and the fourth quarter of 2011 as a result of the continued success of the Monthly4G plans. Adoption of the Company's Value plans, which do not include handset equipment subsidies, adversely impacts service revenues but results in higher equipment revenues when compared to traditional bundled pricing plans.
  - Data service revenues, including messaging, were $1.5 billion in the fourth quarter of 2012, consistent with both the prior quarter and the fourth quarter of 2011. Data service revenues in the fourth quarter of 2012, excluding messaging revenues, accounted for over 70% of total data service revenues and increased 10.5% year-on-year.
- Total revenues, including service, equipment sales, and other revenues, were $4.9 billion in the fourth quarter of 2012, up slightly from the third quarter of 2012 but declined from $5.2 billion in the fourth quarter of 2011.

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- Total revenues declined less than service revenues compared to the fourth quarter of 2011 despite losses in branded contract customers as equipment revenues increased year-on-year due to stronger smartphone sales and handset program changes in connection with the Company's Value plans.
- 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. This results in a reduction of initial subsidies and benefits adjusted OIBDA and net income within the quarter of purchase. 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 have lower monthly recurring charges which result in lower service revenues over the service contract period, while recognizing higher equipment revenues at the time of the sale. In the fourth quarter of 2012, Value plan customers accounted for over 50% of the branded contract gross additions, which is consistent with the third quarter of 2012. Additionally, Value plans made up 30% of the branded contract customer base at the end of the fourth quarter of 2012. This is up from 23% at the end of the third quarter of 2012.

Adjusted OIBDA and OIBDA

- The Company reported adjusted OIBDA of $1.0 billion in the fourth quarter of 2012, compared to $1.2 billion in the third quarter of 2012 and $1.4 billion in the fourth quarter of 2011. Adjusted OIBDA margin was 25% in the fourth quarter of 2012, down from 29% in the third quarter of 2012 and 31% in the fourth quarter of 2011.
  - Adjusted OIBDA in the fourth quarter of 2012 excludes one-time non-recurring expenses of $5 million, primarily related to spectrum exchanges and transaction related activities. The prior quarter excludes a net benefit of $140 million, primarily as a result of a spectrum swap gain that was partially offset by costs associated with restructuring initiatives. The fourth quarter of 2011 excludes special transaction related charges of $123 million primarily related to the terminated AT&T transaction.
  - Sequentially, adjusted OIBDA decreased primarily as a result of planned higher advertising expenses associated with the Company's re-branding initiatives and lower service revenues. 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.

Operating Expenses

- Total operating expenses were $4.7 billion in the fourth quarter of 2012 and included non-recurring costs associated with spectrum exchanges and acquisition related activities. Excluding these non-recurring items, total operating expenses in the fourth quarter 2012 increased $220 million or 4.9% from the third quarter of 2012 and increased $157 million or 3.4% from the fourth quarter of 2011. Sequentially and year-on-year, the increase is primarily attributable to higher advertising expenses partially offset by benefits from continued cost management programs in operational areas such as network optimization, customer roaming, improved customer collection rates, and better management of customer acquisition and retention costs.
  - Losses from equipment subsidies in the fourth quarter of 2012 were $263 million (equipment revenues of $718 million, less cost of equipment sales of $981 million), down 15.7% from the prior quarter and down 19.1% from the fourth quarter of 2011. The quarter-on-quarter decrease in net subsidies is primarily the result of increased margin per unit from sales of more expensive smartphone devices. The year-on-year decrease in net subsidies was due primarily to handset program changes from the Company's Value plans.

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- Equipment subsidies related to customer acquisition were $23 million in the fourth quarter of 2012, compared to $79 million in the prior quarter and $108 million in the fourth quarter of 2011. The decreasing trend in equipment subsidies is primarily attributable to the increase in Value plan activations and associated unsubsidized smartphone sales.
- Equipment subsidies related to customer retention were $240 million in the fourth quarter of 2012, compared to $233 million in the prior quarter and $218 million in the fourth quarter of 2011. Sequentially and year-on-year, the increase in equipment subsidies is primarily due to the increase in handset sales in indirect retail channels and the associated incentive payments to dealers.

- Network expenses of $1.1 billion in the fourth quarter of 2012, were consistent with the prior quarter and decreased 4.7% from the fourth quarter of 2011. This year-on-year decrease was due primarily to lower roaming expenses and reduced rates for providing long distance service to customers partially offset by increased lease expenses associated with network modernization. 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 of $963 million in the fourth quarter of 2012 increased 17.0% from the prior quarter and 17.3% from the fourth quarter of 2011. Compared to the prior quarter and fourth quarter 2011, the increase was primarily due to higher advertising expenses associated with new promotional campaigns and the Company's rebranding initiatives.
- General and administrative expenses of $829 million in the fourth quarter of 2012 were slightly lower than the prior quarter and decreased 7.9% from the fourth quarter of 2011. The year-on-year decrease was primarily due to lower bad debt expense related to improved customer collection rates from credit optimization initiatives.
- Depreciation and amortization expenses of $796 million in the fourth quarter of 2012 decreased 3.5% from the prior quarter and increased 4.6% from the fourth quarter of 2011. The year-on-year increase was primarily due to assets placed into service and accelerated depreciation related to network modernization initiatives. Sequentially, depreciation expense was lower driven by changes in the deployment schedule of the Company's ongoing network modernization efforts.

Capital Expenditures

- Cash capital expenditures (excluding spectrum licenses) were $898 million in the fourth quarter of 2012, compared to $717 million in the third quarter of 2012 and $551 million in the fourth quarter of 2011.
  - Sequentially and year-on-year, higher cash capital expenditures were a result of the network modernization transformation.

Other Transactions

- During the fourth quarter of 2012, T-Mobile conveyed to Crown Castle International Corp. ("CCI") the exclusive rights to manage and operate approximately 7,100 T-Mobile owned wireless communication tower sites. In exchange, T-Mobile received net proceeds of $2.5 billion of which the Company subsequently distributed $2.4 billion as an equity distribution to its parent, Deutsche Telekom. T-Mobile contemporaneously entered into a lease back for part of the space at each of the tower sites required for continued operation of T-Mobile's network equipment installed at the sites. Under US GAAP accounting rules pertaining to sales of real estate operations, T-Mobile was precluded from derecognizing the tower assets and the transaction has been accounted for as a financing. As a result, during the fourth quarter of 2012, T-Mobile recorded on its balance sheet a long-term financial obligation in the amounts of the cash proceeds from CCI.

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Condensed Consolidated Balance Sheets

(dollars in millions)

(unaudited)

	December 31, 2012	December 31, 2011
Assets		
Current assets		
Cash and cash equivalents	$ 394	$ 390
Accounts receivable, net of allowances of $289 and $347, respectively	2,678	2,697
Accounts receivables from affiliates	682	1,820
Inventory	457	455
Current portion of net deferred tax assets, net	655	668
Other current assets	675	572
Total current assets	5,541	6,602
Property and equipment, net of accumulated depreciation of $17,744 and $15,599, respectively	12,807	12,703
Goodwill	-	8,134
Spectrum licenses	14,550	12,814
Other intangible assets, net of accumulated amortization of $243 and $216, respectively	79	61
Long-term investments and other assets	645	295
Total assets	$ 33,622	$ 40,609
Liabilities and Stockholder's equity		
Current liabilities		
Accounts payable and accrued liabilities	$ 3,475	$ 3,058
Current payables to affiliates	1,619	1,046
Deferred revenue	290	257
Other current liabilities	208	143
Total current liabilities	5,592	4,504
Long-term payables to affiliates	13,655	15,049
Long-term financial obligation	2,461	-
Deferred tax liabilities	3,618	3,282
Deferred rents	1,884	1,672
Other long-term liabilities	297	317
Total long-term liabilities	21,915	20,320
Stockholder's equity		
Common stock and additional paid-in capital	29,197	31,600
Accumulated other comprehensive income (loss)	41	(28)
Accumulated deficit	(23,123)	(15,787)
Total stockholder's equity	6,115	15,785
Total liabilities and stockholder's equity	$ 33,622	$ 40,609

T-MOBILE USA

Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)

(dollars in millions)

(unaudited)

	Quarter Ended			Year Ended	
	December 31, 2012	September 30, 2012	December 31, 2011	December 31, 2012	December 31, 2011
Revenues					
Branded contract revenues	$ 3,416	$ 3,571	$ 3,966	$ 14,521	$ 16,230
Branded prepaid revenues	474	450	350	1,715	1,307
Total branded revenues	3,890	4,021	4,316	16,236	17,537
Wholesale revenues	137	134	128	544	443
Roaming and other service revenues	100	106	121	433	501
Total service revenues	4,127	4,261	4,565	17,213	18,481
Equipment sales	718	554	549	2,242	1,901
Other revenues	64	78	65	264	236
Total revenues	4,909	4,893	5,179	19,719	20,618
Operating expenses					
Network costs, excluding depreciation and amortization	1,146	1,141	1,202	4,661	4,952
Cost of equipment sales	981	866	874	3,437	3,646
Customer acquisition, excluding depreciation and amortization	963	823	821	3,286	3,185
General and administrative, excluding depreciation and amortization	829	840	900	3,510	3,543
Depreciation and amortization	796	825	761	3,187	2,982
Impairment charges	-	8,134	6,420	8,134	6,420
Restructuring costs	(5)	36	-	85	-
Other, net*	(48)	(179)	105	(184)	169
Total operating expenses	4,662	12,486	11,083	26,116	24,897
Operating income (loss)	247	(7,593)	(5,904)	(6,397)	(4,279)
Other expense, net	(177)	(130)	(178)	(589)	(655)
Income (loss) before income taxes	70	(7,723)	(6,082)	(6,986)	(4,934)
Income tax (expense) benefit	(78)	(12)	685	(350)	216
Net (loss)	$ (8)	$ (7,735)	$ (5,397)	$ (7,336)	$ (4,718)
Other comprehensive income, net of tax					
Unrealized gain on cash flow hedges and foreign currency translation	49	23	94	68	2
Unrealized gain on available-for-sale securities	1	1	-	1	9
Total comprehensive income (loss)	$ 42	$ (7,711)	$ (5,303)	$ (7,267)	$ (4,707)

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

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Condensed Consolidated Statements of Cash Flows
(dollars in millions)
(unaudited)

	Year Ended	
	December 31, 2012	December 31, 2011
Operating activities		
Net (loss)	$ (7,336)	$ (4,718)
Adjustments to reconcile net (loss) to net cash provided by operating activities		
Impairment charges	8,134	6,420
Depreciation and amortization	3,187	2,982
Income tax expense (benefit)	350	(216)
Amortization of debt discount and premium, net	(81)	(84)
Bad debt expense	702	713
Deferred rent expense	206	218
(Gains)/losses and other, net	(258)	(43)
Changes in operating assets and liabilities		
Accounts receivable	(700)	(558)
Inventory	(2)	166
Other current and long-term assets	(316)	(182)
Accounts payable and accrued liabilities	(24)	282
Net cash provided by operating activities	3,862	4,980
Investing activities		
Purchases of property and equipment	(2,901)	(2,729)
Expenditures related to spectrum licenses	(387)	(23)
Short-term affiliate loan receivable, net	(651)	(2,005)
Other, net	24	58
Net cash used in investing activities	(3,915)	(4,699)
Financing activities		
Proceeds from financial obligation	2,469	-
Repayments to financial obligation	(9)	-
Equity distribution to affiliate	(2,403)	-
Other, net	-	-
Net cash provided by financing activities	57	-
Change in cash and cash equivalents	4	281
Cash and cash equivalents		
Beginning of period	390	109
End of period	$ 394	$ 390

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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:

	Full Year 2012	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Full Year 2011	Q4 2011	Q3 2011	Q2 2011	Q1 2011
Adjusted OIBDA	$ 4,886	$ 1,048	$ 1,226	$ 1,338	$ 1,274	$ 5,310	$ 1,400	$ 1,445	$ 1,277	$ 1,188
Depreciation and amortization	(3,187)	(796)	(825)	(819)	(747)	(2,982)	(761)	(731)	(755)	(735)
Adjusted operating income (excl. impairment, restructuring and other transaction-related costs)	1,699	252	401	519	527	2,328	639	714	522	453
Impairment charges	(8,134)	-	(8,134)	-	-	(6,420)	(6,420)	-	-	-
Restructuring costs	(85)	5	(36)	(48)	(6)	-	-	-	-	-
Other*	123	(10)	176	(19)	(24)	(187)	(123)	(51)	(13)	-
Operating (loss) income	$ (6,397)	$ 247	$ (7,593)	$ 452	$ 497	$ (4,279)	$ (5,904)	$ 663	$ 509	$ 453

**Primarily represents transaction related costs, gains/losses on intangible assets, and other non-recurring material transactions. Other 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.*

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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 fourth quarter of 2012, approximately 132.3 million mobile customers were served by the mobile communication segments of the Deutsche Telekom group — 33.4 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.

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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. 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. In Q2 2011, partner branded customers (Wal-Mart Family Mobile) were reclassified to branded contract customers from branded prepaid customers.

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. 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. 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.

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Supplementary Operating and Financial Data – US GAAP

(thousands)	Full Year 2012	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Full Year 2011	Q4 2011	Q3 2011	Q2 2011	Q1 2011
Customers, end of period [1,2]										
Branded contract customers	20,293	20,293	20,809	21,300	21,857	22,367	22,367	23,074	23,463	23,999
Branded prepaid customers	5,826	5,826	5,659	5,295	5,068	4,819	4,819	4,599	4,345	4,416
Total branded customers	26,119	26,119	26,468	26,595	26,925	27,186	27,186	27,673	27,808	28,415
M2M customers	3,090	3,090	2,954	2,786	2,691	2,429	2,429	2,525	2,321	2,065
MVNO customers	4,180	4,180	3,905	3,787	3,756	3,569	3,569	3,514	3,456	3,154
Total wholesale customers	7,270	7,270	6,859	6,573	6,448	5,999	5,999	6,038	5,777	5,220
Total T-Mobile USA customers, end of period	**33,389**	**33,389**	**33,327**	**33,168**	**33,373**	**33,185**	**33,185**	**33,711**	**33,585**	**33,635**
Thereof, contract customers	*23,383*	*23,383*	*23,763*	*24,086*	*24,548*	*24,797*	*24,797*	*25,598*	*25,784*	*26,065*
Thereof, prepaid customers	*10,006*	*10,006*	*9,564*	*9,082*	*8,824*	*8,389*	*8,389*	*8,113*	*7,801*	*7,570*
Net customer additions/(losses) [2]										
Branded contract customers	(2,074)	(515)	(492)	(557)	(510)	(2,206)	(706)	(389)	(536)	(574)
Branded prepaid customers	1,007	166	365	227	249	321	220	254	(71)	(82)
Total branded customers	(1,067)	(349)	(127)	(330)	(262)	(1,885)	(486)	(135)	(608)	(656)
M2M customers	660	135	168	95	262	556	(95)	204	256	192
MVNO customers	610	275	119	30	187	780	56	57	302	365
Total wholesale customers	1,270	410	287	125	449	1,336	(40)	261	558	557
Total T-Mobile USA net customer additions/(losses)	**203**	**61**	**160**	**(205)**	**187**	**(549)**	**(526)**	**126**	**(50)**	**(99)**
Thereof, contract net customer additions/(losses)	*(1,414)*	*(380)*	*(324)*	*(462)*	*(248)*	*(1,650)*	*(802)*	*(186)*	*(281)*	*(382)*
Thereof, prepaid net customer additions/(losses)	*1,617*	*441*	*483*	*257*	*436*	*1,101*	*276*	*312*	*231*	*283*
Note: Certain customer numbers may not add due to rounding.										
Branded contract churn[3]	2.40%	2.50%	2.30%	2.10%	2.50%	2.70%	3.00%	2.60%	2.60%	2.60%
Branded prepaid churn[3]	6.40%	7.00%	6.20%	6.00%	6.40%	6.70%	6.70%	6.50%	6.60%	7.00%
Branded churn[3]	3.20%	3.50%	3.10%	2.90%	3.20%	3.30%	3.60%	3.20%	3.20%	3.30%
Contract churn[3]	2.30%	2.40%	2.30%	2.20%	2.30%	2.60%	3.10%	2.40%	2.40%	2.40%
Blended churn[3]	3.40%	3.70%	3.40%	3.20%	3.30%	3.60%	4.00%	3.50%	3.30%	3.40%
($)										
ARPU (branded contract) [4]	56.79	55.47	56.59	57.35	57.68	57.56	58.23	58.50	57.26	56.34
ARPU (contract) [4]	50.30	48.47	49.95	50.90	51.81	52.57	52.52	53.05	52.52	52.21
ARPU (branded prepaid) [4]	26.85	27.69	27.35	26.81	25.39	24.27	24.90	24.31	23.60	24.23
ARPU (prepaid) [4]	20.28	20.59	20.60	20.58	19.29	18.38	19.12	18.23	17.99	18.13
ARPU (blended)[4]	43.12	41.31	42.78	43.88	44.52	45.86	45.52	46.22	45.86	45.82
Data ARPU (blended)[5]	14.52	14.72	14.53	14.45	14.38	13.71	14.16	13.98	13.56	13.13
Data ARPU (branded)[5]	17.34	17.83	17.40	17.21	16.94	15.54	16.45	15.97	15.25	14.55
Data ARPU (branded contract)[5]	19.37	20.07	19.45	19.16	18.84	17.07	18.13	17.62	16.72	15.91
($ millions)										
Service revenues[4]	17,213	4,127	4,261	4,381	4,444	18,481	4,565	4,666	4,620	4,630
Total revenues	19,719	4,909	4,893	4,883	5,034	20,618	5,179	5,228	5,050	5,161
Adjusted OIBDA[6]	4,886	1,048	1,226	1,338	1,274	5,310	1,400	1,445	1,277	1,188
Adjusted OIBDA margin[7]	28%	25%	29%	31%	29%	29%	31%	31%	28%	26%
Capital expenditures[8]	2,901	898	717	539	747	2,729	551	741	688	749

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