T-Mobile US, Inc.
Form 10-Q
October 30, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2018
or
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission File Number: 1-33409
T-MOBILE US, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	20-0836269
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
12920 SE 38th Street, Bellevue, Washington	98006-1350
(Address of principal executive offices)	(Zip Code)

(425) 378-4000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨
Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes x No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	x	Accelerated filer	¨
Non-accelerated filer	¨	Smaller reporting company	¨
Emerging growth company	¨		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ¨
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x
Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Shares Outstanding as of October 25, 2018
Common Stock, $0.00001 par value per share	848,393,022

T-Mobile US, Inc.
Form 10-Q
For the Quarter Ended September 30, 2018

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1.	Financial Statements	3
	Condensed Consolidated Balance Sheets	3
	Condensed Consolidated Statements of Comprehensive Income	4
	Condensed Consolidated Statements of Cash Flows	5
	Notes to the Condensed Consolidated Financial Statements	6
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	47
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	80
Item 4.	Controls and Procedures	80

PART II. OTHER INFORMATION

Item 1.	Legal Proceedings	81
Item 1A.	Risk Factors	81
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	83
Item 3.	Defaults Upon Senior Securities	83
Item 4.	Mine Safety Disclosures	83
Item 5.	Other Information	83
Item 6.	Exhibits	84
	SIGNATURE	85

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

(in millions, except share and per share amounts)	September 30, 2018		December 31, 2017	
Assets				
Current assets				
Cash and cash equivalents	$	329	$	1,219
Accounts receivable, net of allowances of $70 and $86	1,652		1,915	
Equipment installment plan receivables, net	2,366		2,290	
Accounts receivable from affiliates	12		22	
Inventories	958		1,566	
Other current assets	1,969		1,903	
Total current assets	7,286		8,915	
Property and equipment, net	22,502		22,196	
Goodwill	1,901		1,683	
Spectrum licenses	35,553		35,366	
Other intangible assets, net	229		217	
Equipment installment plan receivables due after one year, net	1,223		1,274	
Other assets	1,488		912	
Total assets	$	70,182	$	70,563
Liabilities and Stockholders' Equity				
Current liabilities				
Accounts payable and accrued liabilities	$	6,500	$	8,528
Payables to affiliates	226		182	
Short-term debt	783		1,612	
Deferred revenue	696		779	
Other current liabilities	367		414	
Total current liabilities	8,572		11,515	
Long-term debt	11,993		12,121	
Long-term debt to affiliates	14,581		14,586	

Tower obligations	2,565			2,590		
Deferred tax liabilities	4,370			3,537		
Deferred rent expense	2,761			2,720		
Other long-term liabilities	985			935		
Total long-term liabilities	37,255			36,489		
Commitments and contingencies (Note 15)						
Stockholders' equity						
Common Stock, par value $0.00001 per share, 1,000,000,000 shares authorized; 849,890,566 and 860,861,998 shares issued, 848,380,679 and 859,406,651 shares outstanding	—			—		
Additional paid-in capital	37,956			38,629		
Treasury stock, at cost, 1,509,887 and 1,455,347 shares issued	(7		)	(4		)
Accumulated other comprehensive income	—			8		
Accumulated deficit	(13,594		)	(16,074		)
Total stockholders' equity	24,355			22,559		
Total liabilities and stockholders' equity	$	70,182		$	70,563	

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents

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

(in millions, except share and per share amounts)	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Revenues				
Branded postpaid revenues	$5,244	$ 4,920	$15,478	$ 14,465
Branded prepaid revenues	2,395	2,376	7,199	7,009
Wholesale revenues	338	274	879	778
Roaming and other service revenues	89	59	247	151
Total service revenues	8,066	7,629	23,803	22,403
Equipment revenues	2,391	2,118	7,069	6,667
Other revenues	382	272	993	775
Total revenues	10,839	10,019	31,865	29,845
Operating expenses				
Cost of services, exclusive of depreciation and amortization shown separately below	1,586	1,594	4,705	4,520
Cost of equipment sales	2,862	2,617	8,479	8,149
Selling, general and administrative	3,314	3,098	9,663	8,968
Depreciation and amortization	1,637	1,416	4,846	4,499
Gains on disposal of spectrum licenses	—	(29)	—	(67)
Total operating expense	9,399	8,696	27,693	26,069
Operating income	1,440	1,323	4,172	3,776
Other income (expense)				
Interest expense	(194)	(253)	(641)	(857)
Interest expense to affiliates	(124)	(167)	(418)	(398)
Interest income	5	2	17	15
Other income (expense), net	3	1	(51)	(89)
Total other expense, net	(310)	(417)	(1,093)	(1,329)
Income before income taxes	1,130	906	3,079	2,447
Income tax expense	(335)	(356)	(831)	(618)
Net income	795	550	2,248	1,829
Dividends on preferred stock	—	(13)	—	(41)
Net income attributable to common stockholders	$795	$ 537	$2,248	$ 1,788
Net income	$795	$ 550	$2,248	$ 1,829
Other comprehensive income, net of tax				
Unrealized gain on available-for-sale securities, net of tax effect of $0, $0, $0 and $2	—	1	—	3
Other comprehensive income	—	1	—	3
Total comprehensive income	$795	$ 551	$2,248	$ 1,832
Earnings per share				
Basic	$0.94	$ 0.65	$2.65	$ 2.15
Diluted	$0.93	$ 0.63	$2.62	$ 2.10
Weighted average shares outstanding				
Basic	847,087,120	831,189,779	849,960,290	829,974,146
Diluted	853,852,764	871,420,065	858,248,568	871,735,511

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	2018	2017	2018	2017
Operating activities				
Net income	$795	$550	$2,248	$1,829
Adjustments to reconcile net income to net cash provided by operating activities				
Depreciation and amortization	1,637	1,416	4,846	4,499
Stock-based compensation expense	115	82	324	221
Deferred income tax expense	284	347	762	595
Bad debt expense	80	123	209	298
Losses from sales of receivables	48	67	127	242
Deferred rent expense	10	21	21	61
Losses on redemption of debt	—	—	122	86
Gains on disposal of spectrum licenses	—	(29)	—	(67)
Changes in operating assets and liabilities				
Accounts receivable	(1,238)	(1,022)	(3,247)	(2,676)
Equipment installment plan receivables	(335)	(355)	(843)	(1,148)
Inventories	(115)	113	43	(28)
Other current and long-term assets	(193)	(184)	(309)	(330)
Accounts payable and accrued liabilities	(265)	(12)	(1,372)	(607)
Other current and long-term liabilities	39	60	(21)	(84)
Other, net	52	75	35	75
Net cash provided by operating activities	914	1,252	2,945	2,966
Investing activities				
Purchases of property and equipment, including capitalized interest of $101, $29, $246 and $111	(1,362)	(1,441)	(4,357)	(4,316)
Purchases of spectrum licenses and other intangible assets	(22)	(15)	(101)	(5,820)
Proceeds related to beneficial interests in securitization transactions	1,338	1,110	3,956	3,126
Acquisition of companies, net of cash acquired	—	—	(338)	—
Other, net	4	1	30	(2)
Net cash used in investing activities	(42)	(345)	(810)	(7,012)
Financing activities				
Proceeds from issuance of long-term debt	—	500	2,494	10,480
Payments of consent fees related to long-term debt	—	—	(38)	—
Proceeds from borrowing on revolving credit facility	1,810	1,055	6,050	2,910
Repayments of revolving credit facility	(2,130)	(1,735)	(6,050)	(2,910)
Repayments of capital lease obligations	(181)	(141)	(508)	(350)
Repayments of short-term debt for purchases of inventory, property and equipment, net	(246)	(4)	(246)	(296)
Repayments of long-term debt	—	—	(3,349)	(10,230)
Repurchases of common stock	—	—	(1,071)	—
Tax withholdings on share-based awards	(5)	(6)	(89)	(101)
Dividends on preferred stock	—	(13)	—	(41)
Cash payments for debt prepayment or debt extinguishment costs	—	—	(212)	(188)
Other, net	(6)	(5)	(6)	11

Net cash used in financing activities	(758)	(349)	(3,025)	(715)
Change in cash and cash equivalents	114	558	(890)	(4,761)
Cash and cash equivalents				
Beginning of period	215	181	1,219	5,500
End of period	$329	$739	$329	$739
Supplemental disclosure of cash flow information				
Interest payments, net of amounts capitalized	$366	$343	$1,303	$1,565
Income tax payments	29	2	40	23
Noncash beneficial interest obtained in exchange for securitized receivables	1,263	972	3,596	2,980
Noncash investing and financing activities				
Changes in accounts payable for purchases of property and equipment	$78	$(141)	$(672)	$(458)
Leased devices transferred from inventory to property and equipment	229	262	813	775
Returned leased devices transferred from property and equipment to inventory	(74)	(165)	(246)	(635)
Issuance of short-term debt for financing of property and equipment	—	1	291	291
Assets acquired under capital lease obligations	133	138	451	735

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents

T-Mobile US, Inc.
Index for Notes to the Condensed Consolidated Financial Statements

Note 1	Summary of Significant Accounting Policies	7
Note 2	Significant Transactions	13
Note 3	Business Combinations	15
Note 4	Receivables and Allowance for Credit Losses	19
Note 5	Sales of Certain Receivables	20
Note 6	Goodwill	23
Note 7	Spectrum License Transactions	23
Note 8	Fair Value Measurements	24
Note 9	Debt	25
Note 10	Employee Compensation and Benefit Plans	28
Note 11	Revenue from Contracts with Customers	29
Note 12	Repurchases of Common Stock	31
Note 13	Income Taxes	31
Note 14	Earnings Per Share	32
Note 15	Commitments and Contingencies	33
Note 16	Subsequent Event	35
Note 17	Guarantor Financial Information	35

Index for Notes to the Condensed Consolidated Financial Statements

T-Mobile US, Inc.
Notes to the Condensed Consolidated Financial Statements
(Unaudited)

Note 1 – Summary of Significant Accounting Policies

Basis of Presentation

The unaudited condensed consolidated financial statements of T-Mobile US, Inc. ("T-Mobile," "we," "our," "us" or the "Company") include all adjustments of a normal recurring nature necessary for the fair presentation of the results for the interim periods presented. The results for the interim periods are not necessarily indicative of those for the full year. The condensed consolidated financial statements should be read in conjunction with our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2017.

The condensed consolidated financial statements include the balances and results of operations of T-Mobile and our consolidated subsidiaries. We consolidate majority-owned subsidiaries over which we exercise control, as well as variable interest entities ("VIE") where we are deemed to be the primary beneficiary and VIEs which cannot be deconsolidated, such as those related to Tower obligations (Tower obligations are included in VIEs related to the 2012 Tower Transaction. See Note 8 - Tower Obligations included in our Annual Report on Form 10-K for the year ended December 31, 2017). Intercompany transactions and balances have been eliminated in consolidation.

The preparation of financial statements in conformity with United States ("U.S.") generally accepted accounting principles ("GAAP") requires our management to make estimates and assumptions which affect the financial statements and accompanying notes. Estimates are based on historical experience, where applicable, and other assumptions which our management believes are reasonable under the circumstances. These estimates are inherently subject to judgment and actual results could differ from those estimates.

Accounting Pronouncements Adopted During the Current Year

Revenue

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)," and has since modified the standard with several ASUs (collectively, the "new revenue standard"). The new revenue standard requires entities to recognize revenue through the application of a five-step model, which includes: identification of the contract; identification of the performance obligations; determination of the transaction price; allocation of the transaction price to the performance obligations; and recognition of revenue as the entity satisfies the performance obligations. We adopted the new revenue standard on January 1, 2018, using the modified retrospective method with the cumulative effect of initially applying the guidance recognized at the date of initial application. Comparative information has not been restated and continues to be reported under the standards in effect for those periods. We have applied the new revenue standard only to contracts not completed as of the date of initial application, referred to as open contracts. We have elected the practical expedient that permits an entity to reflect the aggregate effect of all of the modifications (on a contract-by-contract basis) that occurred before the date of initial application in determining the transaction price, identifying the satisfied and unsatisfied performance obligations, and allocating the transaction price to the performance obligations. Electing this practical expedient does not have a significant impact on our financial statements due to the short-term duration of most of our contracts and the nature of our contract modifications.

We have implemented significant new revenue accounting systems, processes and internal controls over revenue recognition to assist us in the application of the new revenue standard.

Revenue Recognition

We primarily generate our revenue from providing wireless services to customers and selling or leasing devices and accessories. Our contracts with customers may involve multiple performance obligations, which include wireless services, wireless devices or a combination thereof, and we allocate the transaction price between each performance obligation based on its relative standalone selling price.

Index for Notes to the Condensed Consolidated Financial Statements

Significant Judgments

The most significant judgments affecting the amount and timing of revenue from contracts with our customers include the following items:

- For transactions where we recognize a significant financing component, judgment is required to determine the discount rate. For equipment installment plan ("EIP") sales, the discount rate used to adjust the transaction price primarily reflects current market interest rates and the estimated credit risk of the customer.
- Our products are generally sold with a right of return, which is accounted for as variable consideration when estimating the amount of revenue to recognize. Expected device returns are estimated based on historical experience.
- Sales of equipment to indirect dealers who have been identified as our customer (referred to as the sell-in model) often include credits subsequently paid to the dealer as a reimbursement for any discount promotions offered to the end consumer. These credits (payments to a customer) are accounted for as variable consideration when estimating the amount of revenue to recognize from the sales of equipment to indirect dealers and are estimated based on historical experience and other factors, such as expected promotional activity.
- Promotional bill credits offered to a customer on an equipment sale that are paid over time and are contingent on the customer maintaining a service contract may result in an extended service contract based on whether a substantive penalty is deemed to exist. Determining whether contingent bill credits result in a substantive termination penalty, and determining the term over which a substantive termination penalty exists, may require significant judgment.
- For capitalized contract costs, determining the amortization period as well as assessing the indicators of impairment may require significant judgment.
- The determination of the standalone selling price for contracts that involve more than one product or service (or performance obligation) may require significant judgment.
- The identification of distinct performance obligations within our service plans may require significant judgment.

Wireless Services Revenue

We generate our wireless services revenues from providing access to, and usage of, our wireless communications network. Service revenues also include revenues earned for providing value added services to customers, such as handset insurance services. Service contracts are billed monthly either in advance or arrears, or are prepaid. Generally, service revenue is recognized as we satisfy our performance obligation to transfer service to our customers. We typically satisfy our stand-ready performance obligations, including unlimited wireless services, evenly over the contract term. For usage-based and prepaid wireless services, we satisfy our performance obligations when services are rendered.

Revenue for service contracts that we assess are not probable of collection is not recognized until the contract is completed and cash is received. Collectibility is re-assessed when there is a significant change in facts or circumstances. Our assessment of collectibility considers whether we may limit our exposure to credit risk through our right to stop transferring additional service in the event the customer is delinquent.

Consideration payable to a customer is treated as a reduction of the total transaction price, unless the payment is in exchange for a distinct good or service, such as certain commissions paid to dealers.

Revenue is recorded net of costs paid to another party for performance obligations where we arrange for the other party to transfer goods or services to the customer (i.e., when we are acting as an agent). For example, performance obligations relating to services provided by third-party content providers where T-Mobile neither controls a right to the content provider's service nor controls the underlying service itself are presented net because T-Mobile is acting as an agent.

Federal Universal Service Fund and other regulatory fees are assessed by various governmental authorities in connection with the services we provide to our customers and are included in Cost of services. When we separately bill and collect these regulatory fees from customers, they are recorded in Total service revenues in our Condensed Consolidated Statements of Comprehensive Income.

We have made an accounting policy election to exclude from the measurement of the transaction price all taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction and collected by T-Mobile from a customer (for example, sales, use, value added, and some excise taxes).

Index for Notes to the Condensed Consolidated Financial Statements

Equipment Revenues

We generate equipment revenues from the sale or lease of mobile communication devices and accessories. For performance obligations related to equipment contracts, we typically transfer control at a point in time when the device or accessory is delivered to, and accepted by, the customer or dealer. We have elected to account for shipping and handling activities that occur after control of the related good transfers as fulfillment activities instead of assessing such activities as performance obligations. We estimate variable consideration (e.g. device returns or certain payments to indirect dealers) based on historical experience as well as other factors, such as expected trends. Equipment sales not probable of collection are generally recorded as payments are received. Our assessment of collectibility considers contract terms such as down payments that reduce our exposure to credit risk.

We offer certain customers the option to pay for devices and accessories in installments using an EIP. Generally, we recognize as a reduction of the total transaction price the effects of a financing component in contracts where customers purchase their devices and accessories on an EIP with a term of more than one year, including those financing components that are not considered to be significant to the contract. However, we have elected the practical expedient to not recognize the effects of a significant financing component for contracts where we expect, at contract inception, that the period between the transfer of a performance obligation to a customer and the customer's payment for that performance obligation will be one year or less.

In addition, for customers who enroll in our Just Upgrade My Phone ("JUMP!®") program, we recognize a liability based on the estimated fair value of the specified-price trade-in right guarantee. The fair value of the guarantee is deducted from the transaction price under the new revenue standard, and the remaining transaction price is allocated to other elements of the contract, including service and equipment performance obligations. See "Guarantee Liabilities" in Note 1 - Summary of Significant Accounting Policies included in our Annual Report on Form 10-K for the year ended December 31, 2017.

In 2015, we introduced JUMP! On Demand, which allows customers to lease a device and upgrade their leased wireless device for a new device up to one time per month. To date, all of our leased wireless devices are accounted for as operating leases and estimated contract consideration is allocated between lease elements and non-lease elements (such as service and equipment performance obligations) based on the relative standalone selling price of each performance obligation in the contract. Lease revenues are recorded as equipment revenues and recognized as earned on a straight-line basis over the lease term. Lease revenues on contracts not probable of collection are limited to the amount of payments received. See "Property and Equipment" in Note 1 - Summary of Significant Accounting Policies included in our Annual Report on Form 10-K for the year ended December 31, 2017.

Contract Balances

Generally, T-Mobile devices and service plans are available at standard prices, which are maintained on price lists and published on our website and/or within our retail stores.

For contracts that involve more than one product or service that are identified as separate performance obligations, the transaction price is allocated to the performance obligations based on their relative standalone selling prices. Standalone selling price is the price at which T-Mobile would sell the good or service separately to a customer and is most commonly evidenced by the price at which T-Mobile sells that good or service separately in similar circumstances and to similar customers.

A contract asset is recorded when revenue is recognized in advance of our right to receive consideration (i.e., we must perform additional services in order to receive consideration). Amounts are recorded as receivables when our right to consideration is unconditional. When consideration is received, or we have an unconditional right to consideration in advance of delivery of goods or services, a contract liability is recorded. The transaction price can include non-refundable upfront fees, which are allocated to the identifiable performance obligations.

Contract assets are included in Other current assets and Other assets and contract liabilities are included in Deferred revenue in our Condensed Consolidated Balance Sheets.

Index for Notes to the Condensed Consolidated Financial Statements

Contract Modifications

Our service contracts allow customers to frequently modify their contracts without incurring penalties in many cases. Each time a contract is modified, we evaluate the change in scope or price of the contract to determine if the modification should be treated as a separate contract, as if there is a termination of the existing contract and creation of a new contract, or if the modification should be considered a change associated with the existing contract. We typically do not have significant impacts from contract modifications.

Contract Costs

We incur certain incremental costs to obtain a contract that we expect to recover, such as sales commissions. We record an asset when these incremental costs to obtain a contract are incurred and amortize them on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates.

We amortize deferred costs incurred to obtain service contracts on a straight-line basis over the term of the initial contract and anticipated renewal contracts to which the costs relate. However, we have elected the practical expedient permitting expensing of costs to obtain a contract when the expected amortization period is one year or less.

Incremental costs to obtain equipment contracts (e.g., commissions paid on device and accessory sales) are recognized when the equipment is transferred to the customer.

Financial Statement Impacts of Applying the New Revenue Standard

The cumulative effect of initially applying the new revenue standard to all open contracts as of January 1, 2018 is as follows:

	January 1, 2018		
(in millions)	Beginning Balance	Cumulative Effect Adjustment	Beginning Balance, As Adjusted
Assets			
Other current assets	$ 1,903	$ 140	$ 2,043
Other assets	912	150	1,062
Liabilities and Stockholders’ Equity			
Deferred revenue	$ 779	$ 4	$ 783
Deferred tax liabilities	3,537	73	3,610
Accumulated deficit	(16,074)	213	(15,861)

The most significant impacts upon adoption of the new revenue standard on January 1, 2018 include the following items:

- A deferred contract cost asset of $150 million was recorded at transition in Other assets in our Condensed Consolidated Balance Sheets for incremental contract acquisition costs paid on open contracts, which consists primarily of commissions paid to acquire branded postpaid service contracts; and
- A contract asset of $140 million was recorded at transition in Other current assets in our Condensed Consolidated Balance Sheets primarily for contracts with promotional bill credits offered to customers on equipment sales that are paid over time and are contingent on the customer maintaining a service contract.

Index for Notes to the Condensed Consolidated Financial Statements

Financial statement results as reported under the new revenue standard as compared to the previous revenue standard for the three and nine months ended and as of September 30, 2018 are as follows:

(in millions, except per share amounts)	Three Months Ended September 30, 2018 Previous Revenue Standard	New Revenue Standard	Change	Nine Months Ended September 30, 2018 Previous Revenue Standard	New Revenue Standard	Change
Revenues						
Branded postpaid revenues	$ 5,242	$ 5,244	$ 2	$ 15,503	$ 15,478	$ (25)
Branded prepaid revenues	2,396	2,395	(1)	7,203	7,199	(4)
Wholesale revenues	295	338	43	836	879	43
Roaming and other service revenues	89	89	—	247	247	—
Total service revenues	8,022	8,066	44	23,789	23,803	14
Equipment revenues	2,286	2,391	105	6,791	7,069	278
Other revenues	382	382	—	993	993	—
Total revenues	10,690	10,839	149	31,573	31,865	292
Operating expenses						
Cost of services, exclusive of depreciation and amortization shown separately below	1,562	1,586	24	4,655	4,705	50
Cost of equipment sales	2,867	2,862	(5)	8,491	8,479	(12)
Selling, general and administrative	3,320	3,314	(6)	9,724	9,663	(61)
Depreciation and amortization	1,637	1,637	—	4,846	4,846	—
Total operating expenses	9,386	9,399	13	27,716	27,693	(23)
Operating income	1,304	1,440	136	3,857	4,172	315
Total other expense, net	(310)	(310)	—	(1,093)	(1,093)	—
Income before income taxes	994	1,130	136	2,764	3,079	315
Income tax expense	(300)	(335)	(35)	(750)	(831)	(81)
Net income	$ 694	$ 795	$ 101	$ 2,014	$ 2,248	$ 234
Earnings per share						
Basic earnings per share	0.82	0.94	0.12	2.37	2.65	0.28
Diluted earnings per share	0.81	0.93	0.12	2.35	2.62	0.27

(in millions)	September 30, 2018 Previous Revenue Standard	New Revenue Standard	Change
Assets			
Other current assets	$ 1,874	$ 1,969	$ 95
Other assets	969	1,488	519
Liabilities and Stockholders' Equity			
Deferred revenue	$ 682	$ 696	$ 14
Deferred tax liabilities	4,216	4,370	154
Accumulated deficit	(14,040)	(13,594)	446

The most significant impacts to financial statement results as reported under the new revenue standard as compared to the previous revenue standard for the current reporting period are as follows:

- Under the new revenue standard, certain commissions paid to dealers previously recognized as a reduction to Equipment revenues in our Condensed Consolidated Statements of Comprehensive Income are now recorded as commission costs in Selling, general and administrative expense.

- Contract costs capitalized for new contracts will accumulate in Other assets in our Condensed Consolidated Balance Sheets during 2018. As a result, there will be a net benefit to Operating income in our Condensed Consolidated Statements of Comprehensive Income during 2018 as capitalization of costs exceed amortization. As capitalized costs amortize into expense over time, the accretive benefit to Operating income anticipated in 2018 is expected to moderate in 2019 and normalize in 2020.

Index for Notes to the Condensed Consolidated Financial Statements

- For contracts with promotional bill credits that are contingent on the customer maintaining a service contract that result in an extended service contract, a contract asset is recorded when control of the equipment transfers to the customer and is subsequently amortized as a reduction to Total service revenues in our Condensed Consolidated Statements of Comprehensive Income over the extended contract term.

See disclosures related to Contracts with Customers under the new revenue standard in Note 11 - Revenue from Contracts with Customers.

Statement of Cash Flows

In August 2016, the FASB issued ASU 2016-15, "Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments" (the "new cash flow standard"). The new cash flow standard is intended to reduce current diversity in practice and provides guidance on how certain cash receipts and payments are presented and classified in the statement of cash flows. We adopted the new cash flow standard on January 1, 2018, which was the date it became effective for us. We have applied the new cash flow standard retrospectively to all periods presented. The new cash flow standard impacted the presentation of cash flows related to our beneficial interests in securitization transactions, which is the deferred purchase price, resulting in a reclassification of cash inflows from Operating activities to Investing activities of $1.3 billion and $1.1 billion for the three months ended September 30, 2018 and 2017, respectively, and $4.0 billion and $3.1 billion for the nine months ended September 30, 2018 and 2017, respectively, in our Condensed Consolidated Statements of Cash Flows. The new cash flow standard also impacted the presentation of our cash payments for debt prepayment and debt extinguishment costs, resulting in a reclassification of cash outflows from Operating activities to Financing activities of $212 million and $188 million for the nine months ended September 30, 2018 and 2017, respectively, in our Condensed Consolidated Statements of Cash Flows. There were no cash payments for debt prepayment and debt extinguishment costs during the three months ended September 30, 2018 and 2017.

Financial Instruments

In January 2016, the FASB issued ASU 2016-01, "Financial Instruments (Topic 825): Recognition and Measurement of Financial Assets and Financial Liabilities," and has since modified the standard in February 2018 with ASU 2018-03, "Technical Corrections and Improvements to Financial Instruments - Overall" (Subtopic 825-10). The standard addresses certain aspects of recognition, measurement, presentation and disclosure of financial instruments. The standard became effective for us, and we adopted the standard, on January 1, 2018. The standard requires the impact of adoption to be recorded to retained earnings under a modified retrospective approach. The implementation of this standard did not have a material impact on our condensed consolidated financial statements.

Income Taxes

In October 2016, the FASB issued ASU 2016-16, "Accounting for Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory." The standard requires that the income tax impact of intra-entity sales and transfers of property, except for inventory, be recognized when the transfer occurs. The standard became effective for us, and we adopted the standard, on January 1, 2018. The standard requires any deferred taxes not yet recognized on intra-entity transfers to be recorded to retained earnings under a modified retrospective approach. The implementation of this standard did not have a material impact on our condensed consolidated financial statements.

Accounting Pronouncements Not Yet Adopted

Leases

In February 2016, the FASB issued ASU 2016-02, “Leases (Topic 842),” and has since modified the standard with several ASUs (collectively, the “new lease standard”). The new lease standard requires most lessees to report a right-of-use asset and a lease liability. The income statement recognition is similar to existing lease accounting and is based on lease classification. The new lease standard requires lessees and lessors to classify most leases using principles similar to existing lease accounting. For lessors, the new lease standard modifies the classification criteria and the accounting for sales-type and direct financing leases. The new lease standard provides entities two options for applying the modified retrospective approach (1) retrospectively to each prior reporting period presented in the financial statements with the cumulative-effect adjustment recognized at the beginning of the earliest comparative period presented or (2) retrospectively at the beginning of the period of adoption (January 1, 2019) through a cumulative-effect adjustment. TMUS plans to adopt the standard by recognizing and measuring leases at the adoption date with a cumulative effect of initially applying the guidance recognized at the date of initial application.

Our evaluation of the new lease standard is ongoing and includes assessing which of our arrangements qualify as a lease through detailed contract reviews and targeted inquiries and aggregating and validating lease data and related information as well as determining whether previous conclusions for certain transactions, such as failed sale leaseback arrangements under the previous lease standard, Leases (Topic 840), would change under the new lease standard. We are in the process of implementing significant new lease accounting systems, and cross-functional teams are working to update processes and identify new internal controls over lease recognition, which will ultimately assist in the application of the new lease standard. Additionally, we are assessing the practical expedients and policy elections provided by the new leasing standard.

We plan to adopt the new lease standard when it becomes effective for us beginning January 1, 2019 and the adoption of the new lease standard will result in the recognition of right-of-use assets and lease liabilities that have not previously been recorded, which we expect will have a material impact on our condensed consolidated financial statements.

Financial Instruments

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." The standard requires a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions and reasonable and supportable forecasts that affect the collectability of the reported amount. The standard will become effective for us beginning January 1, 2020 and will require a cumulative-effect adjustment to Accumulated deficit as of the beginning of the first reporting period in which the guidance is effective (that is, a modified-retrospective approach). Early adoption is permitted for us as of January 1, 2019. We are currently evaluating the impact this guidance will have on our condensed consolidated financial statements and the timing of adoption.

Derivatives and Hedging

In August 2017, the FASB issued ASU 2017-12, "Derivatives and Hedging (Topic 815): Targeted Improvement to Accounting for Hedging Activities." The standard modified the guidance for the designation and measurement of qualifying hedging relationships and the presentation of hedge results. We adopted this standard on October 1, 2018 and will apply the standard to hedging transactions prospectively.

Cloud Computing Arrangements

In August 2018, the FASB issued ASU 2018-15, "Intangibles - Goodwill and Other - Internal-Use Software (Topic 350): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract." The standard aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The standard will become effective for us beginning January 1, 2020 and can be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption. Early adoption is permitted for us at any time. We are currently evaluating the impact this guidance will have on our condensed consolidated financial statements and the timing of adoption.

Other recent accounting pronouncements issued by the FASB (including its Emerging Issues Task Force), the American Institute of Certified Public Accountants, and the Securities and Exchange Commission ("SEC") did not have, or are not believed by management to have, a significant impact on our present or future consolidated financial statements.

Note 2 - Significant Transactions

Business Combinations

During the nine months ended September 30, 2018, we completed the following acquisitions which were accounted for as business combinations:

- On January 1, 2018, we closed on our previously announced Unit Purchase Agreement to acquire the remaining equity in Iowa Wireless Services, LLC (“IWS”), a 54% owned unconsolidated subsidiary, for a purchase price of $25 million.
- On January 22, 2018, we completed our acquisition of television innovator Layer3 TV, Inc. (“Layer3 TV”) for cash consideration of $318 million.

Index for Notes to the Condensed Consolidated Financial Statements

Proposed Sprint Transaction

On April 29, 2018, we entered into a Business Combination Agreement (the "Business Combination Agreement") to merge with Sprint Corporation ("Sprint").

See Note 3 - Business Combinations for further information.

Hurricane Impacts

During the first quarter of 2018, we recognized $36 million in incremental costs to maintain services in Puerto Rico related to hurricanes that occurred in 2017. Additional costs incurred during the second and the third quarters related to hurricanes that occurred in 2017 were immaterial and are expected to be immaterial in the fourth quarter of 2018. During the first quarter of 2018, we received reimbursement payments from our insurance carriers of $94 million, previously accrued for as a receivable as of December 31, 2017. During the second quarter of 2018, we received reimbursement payments of $70 million. During the third quarter of 2018, we received reimbursement payments of $81 million and accrued an additional receivable of $63 million for reimbursement payments agreed to with our insurance carriers as of September 30, 2018 and received in October 2018.

During the third quarter of 2018, our operations in North Carolina and South Carolina experienced losses related to a hurricane, and we recognized $6 million in costs associated with these losses. Additional costs related to the hurricane are expected to be immaterial in the fourth quarter of 2018.

In October 2018, our operations in Florida experienced immaterial losses related to a hurricane. Additional costs related to the hurricane are expected to be incurred during the remainder of the fourth quarter of 2018.

The following table shows the hurricane impacts in our Condensed Consolidated Statements of Comprehensive Income for the three and nine months ended September 30, 2018:

	Three Months Ended September 30, 2018			Nine Months Ended September 30, 2018		
(in millions, except per share amounts)	Gross	Reim-bursement	Net	Gross	Reim-bursement	Net
Increase (decrease)						
Revenues						
Other revenues	$—	$ 71	$71	$—	$ 71	$71
Total revenues	$—	$ 71	$71	$—	$ 71	$71
Operating expenses						
Cost of services	$6	$ (60)	$(54)	$42	$ (130)	$(88)
Selling, general and administrative	—	(13)	(13)	—	(13)	(13)
Total operating expenses	$6	$ (73)	$(67)	$42	$ (143)	$(101)
Operating income (loss)	$(6)	$ 144	$138	$(42)	$ 214	$172
Net income (loss)	(4)	92	88	(27)	137	110
Earnings per share - basic	$(0.01)	$ 0.11	$0.10	$(0.03)	$ 0.16	$0.13
Earnings per share - diluted	(0.01)	0.11	0.10	(0.03)	0.16	0.13

Index for Notes to the Condensed Consolidated Financial Statements

The following table shows the hurricane impacts in our Condensed Consolidated Statements of Comprehensive Income for the three and nine months ended September 30, 2017:

	Three Months Ended September 30, 2017			Nine Months Ended September 30, 2017		
(in millions, except per share amounts)	Gross	Reim-bursement	Net	Gross	Reim-bursement	Net
Increase (decrease)						
Revenues						
Branded postpaid revenues	$(20)	$—	$(20)	$(20)	$—	$(20)
Of which, postpaid phone revenues	(19)	—	(19)	(19)	—	(19)
Branded prepaid revenues	(11)	—	(11)	(11)	—	(11)
Wholesale revenues	—	—	—	—	—	—
Total service revenues	(31)	—	(31)	(31)	—	(31)
Roaming and other service revenues	—	—	—	—	—	—
Equipment revenues	(8)	—	(8)	(8)	—	(8)
Total revenues	$(39)	$—	$(39)	$(39)	$—	$(39)
Operating expenses						
Cost of services	$69	$—	$69	$69	$—	$69
Cost of equipment sales	4	—	4	4	—	4
Selling, general and administrative	36	—	36	36	—	36
Of which, bad debt	20	—	20	20	—	20
Total operating expenses	$109	$—	$109	$109	$—	$109
Operating income (loss)	$(148)	$—	$(148)	$(148)	$—	$(148)
Net income (loss)	(90)	—	(90)	(90)	—	(90)
Earnings per share - basic	$(0.11)	$—	$(0.11)	$(0.11)	$—	$(0.11)
Earnings per share - diluted	(0.10)	—	(0.10)	(0.10)	—	(0.10)

Sales of Certain Receivables

In February 2018, the service receivable sale arrangement was amended to extend the scheduled expiration date to March 2019. In October 2018, we amended and restated the EIP sale arrangement to, among other things, extend the scheduled expiration date to November 2020 and expand the types of EIP receivables that may be sold. See Note 5 – Sales of Certain Receivables for further information.

Debt

During the nine months ended September 30, 2018, we completed significant transactions with both third parties and affiliates related to the issuance, borrowing and redemption of debt. See Note 9 - Debt for further information.

Repurchases of Common Stock

During the first half of 2018, we made additional repurchases of our common stock. Additionally, during the first quarter of 2018, Deutsche Telekom AG (“DT”), our majority stockholder and an affiliated purchaser, made additional purchases of our common stock. See Note 12 – Repurchases of Common Stock for further information.

Note 3 - Business Combinations

Proposed Sprint Transactions

On April 29, 2018, we entered into a Business Combination Agreement to merge with Sprint in an all-stock transaction at a fixed exchange ratio of 0.10256 shares of T-Mobile common stock for each share of Sprint common stock, or 9.75 shares of Sprint common stock for each share of T-Mobile common stock (the “Merger”). The combined company will be named “T-Mobile” and, as a result of the Merger, is expected to be able to rapidly launch a nationwide 5G network, accelerate innovation

Index for Notes to the Condensed Consolidated Financial Statements

and increase competition in the U.S. wireless, video and broadband industries. Neither T-Mobile nor Sprint on its own could generate comparable benefits to consumers.

The Merger and the other transactions contemplated by the Business Combination Agreement (collectively, the "Transactions")
have been approved by the boards of directors of T-Mobile and Sprint. Immediately following the Merger, it is anticipated that DT and SoftBank Group Corp. will hold, directly or indirectly, on a fully diluted basis, approximately 41.7% and 27.3%, respectively, of the outstanding T-Mobile common stock, with the remaining approximately 31.0% of the outstanding T-Mobile common stock held by other stockholders, based on closing share prices and certain other assumptions as of October 1, 2018.

In connection with the entry into the Business Combination Agreement, T-Mobile USA, Inc. ("T-Mobile USA") entered into a commitment letter, dated as of April 29, 2018 (as amended and restated on May 15, 2018, the "Commitment Letter"), with certain financial institutions named therein that have committed to provide up to $38.0 billion in secured and unsecured debt financing. As permitted by the terms of the Commitment Letter, on June 6, 2018, T-Mobile USA reduced the initial aggregate commitment under the Commitment Letter by $8.0 billion such that the remaining size of the commitment is currently $30.0 billion. The funding of the debt facilities provided for in the Commitment Letter is subject to the satisfaction of the conditions set forth therein, including consummation of the Merger. The proceeds of the debt financing provided for in the Commitment Letter will be used to refinance certain existing debt of us, Sprint and our and Sprint's respective subsidiaries and for post-closing working capital needs of the combined company. In connection with the financing provided for in the Commitment Letter, we expect to incur certain fees if the Merger closes, including fees for the financial institutions structuring and providing the commitments for the secured term loan facility, secured revolving loan facility and the secured bridge loan, and certain take-out fees associated with the issuance of permanent secured bond debt in lieu of the secured bridge loan. We expect to incur up to approximately $275 million in fees if the Merger were to close on or after January 29, 2019. The fees increase to up to approximately $340 million if the closing date occurs on or after April 29, 2019. We have not accrued these fees as of September 30, 2018. We also may be required to draw down on the $7.0 billion secured term loan facility on May 1, 2019, and would be required to place the proceeds in escrow and pay interest thereon until the Merger closes.

In connection with the entry into the Business Combination Agreement, DT and T-Mobile USA entered into a Financing Matters Agreement, dated as of April 29, 2018, pursuant to which DT agreed, among other things, to consent to the incurrence by T-Mobile USA of secured debt in connection with and after the consummation of the Merger. In connection with receiving the requisite consents, we made upfront payments to DT of $7 million during the second quarter of 2018. These payments were recognized as a reduction to Long-term debt to affiliates in our Condensed Consolidated Balance Sheets. See Note 9 - Debt for further information.

On May 18, 2018, under the terms and conditions described in the Consent Solicitation Statement dated as of May 14, 2018, (the "Consent Solicitation Statement") we obtained consents necessary to effect certain amendments to certain existing debt of us and our subsidiaries. In connection with receiving the requisite consents, we made upfront payments to third-party note holders of approximately $31 million during the second quarter of 2018. These payments were recognized as a reduction to Long-term debt. We paid third-party bank fees associated with obtaining the requisite consents of $6 million during the second quarter of 2018, which we recognized as Selling, general and administrative expenses in our Condensed Consolidated Statements of Comprehensive Income.

Under the terms of Business Combination Agreement, Sprint may be required to reimburse us for 33% of the upfront consent and related bank fees we paid, or $14 million, if the Business Combination Agreement is terminated. We have not accrued the reimbursement of these fees as of September 30, 2018. On May 18, 2018, Sprint also obtained consents necessary to effect certain amendments to certain existing debt of it and its subsidiaries. In connection with receiving the requisite consents, Sprint's made upfront payments to third-party note holders and related bank fees of

$241 million during the second quarter of 2018. Under the terms of Business Combination Agreement, we may also be required to reimburse Sprint for 67% of the upfront consent and related bank fees it paid, or $161 million, if the Business Combination Agreement is terminated. We have not accrued these fees as of September 30, 2018.

For the three and nine months ended September 30, 2018, we recognized costs associated with the Transactions of $53 million and $94 million, respectively. These costs generally included bank fees associated with obtaining the requisite consents on debt to third parties, consulting and legal fees and were recognized as Selling, general and administrative expenses in our Condensed Consolidated Statements of Comprehensive Income.

The consummation of the Transactions is subject to regulatory approvals and certain other customary closing conditions. The transaction is expected to close during the first half of 2019. The Business Combination Agreement contains certain termination rights for both Sprint and us. If we terminate the Business Combination Agreement in connection with a failure to satisfy the closing condition related to specified minimum credit ratings for the combined company on the closing date of the Merger (after giving effect to the Merger) from at least two of the three credit rating agencies, then in certain circumstances, we may be required to pay Sprint an amount equal to $600 million.

On June 18, 2018, we filed the Public Interest Statement and applications for approval of our Merger with Sprint with the Federal Communications Commission (the “FCC”). On July 18, 2018, the FCC issued a Public Notice formally accepting our applications and establishing a period for public comment. On September 11, 2018, the FCC issued a letter informing us it is pausing its informal 180-day transaction shot clock to allow for a thorough review by FCC staff and third parties of newly-submitted and anticipated modeling provided by us and Sprint.

On July 30, 2018, we filed a registration statement on Form S-4 with the SEC related to the Merger. The registration statement became effective on October 29, 2018.

Acquisition of Layer3 TV

On January 22, 2018, we completed our acquisition of television innovator Layer3 TV for cash consideration of $318 million. The consideration included a $5 million payment that was made after the closing date in the second quarter of 2018. Upon closing of the transaction, Layer3 TV became a wholly-owned consolidated subsidiary. Layer3 TV acquires and distributes digital entertainment programming primarily through the internet to residential customers, offering direct to home digital television and multi-channel video programming distribution services. This transaction represented an opportunity to acquire a complementary service to our existing wireless service to advance our video strategy.

We accounted for the purchase of Layer3 TV as a business combination. Costs related to this acquisition were immaterial to our Condensed Consolidated Statements of Comprehensive Income. The grant-date fair value of cash-based and share-based incentive compensation awards attributable to post-combination services was approximately $37 million.

The following table shows the amounts recognized as of the acquisition date for each major class of assets acquired and liabilities assumed and the resultant purchase price allocation:

(in millions)	January 22, 2018
Assets acquired	
Cash and cash equivalents	$ 2
Other current assets	14
Property and equipment, net	11
Intangible assets	100
Goodwill	218
Deferred tax assets	2
Total assets acquired	$ 347
Liabilities assumed	
Accounts payable and accrued liabilities	$ 27
Short-term debt	2
Total liabilities assumed	29
Total consideration transferred	$ 318

We recognized a liability of $21 million within Accounts payable and accrued liabilities in our Condensed Consolidated Balance Sheets and an associated indemnification asset of $12 million in our Condensed Consolidated Balance Sheets related to minimum commitments under acquired content agreements. As of September 30, 2018, the

$12 million has been received.

Goodwill of $218 million is calculated as the excess of the purchase price paid over the net assets acquired. The goodwill recorded as part of the Layer3 TV acquisition primarily reflects industry knowledge of the retained management team, as well as intangible assets that do not qualify for separate recognition. None of the goodwill is deductible for tax purposes. See Note 6 - Goodwill for further information.

As part of the transaction, we acquired an identifiable intangible asset of developed technology with an estimated fair value of $100 million, which is being amortized on a straight-line basis over a useful life of 5 years.

The financial results from the acquisition of Layer3 TV since the closing date through September 30, 2018 were not material to our Condensed Consolidated Statements of Comprehensive Income.

Index for Notes to the Condensed Consolidated Financial Statements

Acquisition of Iowa Wireless

On January 1, 2018 (the “IWS Acquisition Date”), we closed on our previously announced Unit Purchase Agreement to acquire the remaining equity in IWS, a 54% owned unconsolidated subsidiary, for a purchase price of $25 million. We accounted for our acquisition of IWS as a business combination.

Prior to the IWS Acquisition Date, we accounted for our previously-held investment in IWS under the equity method as we had significant influence, but not control. Authoritative guidance on accounting for business combinations requires that an acquirer re-measure its previously held equity interest in the acquiree at its acquisition date fair value and recognize the resulting gain or loss in earnings. As such, we valued our previously held equity interest in IWS at $56 million as of the IWS Acquisition Date and recognized a gain of $15 million.

The following table highlights the consideration transferred, the fair value of our previously held equity interest and bargain purchase:

(in millions)	January 1, 2018
Consideration transferred:	
Cash paid	$ 25
Previously held equity interest:	
Acquisition date fair value of previously held equity interest	56
Bargain purchase gain	25
Net assets acquired	$ 106

As part of the acquisition of IWS, we recognized a bargain purchase gain of approximately $25 million, which represents the fair value of the identifiable net assets acquired, primarily IWS spectrum licenses, in excess of the purchase price and fair value of our previously held equity interest. We were in a favorable position to acquire the remaining shares of IWS as a result of our previously held 54% equity interest in IWS, an unprofitable business with valuable spectrum holdings.

The following table shows the amounts recognized as of the IWS Acquisition Date for each major class of assets acquired and liabilities assumed and the resultant purchase price allocation:

(in millions)	January 1, 2018
Assets acquired	
Current assets	
Cash and cash equivalents	$ 3
Accounts receivable, net	6
Equipment installment plan receivables, net	3
Inventories	1
Other current assets	2
Total current assets	15
Property and equipment, net	36
Spectrum licenses	87
Total assets acquired	$ 138
Liabilities assumed	
Accounts payable and accrued liabilities	$ 6
Deferred revenue	2

Total current liabilities	8
Deferred tax liabilities	17
Other long-term liabilities	7
Total long-term liabilities	24
Net assets acquired	$ 106

We included both the gain on our previously held equity interest in IWS and the bargain purchase gain within Other income (expense), net for the nine months ended September 30, 2018.

Index for Notes to the Condensed Consolidated Financial Statements

Pro forma information

The acquisitions of Layer3 TV and IWS were not material to our prior period consolidated results on a pro forma basis.

Note 4 – Receivables and Allowance for Credit Losses

Our portfolio of receivables is comprised of two portfolio segments, accounts receivable and EIP receivables. Our accounts receivable segment primarily consists of amounts currently due from customers, including service and leased device receivables, other carriers and third-party retail channels.

Based upon customer credit profiles, we classify the EIP receivables segment into two customer classes of “Prime” and “Subprime.” Prime customer receivables are those with lower delinquency risk and Subprime customer receivables are those with higher delinquency risk. Customers may be required to make a down payment on their equipment purchases. In addition, certain customers within the Subprime category are required to pay an advance deposit.

To determine a customer’s credit profile, we use a proprietary credit scoring model that measures the credit quality of a customer at the time of application for wireless communications service using several factors, such as credit bureau information, consumer credit risk scores and service plan characteristics.

The following table summarizes the EIP receivables, including imputed discounts and related allowance for credit losses:

(in millions)	September 30, 2018	December 31, 2017
EIP receivables, gross	$ 3,978	$ 3,960
Unamortized imputed discount	(273)	(264)
EIP receivables, net of unamortized imputed discount	3,705	3,696
Allowance for credit losses	(116)	(132)
EIP receivables, net	$ 3,589	$ 3,564
Classified on the balance sheet as:		
Equipment installment plan receivables, net	$ 2,366	$ 2,290
Equipment installment plan receivables due after one year, net	1,223	1,274
EIP receivables, net	$ 3,589	$ 3,564

To determine the appropriate level of the allowance for credit losses, we consider a number of credit quality indicators, including historical credit losses and timely payment experience as well as current collection trends such as write-off frequency and severity, aging of the receivable portfolio, credit quality of the customer base and other qualitative factors such as macro-economic conditions.

We write off account balances if collection efforts are unsuccessful and the receivable balance is deemed uncollectible, based on customer credit quality and the aging of the receivable.

For EIP receivables, subsequent to the initial determination of the imputed discount, we assess the need for and, if necessary, recognize an allowance for credit losses to the extent the amount of estimated probable losses on the gross EIP receivable balances exceed the remaining unamortized imputed discount balances.

The EIP receivables had weighted average effective imputed interest rates of 10.2% and 9.6% as of September 30, 2018 and December 31, 2017, respectively.

19

Index for Notes to the Condensed Consolidated Financial Statements

Activity for the nine months ended September 30, 2018 and 2017, in the allowance for credit losses and unamortized imputed discount balances for the accounts receivable and EIP receivable segments were as follows:

(in millions)	September 30, 2018 Accounts Receivable Allowance	EIP Receivables Allowance	Total	September 30, 2017 Accounts Receivable Allowance	EIP Receivables Allowance	Total
Allowance for credit losses and imputed discount, beginning of period	$86	$ 396	$482	$102	$ 316	$418
Bad debt expense	46	163	209	83	215	298
Write-offs, net of recoveries	(62)	(179)	(241)	(99)	(205)	(304)
Change in imputed discount on short-term and long-term EIP receivables	N/A	155	155	N/A	163	163
Impact on the imputed discount from sales of EIP receivables	N/A	(146)	(146)	N/A	(126)	(126)
Allowance for credit losses and imputed discount, end of period	$70	$ 389	$459	$86	$ 363	$449

Management considers the aging of receivables to be an important credit indicator. The following table provides delinquency status for the unpaid principal balance for receivables within the EIP portfolio segment, which we actively monitor as part of our current credit risk management practices and policies:

(in millions)	September 30, 2018 Prime	Subprime	Total EIP Receivables, gross	December 31, 2017 Prime	Subprime	Total EIP Receivables, gross
Current - 30 days past due	$1,661	$ 2,226	$ 3,887	$1,727	$ 2,133	$ 3,860
31 - 60 days past due	13	31	44	17	29	46
61 - 90 days past due	6	15	21	6	16	22
More than 90 days past due	6	20	26	8	24	32
Total receivables, gross	$1,686	$ 2,292	$ 3,978	$1,758	$ 2,202	$ 3,960

Note 5 – Sales of Certain Receivables

We have entered into transactions to sell certain service and EIP accounts receivable. The transactions, including our continuing involvement with the sold receivables and the respective impacts to our condensed consolidated financial statements, are described below.

Sales of Service Receivables

Overview of the Transaction

In 2014, we entered into an arrangement to sell certain service accounts receivable on a revolving basis and in November 2016, the arrangement was amended to increase the maximum funding commitment to $950 million (the “service receivable sale arrangement”) and extend the scheduled expiration date to March 2018. In February 2018, the service receivable sale arrangement was again amended to extend the scheduled expiration date to March 2019. In April 2018, the service receivable sale arrangement was again amended to update certain terms and covenants contained therein to make them consistent with analogous terms and covenants in the documentation of our other financing arrangements. As of September 30, 2018 and December 31, 2017, the service receivable sale arrangement provided funding of $830 million and $880 million, respectively. Sales of receivables occur daily and are settled on a monthly basis. The receivables consist of service charges currently due from customers and are short-term in nature.

In connection with the service receivable sale arrangement, we formed a wholly-owned subsidiary, which qualifies as a bankruptcy remote entity, to sell service accounts receivable (the “Service BRE”). The Service BRE does not qualify as a VIE, and due to the significant level of control we exercise over the entity, it is consolidated. Pursuant to the arrangement, certain of our wholly-owned subsidiaries transfer selected receivables to the Service BRE. The Service BRE then sells the receivables to an unaffiliated entity (the “Service VIE”), which was established to facilitate the sale of beneficial ownership interests in the receivables to certain third parties.

Index for Notes to the Condensed Consolidated Financial Statements

Variable Interest Entity

We determined that the Service VIE qualifies as a VIE as it lacks sufficient equity to finance its activities. We have a variable interest in the Service VIE but are not the primary beneficiary as we lack the power to direct the activities that most significantly impact the Service VIE's economic performance. Those activities include committing the Service VIE to legal agreements to purchase or sell assets, selecting which receivables are purchased in the service receivable sale arrangement, determining whether the Service VIE will sell interests in the purchased service receivables to other parties, funding of the entity and servicing of receivables. We do not hold the power to direct the key decisions underlying these activities. For example, while we act as the servicer of the sold receivables, which is considered a significant activity of the Service VIE, we are acting as an agent in our capacity as the servicer and the counterparty to the service receivable sale arrangement has the ability to remove us as the servicing agent of the receivables at will with no recourse available to us. As we have determined we are not the primary beneficiary, the balances and results of the Service VIE are not included in our condensed consolidated financial statements.

The following table summarizes the carrying amounts and classification of assets, which consists primarily of the deferred purchase price and liabilities included in our Condensed Consolidated Balance Sheets that relate to our variable interest in the Service VIE:

(in millions)	September 30, 2018	December 31, 2017
Other current assets	$ 299	$ 236
Accounts payable and accrued liabilities	11	25
Other current liabilities	174	180

Sales of EIP Receivables

Overview of the Transaction

In 2015, we entered into an arrangement to sell certain EIP accounts receivable on a revolving basis and in August 2017, the EIP sale arrangement was amended to reduce the maximum funding commitment to $1.2 billion (the "EIP sale arrangement") and extend the scheduled expiration date to November 2018. In December 2017, the EIP sale arrangement was again amended to increase the maximum funding commitment to $1.3 billion. In April 2018, the EIP sale arrangement was again amended to update certain terms and covenants contained therein to make them consistent with analogous terms and covenants in the documentation of our other financing arrangements. As of both September 30, 2018 and December 31, 2017, the EIP sale arrangement provided funding of $1.3 billion. Sales of EIP receivables occur daily and are settled on a monthly basis. The receivables consist of customer EIP balances, which require monthly customer payments for up to 24 months.

In October 2018, we amended and restated the EIP sale arrangement to, among other things, extend the scheduled expiration date to November 2020 and expand the types of EIP receivables that may be sold.

In connection with this EIP sale arrangement, we formed a wholly-owned subsidiary, which qualifies as a bankruptcy remote entity (the "EIP BRE"). Pursuant to the EIP sale arrangement, our wholly-owned subsidiary transfers selected receivables to the EIP BRE. The EIP BRE then sells the receivables to a non-consolidated and unaffiliated third-party entity for which we do not exercise any level of control, nor does the third-party entity qualify as a VIE.

Variable Interest Entity

We determined that the EIP BRE is a VIE as its equity investment at risk lacks the obligation to absorb a certain portion of its expected losses. We have a variable interest in the EIP BRE and determined that we are the primary beneficiary based on our ability to direct the activities which most significantly impact the EIP BRE’s economic performance. Those activities include selecting which receivables are transferred into the EIP BRE and sold in the EIP sale arrangement and funding of the EIP BRE. Additionally, our equity interest in the EIP BRE obligates us to absorb losses and gives us the right to receive benefits from the EIP BRE that could potentially be significant to the EIP BRE. Accordingly, we determined that we are the primary beneficiary, and include the balances and results of operations of the EIP BRE in our condensed consolidated financial statements.

Index for Notes to the Condensed Consolidated Financial Statements

The following table summarizes the carrying amounts and classification of assets, which consists primarily of the deferred purchase price and liabilities included in our Condensed Consolidated Balance Sheets that relate to the EIP BRE:

(in millions)	September 30, 2018	December 31, 2017
Other current assets	$ 405	$ 403
Other assets	98	109
Other long-term liabilities	22	3

In addition, the EIP BRE is a separate legal entity with its own separate creditors who will be entitled, prior to any liquidation of the EIP BRE, to be satisfied prior to any value in the EIP BRE becoming available to us. Accordingly, the assets of the EIP BRE may not be used to settle our general obligations and creditors of the EIP BRE have limited recourse to our general credit.

Sales of Receivables

The transfers of service receivables and EIP receivables to the non-consolidated entities are accounted for as sales of financial assets. Once identified for sale, the receivable is recorded at the lower of cost or fair value. Upon sale, we derecognize the net carrying amount of the receivables.

We recognize the cash proceeds received upon sale in Net cash provided by operating activities in our Condensed Consolidated Statements of Cash Flows. We recognize proceeds net of the deferred purchase price, consisting of a receivable from the purchasers that entitles us to certain collections on the receivables. We recognize the collection of the deferred purchase price in Net cash provided by investing activities in our Condensed Consolidated Statements of Cash Flows as Proceeds related to beneficial interests in securitization transactions.

The deferred purchase price represents a financial asset that is primarily tied to the creditworthiness of the customers and which can be settled in such a way that we may not recover substantially all of our recorded investment, due to default by the customers on the underlying receivables. We elected, at inception, to measure the deferred purchase price at fair value with changes in fair value included in Selling, general and administrative expense in our Condensed Consolidated Statements of Comprehensive Income. The fair value of the deferred purchase price is determined based on a discounted cash flow model which uses primarily unobservable inputs (Level 3 inputs), including customer default rates. As of September 30, 2018 and December 31, 2017, our deferred purchase price related to the sales of service receivables and EIP receivables was $800 million and $745 million, respectively.

The following table summarizes the impacts of the sale of certain service receivables and EIP receivables in our Condensed Consolidated Balance Sheets:

(in millions)	September 30, 2018	December 31, 2017
Derecognized net service receivables and EIP receivables	$ 2,682	$ 2,725
Other current assets	704	639
of which, deferred purchase price	702	636
Other long-term assets	98	109
of which, deferred purchase price	98	109
Accounts payable and accrued liabilities	11	25
Other current liabilities	174	180
Other long-term liabilities	22	3
Net cash proceeds since inception	1,915	2,058
Of which:		

Change in net cash proceeds during the year-to-date period	(143)	28
Net cash proceeds funded by reinvested collections	2,058	2,030

We recognized losses from sales of receivables of $48 million and $67 million for the three months ended September 30, 2018 and 2017, respectively, and $127 million and $242 million for the nine months ended September 30, 2018 and 2017, respectively. These losses from sales of receivables were recognized in Selling, general and administrative expense in our Condensed Consolidated Statements of Comprehensive Income. Losses from sales of receivables include adjustments to the receivables' fair values and changes in fair value of the deferred purchase price.

Index for Notes to the Condensed Consolidated Financial Statements

Continuing Involvement

Pursuant to the sale arrangements described above, we have continuing involvement with the service receivables and EIP receivables we sell as we service the receivables and are required to repurchase certain receivables, including ineligible receivables, aged receivables and receivables where write-off is imminent. We continue to service the customers and their related receivables, including facilitating customer payment collection, in exchange for a monthly servicing fee. As the receivables are sold on a revolving basis, the customer payment collections on sold receivables may be reinvested in new receivable sales. While servicing the receivables, we apply the same policies and procedures to the sold receivables as we apply to our owned receivables, and we continue to maintain normal relationships with our customers. Pursuant to the EIP sale arrangement, under certain circumstances, we are required to deposit cash or replacement EIP receivables primarily for contracts terminated by customers under our JUMP! Program.

In addition, we have continuing involvement with the sold receivables as we may be responsible for absorbing additional credit losses pursuant to the sale arrangements. Our maximum exposure to loss related to the involvement with the service receivables and EIP receivables sold under the sale arrangements was $1.3 billion as of September 30, 2018. The maximum exposure to loss, which is a required disclosure under GAAP, represents an estimated loss that would be incurred under severe, hypothetical circumstances whereby we would not receive the deferred purchase price portion of the contractual proceeds withheld by the purchasers and would also be required to repurchase the maximum amount of receivables pursuant to the sale arrangements without consideration for any recovery. As we believe the probability of these circumstances occurring is remote, the maximum exposure to loss is not an indication of our expected loss.

Note 6 - Goodwill

The changes in the carrying amount of goodwill for the nine months ended September 30, 2018, are as follows:

(in millions)	Goodwill
Historical goodwill	$12,449
Accumulated impairment losses at December 31, 2017	(10,766)
Balance as of December 31, 2017	1,683
Goodwill from acquisition of Layer3 TV	218
Balance as of September 30, 2018	$1,901
Accumulated impairment losses at September 30, 2018	$(10,766)

On January 22, 2018, we completed our acquisition of television innovator Layer3 TV. This purchase was accounted for as a business combination resulting in $218 million in goodwill. Layer3 TV is a separate reporting unit and the acquired goodwill will be tested for impairment at this level. See Note 3 - Business Combinations for additional information.

Note 7 – Spectrum License Transactions

The following table summarizes our spectrum license activity for the nine months ended September 30, 2018:

(in millions)	Spectrum Licenses
Balance at December 31, 2017	$35,366
Spectrum license acquisitions	137
Costs to clear spectrum	50
Balance at September 30, 2018	$35,553

We had the following spectrum license transactions in the nine months ended September 30, 2018:

- We recorded spectrum licenses received as part of our acquisition of the remaining equity interest in IWS at their estimated fair value of approximately $87 million. See Note 3 - Business Combinations for further information.

- We closed on multiple spectrum purchase agreements in which we acquired total spectrum licenses of approximately $50 million for cash consideration.

- In September 2018, we signed a reciprocal long-term lease agreement with Sprint in which both parties have the right to use a portion of spectrum owned by the other party. This executory agreement does not qualify as an acquisition of

Index for Notes to the Condensed Consolidated Financial Statements

spectrum licenses, and we have not capitalized amounts related to the lease. The reciprocal long-term lease is a distinct transaction from the Merger. See Note 15 – Commitments and Contingencies for further information.

Note 8 – Fair Value Measurements

The carrying values of cash and cash equivalents, accounts receivable, accounts receivable from affiliates, accounts payable, and borrowings under our senior secured revolving credit facility with DT, our majority stockholder, approximate fair value due to the short-term maturities of these instruments.

Deferred Purchase Price Assets

In connection with the sales of certain service and EIP receivables pursuant to the sale arrangements, we have deferred purchase price assets measured at fair value that are based on a discounted cash flow model using unobservable Level 3 inputs, including customer default rates. See Note 5 – Sales of Certain Receivables for further information.

The carrying amounts and fair values of our assets measured at fair value on a recurring basis included in our Condensed Consolidated Balance Sheets were as follows:

(in millions)	Level within the Fair Value Hierarchy	September 30, 2018 Carrying Amount	September 30, 2018 Fair Value	December 31, 2017 Carrying Amount	December 31, 2017 Fair Value
Assets:					
Deferred purchase price assets	3	$ 800	$ 800	$ 745	$ 745

Long-term Debt

The fair value of our Senior Notes to third parties was determined based on quoted market prices in active markets, and therefore was classified as Level 1 within the fair value hierarchy. The fair values of our Senior Notes to affiliates, Incremental Term Loan Facility to affiliates and Senior Reset Notes to affiliates were determined based on a discounted cash flow approach using market interest rates of instruments with similar terms and maturities and an estimate for our standalone credit risk. Accordingly, our Senior Notes to affiliates, Incremental Term Loan Facility to affiliates and Senior Reset Notes to affiliates were classified as Level 2 within the fair value hierarchy.

Although we have determined the estimated fair values using available market information and commonly accepted valuation methodologies, considerable judgment was required in interpreting market data to develop fair value estimates for the Senior Notes to affiliates, Incremental Term Loan Facility to affiliates and Senior Reset Notes to affiliates. The fair value estimates were based on information available as of September 30, 2018 and December 31, 2017. As such, our estimates are not necessarily indicative of the amount we could realize in a current market exchange.

The carrying amounts and fair values of our short-term and long-term debt included in our Condensed Consolidated Balance Sheets were as follows:

(in millions)	Level within the Fair Value Hierarchy	September 30, 2018 Carrying Amount	September 30, 2018 Fair Value	December 31, 2017 Carrying Amount	December 31, 2017 Fair Value
Liabilities:					
Senior Notes to third parties	1	$10,949	$11,168	$11,910	$12,540

Senior Notes to affiliates	2	9,983	9,990	7,486	7,852
Incremental Term Loan Facility to affiliates	2	4,000	3,997	4,000	4,020
Senior Reset Notes to affiliates	2	598	648	3,100	3,260

Index for Notes to the Condensed Consolidated Financial Statements

Note 9 – Debt

Activity for the nine months ended September 30, 2018, related to our debt was as follows:

(in millions)	December 31, 2017	Proceeds from Issuances and Borrowings [1][3]	Note Redemptions [1][3]	Repayments	Reclassifications [1]	Consent Fees	Other [2]	September 30, 2018
Short-term debt	$ 1,612	$ —	$ (3,424)	$ —	$ 2,425	$ —	$ 170	$ 783
Long-term debt	12,121	2,494	—	—	(2,425)	(31)	(166)	11,993
Total debt to third parties	13,733	2,494	(3,424)	—	—	(31)	4	12,776
Short-term debt to affiliates	—	6,050	—	(6,050)	—	—	—	—
Long-term debt to affiliates	14,586	—	—	—	—	(7)	2	14,581
Total debt to affiliates	14,586	6,050		(6,050)	—	(7)	2	14,581
Total debt	$ 28,319	$ 8,544	$ (3,424)	$ (6,050)	$ —	$ (38)	$ 6	$ 27,357

(1) Issuances and borrowings, note redemptions, and reclassifications are recorded net of related issuance costs, discounts, and premiums. Issuances and borrowings and repayments for Short-term debt to affiliates represent net outstanding borrowings and net repayments on our revolving credit facility.

(2) Other includes: $300 million of issuances of short-term debt related to vendor financing arrangements, of which $291 million related to financing of property and equipment. During the nine months ended September 30, 2018, repayments under the vendor financing arrangements totaled $246 million. Vendor financing arrangements are included in Short-term debt within Total current liabilities in our Condensed Consolidated Balance Sheets. Other also includes capital leases and the amortization of issuance costs, discounts, premiums, and consent fees. Capital lease liabilities totaled $1.8 billion at both September 30, 2018 and December 31, 2017.

(3) Through net settlement on April 30, 2018, we issued to DT a total of $2.5 billion in aggregate principal amount of New DT Notes (as defined below) and redeemed $1.25 billion in aggregate principal amount of 8.097% Senior Reset Notes due 2021 and $1.25 billion in aggregate principal amount of 8.195% Senior Reset Notes due 2022 (collectively, the "DT Senior Reset Notes") held by DT.

Debt to Third Parties

During the nine months ended September 30, 2018, we issued the following Senior Notes:

(in millions)	Principal Issuances	Issuance Costs	Net Proceeds from Issuance of Long-Term Debt	Issue Date
4.500% Senior Notes due 2026	$ 1,000	$ 2	$ 998	January 25, 2018
4.750% Senior Notes due 2028	1,500	4	1,496	January 25, 2018
Total of Senior Notes issued	$ 2,500	$ 6	$ 2,494	

We used the net proceeds of $2.494 billion from the public debt issuance in January 2018 to redeem our $1.750 billion of 6.625% Senior Notes due 2023 on April 1, 2018, and to redeem our $600 million of 6.836% Senior Notes due 2023 on April 28, 2018, as further discussed below, and for general corporate purposes, including the partial repayment of borrowings under our revolving credit facility with DT.

During the nine months ended September 30, 2018, we made the following note redemptions:

(in millions)	Principal Amount	Write-off of Premiums, Discounts and Issuance Costs (1)	Call Penalties (1)(2)	Redemption Date	Redemption Price
6.125% Senior Notes due 2022	$ 1,000	$ 1	$ 31	January 15, 2018	103.063 %
6.625% Senior Notes due 2023	1,750	(75)	58	April 1, 2018	103.313 %
6.836% Senior Notes due 2023	600	—	21	April 28, 2018	103.418 %

(1) Write-off of premiums, discounts, issuance costs and call penalties are included in Other income (expense), net in our Condensed Consolidated Statements of Comprehensive Income. Write-off of premiums, discounts and issuance costs are included in Losses on redemption of debt within Net cash provided by operating activities in our Condensed Consolidated Statements of Cash Flows.

(2) The call penalty is the excess paid over the principal amount. Call penalties are included within Net cash used in financing activities in our Condensed Consolidated Statements of Cash Flows.

Index for Notes to the Condensed Consolidated Financial Statements

Debt to Affiliates

On April 30, 2018, DT purchased (i) $1.0 billion in aggregate principal amount of 4.500% Senior Notes due 2026 and (ii) $1.5 billion in aggregate principal amount of 4.750% Senior Notes due 2028 directly from T-Mobile USA and certain of its affiliates, as guarantors, with no underwriting discount (the “New DT Notes”).

We used the net proceeds of $2.5 billion from the transaction to refinance existing indebtedness to DT as follows:

(in millions)	Principal Amount	Write -off of Embedded Derivatives (1)	Other (2)	Redemption Date	Redemption Price
8.097% Senior Notes due 2021	$ 1,250	$ (8)	$ 51	April 28, 2018	104.0485 %
8.195% Senior Notes due 2022	1,250	(8)	51	April 28, 2018	104.0975 %

(1) Certain components of the reset features were required to be bifurcated from the DT Senior Reset Notes and separately accounted for as embedded derivative instruments. Write-off of embedded derivatives are included in Losses on redemption of debt within Net cash provided by operating activities in our Condensed Consolidated Statements of Cash Flows.

(2) Cash for the premium portion of the redemption price set forth in the indenture governing the DT Senior Reset Notes, plus accrued but unpaid interest on the DT Senior Reset Notes to, but not including, the exchange date.

Incremental Term Loan Facility

In March 2018, we amended the terms of the Incremental Term Loan Facility. Following this amendment, the applicable margin payable on LIBOR indexed loans is 1.50% under the $2.0 billion Incremental Term Loan Facility maturing on November 9, 2022 and 1.75% under the $2.0 billion Incremental Term Loan Facility maturing on January 31, 2024. The amendment also modified the Incremental Term Loan Facility to (i) include a soft-call prepayment premium of 1.00% of the outstanding principal amount of the loans under the Incremental Term Loan Facility payable to DT upon certain refinancings of such loans by us with lower priced debt prior to a date that is six months after March 29, 2018 and (ii) update certain covenants and other provisions to make them substantially consistent, subject to certain additional carve outs, with our most recently publicly issued notes. No issuance fees were incurred related to this debt agreement for the three and nine months ended September 30, 2018.

Revolving Credit Facility

In January 2018, we utilized proceeds under our revolving credit facility with DT to redeem $1.0 billion in aggregate principal amount of our 6.125% Senior Notes due 2022 and for general corporate purposes. On January 29, 2018, the proceeds utilized under our revolving credit facility with DT were repaid. The proceeds and borrowings from the revolving credit facility are presented in Proceeds from borrowing on revolving credit facility and Repayments of revolving credit facility within Net cash used in financing activities in our Condensed Consolidated Statements of Cash Flows. As of September 30, 2018 and December 31, 2017, there were no outstanding borrowings under the revolving credit facility.

In March 2018, we amended the terms of (a) our Secured Revolving Credit Facility and (b) our Unsecured Revolving Credit Facility. Following these amendments, (i) the range of applicable margin payable under the Secured Revolving Credit Facility is 1.05% to 1.80%, (ii) the range of the applicable margin payable under the Unsecured Revolving Credit Facility is 2.05% to 3.05%, (iii) the range of the undrawn commitment fee applicable to the Secured Revolving Credit Facility is 0.25% to 0.45%, (iv) the range of the undrawn commitment fee applicable to the Unsecured Revolving Credit Facility is 0.20% to 0.575% and (v) the maturity date of the revolving credit facility with DT is

December 29, 2020. The amendments also modify the facility to update certain covenants and other provisions to make them substantially consistent, subject to certain additional carve outs, with our most recently publicly issued notes.

Commitment Letter

In connection with the entry into the Business Combination Agreement, T-Mobile USA entered into a commitment letter, dated as of April 29, 2018 (as amended and restated on May 15, 2018, the “Commitment Letter”), with certain financial institutions named therein that have committed to provide up to $38.0 billion in secured and unsecured debt financing, including a $4.0 billion secured revolving credit facility, a $7.0 billion secured term loan facility, a $19.0 billion secured bridge loan facility and an $8.0 billion unsecured bridge loan facility. Following the receipt of the debt consents described below, as permitted by the terms of the commitment letter, on May 22, 2018, T-Mobile USA reallocated the entire $8.0 billion unsecured bridge loan facility to be part of the secured bridge loan facility, increasing the size of the secured bridge loan facility to $27.0 billion, and subsequently on June 6, 2018, reduced the initial aggregate commitment under the secured bridge facility by $8.0 billion, such that the remaining size of the secured bridge facility is currently $19.0 billion and total committed financing is currently $30.0 billion. The funding of the debt facilities provided for in the Commitment Letter is subject to the satisfaction of the conditions

Index for Notes to the Condensed Consolidated Financial Statements

set forth therein, including consummation of the Merger. The proceeds of the debt financing provided for in the Commitment Letter will be used to refinance certain existing debt of us, Sprint and our and Sprint's respective subsidiaries and for post-closing working capital needs of the combined company. In connection with the financing provided for in the Commitment Letter, we expect to incur certain fees if the Merger closes, including fees for the financial institutions structuring and providing the commitments for the secured term loan facility, secured revolving loan facility and the secured bridge loan, and certain take-out fees associated with the issuance of permanent secured bond debt in lieu of the secured bridge loan. We expect to incur up to approximately $275 million in fees if the Merger were to close on or after January 29, 2019. The fees increase to up to approximately $340 million if the closing date occurs on or after April 29, 2019. We have not accrued these fees as of September 30, 2018. We also may be required to draw down on the $7.0 billion secured term loan facility on May 1, 2019, and would be required to place the proceeds in escrow and pay interest thereon until the Merger closes.

Financing Matters Agreement

In connection with the entry into the Business Combination Agreement, DT and T-Mobile USA entered into a Financing Matters Agreement, dated as of April 29, 2018 (the "Financing Matters Agreement"). Pursuant to the Financing Matters Agreement, DT agreed, among other things, to consent to the incurrence by T-Mobile USA of secured debt in connection with and after the consummation of the Merger, and to provide a lock up on sales thereby as to certain senior notes of T-Mobile USA held thereby. In addition, T-Mobile USA agreed, among other things, to repay and terminate, upon closing of the Merger, the Incremental Term Loan Facility and the revolving credit facility of T-Mobile USA which are provided by DT, as well as $2.0 billion of T-Mobile USA's 5.300% Senior Notes due 2021 and $2.0 billion of T-Mobile USA's 6.000% Senior Notes due 2024. In addition, T-Mobile USA and DT agreed, upon closing of the Merger, to amend the $1.25 billion of T-Mobile USA's 5.125% Senior Notes due 2025 and $1.25 billion of T-Mobile USA's 5.375% Senior Notes due 2027 to change the maturity dates thereof to April 15, 2021 and April 15, 2022, respectively. In connection with receiving the requisite consents, we made upfront payments to DT of $7 million during the second quarter of 2018. These payments were recognized as a reduction to Long-term debt to affiliates in our Condensed Consolidated Balance Sheets. If the Merger is consummated, we will make additional payments for requisite consents to DT of $20 million. We have not accrued these additional payments as of September 30, 2018.

Consents on Debt to Third Parties

On May 18, 2018, under the terms and conditions described in the Consent Solicitation Statement, we obtained consents necessary to effect certain amendments to our Senior Notes to third parties in connection with the Business Combination Agreement. Pursuant to the Consent Solicitation Statement, third-party notes holders agreed, among other things, to consent to increasing the amount of Secured Indebtedness under Credit Facilities that can be incurred from the greater of $9 billion and 150% of Consolidated Cash Flow to the greater of $9 billion and an amount that would not cause the Secured Debt to Cash Flow Ratio (calculated net of cash and cash equivalents) to exceed 2.00x (the "Ratio Secured Debt Proposed Amendments") and in each case as such capitalized term is defined in the Indenture. In connection with receiving the requisite consents for the Ratio Secured Debt Proposed Amendments, we made upfront payments to third-party note holders of $17 million during the second quarter of 2018. These payments were recognized as a reduction to Long-term debt in our Condensed Consolidated Balance Sheets. These upfront payments increased the effective interest rate of the related debt.

In addition, note holders agreed, among other things, to allow certain entities related to Sprint's existing spectrum securitization notes program ("Existing Sprint Spectrum Program") to be non-guarantor Restricted Subsidiaries, provided that the principal amount of the spectrum notes issued and outstanding under the Existing Sprint Spectrum Program does not exceed $7.0 billion and that the principal amount of such spectrum notes reduces the amount available under the Credit Facilities ratio basket, and to revise the definition of GAAP to mean generally accepted accounting principles in effect from time to time, unless the Company elects to “freeze” GAAP as of any date, and to exclude the effect of the changes in the accounting treatment of lease obligations (the “Existing Sprint Spectrum and GAAP Proposed Amendments,” and together with the Ratio Secured Debt Proposed Amendments, the “Proposed Amendments”). In connection with receiving the requisite consents for the Existing Sprint Spectrum and GAAP Proposed Amendments, we made upfront payments to third-party note holders of $14 million during the second quarter of 2018. These payments were recognized as a reduction to Long-term debt in our Condensed Consolidated Balance Sheets. These upfront payments increased the effective interest rate of the related debt.

In connection with obtaining the requisite consents, on May 20, 2018, T-Mobile USA, the guarantors and Deutsche Bank Trust Company Americas, as trustee, executed and delivered the 37th supplemental indenture to the Indenture, pursuant to which, with respect to each of the Notes, the Proposed Amendments will become effective immediately prior to the consummation of the Merger.

We paid third-party bank fees associated with obtaining the requisite consents related to the Proposed Amendments of $6

Index for Notes to the Condensed Consolidated Financial Statements

million during the second quarter of 2018, which we recognized as Selling, general and administrative expenses in our Condensed Consolidated Statements of Comprehensive Income. If the Merger is consummated, we will make additional payments to third-party note holders for requisite consents related to the Ratio Secured Debt Proposed Amendments of up to $54 million and additional payments to third-party note holders for requisite consents related to the Existing Sprint Spectrum and GAAP Proposed Amendments of up to $41 million. We have not accrued these payments as of September 30, 2018.

Note 10 - Employee Compensation and Benefit Plans

On February 14, 2018, our Board of Directors adopted, and on June 13, 2018, our stockholders approved an amendment (the “Amendment”) to the 2013 Omnibus Incentive Plan (as amended, the “Plan”) which increased the number of shares authorized for issuance under the Plan by 18,500,000 shares. On June 18, 2018, we filed a Form S-8 to register a total of 19,345,005 shares of common stock pursuant to the Plan, representing those covered by the Amendment, certain other predecessor plans, and certain equity arrangements assumed in connection with the acquisition of Layer3 TV in January 2018.

During the nine months ended September 30, 2018, we granted or assumed an aggregate of 5,897,295 restricted stock units (“RSUs”) and restricted stock awards (“RSAs”) to eligible employees, certain non-employee directors, and eligible key executives, which primarily included annual awards.

During the nine months ended September 30, 2018, we granted an aggregate of 3,185,853 performance-based restricted stock units (“PRSUs”) to eligible key executives, which primarily included annual awards. In addition, in connection with the entry into a Business Combination Agreement to merge with Sprint, in April 2018 we granted an aggregate of 1,210,710 PRSUs to certain executive officers.

As discussed in Note 3 - Business Combinations, in January 2018, we completed our acquisition of Layer3 TV. The grant-date fair value of share-based incentive compensation awards attributable to post-combination services was approximately $30 million.

Stock-based compensation expense and related income tax benefits were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions, except shares, per share and contractual life amounts)	2018	2017	2018	2017
Stock-based compensation expense	$115	$82	$324	$221
Income tax benefit related to stock-based compensation	$20	$21	$62	$53
Weighted average fair value per stock award granted	$65.41	$63.88	$61.91	$63.26
Unrecognized compensation expense	$613	$402	$613	$402
Weighted average period to be recognized (years)	1.9	1.8	1.9	1.8
Fair value of stock awards vested	$17	$17	$284	$312

Restricted Stock Units and Restricted Stock Awards

(in millions, except shares, per share and contractual life amounts)	Number of Units or Awards	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Nonvested, December 31, 2017	12,061,608	$ 50.69	1.1	$ 766
Granted	5,897,295	60.03		

Vested	3,700,642	45.26		
Forfeited	721,687	56.63		
Nonvested, September 30, 2018	13,536,574	56.14	1.0	950

Index for Notes to the Condensed Consolidated Financial Statements

Performance-Based Restricted Stock Units

(in millions, except shares, per share and contractual life amounts)	Number of Units	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Nonvested, December 31, 2017	1,633,935	$ 48.06	1.1	$ 104
Granted	3,185,853	65.95		
Vested	1,021,064	36.85		
Forfeited	11,580	66.32		
Nonvested, September 30, 2018	3,787,144	62.62	1.7	266

PRSUs included in the table above are shown at target. Share payout can range from 0 to 200% based on different performance outcomes.

Note 11 - Revenue from Contracts with Customers

Disaggregation of Revenue

We provide wireless communication services to three primary categories of customers:

- Branded postpaid customers generally include customers that are qualified to pay after receiving wireless communication services utilizing phones, mobile broadband devices (including tablets), DIGITS, SyncUP DRIVE™ or other devices including wearables;
- Branded prepaid customers generally include customers who pay for wireless communication services in advance. Our branded prepaid customers include customers of T-Mobile and Metro™ by T-Mobile (“Metro”); and
- Wholesale customers include Machine-to-Machine (“M2M”) and Mobile Virtual Network Operator (“MVNO”) customers that operate on our network but are managed by wholesale partners.

Branded postpaid service revenues, including branded postpaid phone revenues and branded postpaid other revenues, were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	2018	2017	2018	2017
Branded postpaid service revenues				
Branded postpaid phone revenues	$4,955	$4,626	$14,658	$13,691
Branded postpaid other revenues	289	294	820	774
Total branded postpaid service revenues	$5,244	$4,920	$15,478	$14,465

We operate as a single operating segment. The balances presented within each revenue line item in our Condensed Consolidated Statements of Comprehensive Income represent categories of revenue from contracts with customers disaggregated by type of product and service. Service revenues also include revenues earned for providing value added services to customers, such as handset insurance services. Revenue generated from the lease of mobile communication devices and accessories is included within Equipment revenues in our Condensed Consolidated Statements of Comprehensive Income.

Equipment revenues from the lease of mobile communication devices and accessories were as follows:

	Three Months	Nine Months

(in millions)	Ended September 30, 2018	2017	Ended September 30, 2018	2017
Equipment revenues from the lease of mobile communication devices and accessories	$176	$159	$524	$717

Index for Notes to the Condensed Consolidated Financial Statements

Contract Balances

The opening and closing balances of our contract asset and contract liability balances from contracts with customers as of January 1, 2018 and September 30, 2018, were as follows:

(in millions)	Contract Assets Included in Other Current Assets	Contract Liabilities Included in Deferred Revenue
Balance as of January 1, 2018	$ 140	$ 718
Balance as of September 30, 2018	52	649
Change	$ (88)	$ (69)

Contract assets primarily represent revenue recognized for equipment sales with promotional bill credits offered to customers that are paid over time and are contingent on the customer maintaining a service contract. The change in the contract asset balance includes customer activity related to new promotions, offset by billings on existing contracts and impairment which is recognized as bad debt expense.

Contract liabilities are recorded when fees are collected, or we have an unconditional right to consideration (a receivable) in advance of delivery of goods or services. The change in contract liabilities is primarily related to customer activity associated with our prepaid plans including the receipt of cash payments and the satisfaction of our performance obligations.

Revenues for the three and nine months ended September 30, 2018, include the following:

(in millions)	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2018
Amounts included in the January 1, 2018 contract liability balance	$ 23	$ 582
Amounts associated with performance obligations satisfied in previous periods	28	2

Remaining Performance Obligations

As of September 30, 2018, the aggregate amount of transaction price allocated to remaining service performance obligations for branded postpaid contracts with promotional bill credits that result in an extended service contract is $379 million. We expect to recognize this revenue as service is provided over the extended contract term in the next 24 months.

Certain of our wholesale, roaming and other service contracts include variable consideration based on usage. This variable consideration has been excluded from the disclosure of remaining performance obligations. As of September 30, 2018, the aggregate amount of the contractual minimum consideration allocated to remaining service performance obligations for wholesale, roaming and other service contracts is $272 million, $1.1 billion and $911 million for 2018, 2019 and 2020 and beyond, respectively. These contracts have a remaining duration of less than one year to seven years.

Information about remaining performance obligations that are part of a contract that has an original expected duration of one year or less have been excluded from the above, which primarily consists of monthly service contracts. The aggregate amount of the transaction price allocated to remaining service performance obligations includes the estimated amount to be invoiced to the customer.

Contract Costs

The total deferred incremental costs to obtain contracts balance as of September 30, 2018 was $519 million. Deferred contract costs incurred to obtain postpaid service contracts are amortized over a period of 24 months. The amortization period is monitored to reflect any significant change in assumptions. Amortization of deferred contract costs was $79 million and $171 million for the three and nine months ended September 30, 2018, respectively.

The deferred contract cost asset is assessed for impairment on a periodic basis. There were no impairment losses recognized on deferred contract cost assets for the three and nine months ended September 30, 2018.

Index for Notes to the Condensed Consolidated Financial Statements

Note 12 – Repurchases of Common Stock

2017 Stock Repurchase Program

On December 6, 2017, our Board of Directors authorized a stock repurchase program for up to $1.5 billion of our common stock through December 31, 2018 (the "2017 Stock Repurchase Program"). During the nine months ended September 30, 2018, we repurchased an additional 16.7 million shares of our common stock for $1.1 billion. There were no repurchases during the three months ended September 30, 2018. From the inception of the 2017 Stock Repurchase Program through April 27, 2018, we repurchased 23.7 million shares of our common stock at an average price per share of $63.07 for a total purchase price of $1.5 billion. Repurchased shares are retired. The 2017 Stock Repurchase Program completed on April 29, 2018.

2018 Stock Repurchase Program

On April 27, 2018, our Board of Directors authorized an increase in the total stock repurchase program to $9.0 billion, consisting of the $1.5 billion in repurchases previously completed and for up to an additional $7.5 billion of repurchases of our common stock, allocated as up to $500 million of shares of common stock through December 31, 2018, up to $3.0 billion of shares of common stock for the year ending December 31, 2019 and up to $4.0 billion of shares of common stock for the year ending December 31, 2020, with any authorized but unutilized repurchase capacity for any of the foregoing periods increasing the authorized repurchase capacity for the succeeding period by the amount of such unutilized repurchase capacity. The additional $7.5 billion repurchase authorization is contingent upon the termination of the Business Combination Agreement and the abandonment of the transactions contemplated under the Business Combination Agreement.

Under the repurchase program, repurchases can be made from time to time using a variety of methods, which may include open market purchases, privately negotiated transactions or otherwise, all in accordance with the rules of the SEC and other applicable legal requirements. The specific timing, price and size of purchases will depend on prevailing stock prices, general economic and market conditions, and other considerations. The repurchase program does not obligate us to acquire any particular amount of common stock, and the repurchase program may be suspended or discontinued at any time at our discretion. Repurchased shares are retired.

Stock Purchases by Affiliate

In the first quarter of 2018, DT, our majority stockholder and an affiliated purchaser, purchased 3.3 million additional shares of our common stock at an aggregate market value of $200 million in the public market or from other parties, in accordance with the rules of the SEC and other applicable legal requirements. There were no purchases in the second and third quarters of 2018. We did not receive proceeds from these purchases.

Index for Notes to the Condensed Consolidated Financial Statements

Note 13 – Income Taxes

Within our Condensed Consolidated Statements of Comprehensive Income, we recorded Income tax expense of $335 million and $356 million for the three months ended September 30, 2018 and 2017, respectively, and $831 million and $618 million for the nine months ended September 30, 2018 and 2017, respectively.

The change for the three and nine months ended September 30, 2018, was primarily impacted by a reduction in the federal corporate income tax rate from 35% to 21% provided by the Tax Cuts and Jobs Act, which took effect January 1, 2018. This reduction was partially offset by higher income before taxes. The change in Income tax expense for the nine months ended September 30, 2018 additionally reflected $289 million in tax benefits recognized in the nine months ended September 30, 2017 related to a reduction in the valuation allowance against deferred tax assets in certain state jurisdictions that did not impact 2018.

Income tax expense for the three and nine months ended September 30, 2018 was additionally impacted by an increase of $115 million from a change in tax regime in certain state tax jurisdictions as well as an increase from non-deductible costs associated with the Transactions. These increases were partially offset by income tax benefits of $63 million from a change in tax status of certain subsidiaries, including a related $28 million reduction in valuation allowance against deferred tax assets in certain state jurisdictions. We will continue to monitor positive and negative evidence related to the utilization of the remaining deferred tax assets for which a valuation allowance continues to be provided. It is possible that our valuation allowance may change within the next twelve months.

Note 14 – Earnings Per Share

The computation of basic and diluted earnings per share was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions, except shares and per share amounts)	2018	2017	2018	2017
Net income	$795	$ 550	$2,248	$ 1,829
Less: Dividends on mandatory convertible preferred stock	—	(13)	—	(41)
Net income attributable to common stockholders - basic	795	537	2,248	1,788
Add: Dividends related to mandatory convertible preferred stock	—	13	—	41
Net income attributable to common stockholders - diluted	$795	$ 550	$2,248	$ 1,829
Weighted average shares outstanding - basic	847,087,120	831,189,779	849,960,290	829,974,146
Effect of dilutive securities:				
Outstanding stock options and unvested stock awards	6,765,644	7,992,286	8,288,278	8,523,365
Mandatory convertible preferred stock	—	32,238,000	—	32,238,000
Weighted average shares outstanding - diluted	853,852,764	871,420,065	858,248,568	870,735,511
Earnings per share - basic	$0.94	$ 0.65	$2.65	$ 2.15
Earnings per share - diluted	$0.93	$ 0.63	$2.62	$ 2.10
Potentially dilutive securities:				
Outstanding stock options and unvested stock awards	537,810	—	779,644	4,760

As of September 30, 2018, we had authorized 100 million shares of 5.50% mandatory convertible preferred stock series A, with a par value of $0.00001 per share. There were zero and 20 million preferred shares outstanding as of September 30, 2018 and September 30, 2017, respectively.

On December 15, 2017, 20 million shares of our preferred stock converted to approximately 32 million shares of our common stock at a conversion rate of 1.6119 shares of common stock for each share of previously outstanding preferred stock and certain cash-in-lieu of fractional shares.

Potentially dilutive securities were not included in the computation of diluted earnings per share if to do so would have been anti-dilutive.

Index for Notes to the Condensed Consolidated Financial Statements

Note 15 – Commitments and Contingencies

Commitments

Operating Leases

We have non-cancellable operating leases for cell sites, switch sites, retail stores and office facilities with contractual terms expiring through 2028. The majority of cell site leases have an initial non-cancelable term of five to ten years with several renewal options. In addition, we have operating leases for dedicated transportation lines with varying expiration terms through 2027. Our commitments under these leases are approximately $2.6 billion for the year ending September 30, 2019, $4.5 billion in total for the years ending September 30, 2020 and 2021, $3.0 billion in total for the years ending September 30, 2022 and 2023 and $3.2 billion in total for years thereafter.

Purchase Commitments

We have commitments for non-dedicated transportation lines with varying expiration terms through 2029. In addition, we have commitments to purchase and lease spectrum licenses, wireless devices, network services, equipment, software, marketing sponsorship agreements and other items in the ordinary course of business, with various terms through 2029. These amounts are not reflective of our entire anticipated purchases under the related agreements but are determined based on the non-cancelable quantities or termination amounts to which we are contractually obligated.

We have contractual obligations to purchase and lease certain goods and services from various other parties. Our purchase obligations are approximately $2.5 billion for the year ending September 30, 2019, $2.7 billion in total for the years ending September 30, 2020 and 2021, $1.9 billion in total for the years ending September 30, 2022 and 2023 and $1.3 billion in total for the years thereafter.

In June 2018, we entered into an agreement for the purchase of network equipment totaling approximately $3.5 billion. Based on unavoidable spend, the minimum commitment under this agreement is $201 million as of September 30, 2018.

In September 2018, we amended an agreement with a third party to increase the total amount of network equipment to purchase by approximately $3.5 billion. Based on unavoidable spend, the minimum commitment under this agreement is $201 million as of September 30, 2018.

In September 2018, we signed a reciprocal long-term spectrum lease with Sprint that included a total commitment of $533 million and an offsetting amount to be received from Sprint for the lease of our spectrum. Lease payments are expected to begin in the fourth quarter of 2018. The reciprocal long-term lease is a distinct transaction from the Merger.

In October 2018, we entered into agreements with a third-party associated with a device upgrade program, trade-in services, and device protection products and services offered to our mobile communications customers, with initial terms of one to three years. Device protection products and services include reinsurance for device insurance policies and extended warranty contracts, mobile security applications, and technical support services.

Renewable Energy Purchase Agreements

In June 2018, T-Mobile USA entered into a renewable energy purchase agreement (the “REPA”) with a third party. The REPA is based on the expected operation of a wind energy-generating facility located in Illinois and will remain in effect until the 15th anniversary of the facility’s entry into commercial operation. Commercial operation of the facility is expected to occur by the end of 2020. The REPA consists of two components: (1) an energy forward agreement that is net settled based on energy prices and the energy output generated by the facility and (2) a commitment to purchase environmental attributes (“EACs”) in the same amount as the energy output generated by the facility. T-Mobile USA will net settle the forward agreement and acquire the EACs monthly by paying, or receiving, an aggregate net payment based on two variables (1) the facility’s energy output, which has an estimated maximum capacity of approximately 150 megawatts and (2) the difference between (a) an initial fixed price, subject to annual escalation, and (b) current local marginal energy prices during the monthly settlement period. We have determined that the REPA does not meet the definition of a derivative because the expected energy output of the facility may not be reliably estimated (the arrangement lacks a notional amount). The REPA does not contain any unconditional purchase obligations because amounts under the agreement are not fixed and determinable. Our participation in the REPA did not require an upfront investment or capital commitment. We do not control the activities that most significantly impact the energy-generating facility, nor do we receive specific energy output from it. No amounts were settled under the REPA during the nine months ended September 30, 2018.

Index for Notes to the Condensed Consolidated Financial Statements

In August 2018, T-Mobile USA entered into a REPA with a third party. The REPA is based on the expected operation of a solar photovoltaic electrical generation facility located in Virginia and will remain in effect until the twentieth anniversary of the facility's entry into commercial operation. Commercial operation of the facility is expected to occur by the end of 2020. The REPA consists of an energy forward agreement that is net settled based on energy prices and the energy output generated by the facility. The REPA does not contain a defined commitment, volume, or penalty amount. T-Mobile USA will acquire the EACs and net settle on the fixed-for-variable energy cost swap on the basis of the energy output at an initial fixed price, subject to annual escalation. We have determined that the REPA does not meet the definition of a derivative because the expected energy output of the facility may not be reliably estimated (the arrangement lacks a notional amount). The REPA does not contain any unconditional purchase obligations because amounts under the agreement are not fixed and determinable. Our participation in the REPA did not require an upfront investment or capital commitment. We do not control the activities that most significantly impact the energy-generating facility, nor do we receive specific energy output from it. No amounts were settled under the REPA during the nine months ended September 30, 2018.

In October 2018, T-Mobile USA entered into two REPAs with third parties that are based on the expected operation of solar photovoltaic electrical generation facilities located in Virginia and will remain in effect until the fifteenth anniversary of the respective facilities' entry into commercial operation. Commercial operation of the facilities is expected to occur by the end of 2019 and 2020, respectively. The REPAs do not contain a defined commitment, volume, or penalty amount.

Contingencies and Litigation

Litigation Matters

We are involved in various lawsuits and disputes, claims, government agency investigations and enforcement actions, and other proceedings ("Litigation Matters") that arise in the ordinary course of business, which include claims of patent infringement (most of which are asserted by non-practicing entities primarily seeking monetary damages), class actions, and proceedings to enforce FCC rules and regulations. The Litigation Matters described above have progressed to various stages and some of them may proceed to trial, arbitration, hearing or other adjudication that could result in fines, penalties, or awards of monetary or injunctive relief in the coming 12 months if they are not otherwise resolved. We have established an accrual with respect to certain of these matters, where appropriate, which is reflected in the condensed consolidated financial statements but that we do not consider, individually or in the aggregate, material. An accrual is established when we believe it is both probable that a loss has been incurred and an amount can be reasonably estimated. For other matters, where we have not determined that a loss is probable or because the amount of loss cannot be reasonably estimated, we have not recorded an accrual due to various factors typical in contested proceedings, including but not limited to: uncertainty concerning legal theories and their resolution by courts or regulators; uncertain damage theories and demands; and a less than fully developed factual record. While we do not expect that the ultimate resolution of these proceedings, individually or in the aggregate, will have a material adverse effect on our financial position, an unfavorable outcome of some or all of these proceedings could have a material adverse impact on results of operations or cash flows for a particular period. This assessment is based on our current understanding of relevant facts and circumstances. As such, our view of these matters is subject to inherent uncertainties and may change in the future.

Index for Notes to the Condensed Consolidated Financial Statements

Note 16 – Subsequent Events

In October 2018, we received reimbursement payments of $63 million from our insurance carriers related to hurricane impacts. The balance was accrued as a receivable as of September 30, 2018. See Note 2 - Significant Transactions for further information.

In October 2018, we amended and restated the EIP sale arrangement to, among other things, extend the scheduled expiration date to November 2020 and expand the types of EIP receivables that may be sold. See Note 5 - Sales of Certain Receivables for further information.

In October 2018, we entered into several interest rate lock transactions with multiple banks with an aggregate notional amount of $9.6 billion. These agreements will be used to mitigate variability in future cash flows resulting from changes in interest rates prior to the issuance of long-term debt.

In October 2018, we entered into agreements with a third-party associated with a device upgrade program, trade-in services, and device protection products and services offered to our mobile communications customers, with initial terms of one to three years. Device protection products and services include reinsurance for device insurance policies and extended warranty contracts, mobile security applications, and technical support services. See Note 15 - Commitments and Contingencies for further information.

In October 2018, T-Mobile USA entered into two REPAs with third parties. See Note 15 - Commitments and Contingencies for further information.

In October 2018, our operations in Florida experienced immaterial losses related to a hurricane. Additional costs related to the hurricane are expected to be incurred during the remainder of the fourth quarter of 2018.

Note 17 – Guarantor Financial Information

Pursuant to the applicable indentures and supplemental indentures, the long-term debt to affiliates and third parties issued by T-Mobile USA (“Issuer”) is fully and unconditionally guaranteed, jointly and severally, on a senior unsecured basis by T-Mobile (“Parent”) and certain of the Issuer’s 100% owned subsidiaries (“Guarantor Subsidiaries”).

In January 2018, T-Mobile USA and certain of its affiliates, as guarantors, issued (i) $1.0 billion of public 4.500% Senior Notes due 2026 and (ii) $1.5 billion of public 4.750% Senior Notes due 2028.

In April 2018, T-Mobile USA and certain of its affiliates, as guarantors, issued (i) $1.0 billion in aggregate principal amount of 4.500% Senior Notes due 2026 and (ii) $1.5 billion in aggregate principal amount of 4.750% Senior Notes due 2028. Additionally, T-Mobile USA and certain of its affiliates, as guarantors, redeemed through net settlement, (i) the $1.25 billion in aggregate principal amount of 8.097% Senior Reset Notes due 2021 and (ii) $1.25 billion in aggregate principal amount of 8.195% Senior Reset Notes due 2022.

See Note 9 - Debt for further information.

The guarantees of the Guarantor Subsidiaries are subject to release in limited circumstances only upon the occurrence of certain customary conditions. The indentures and credit facilities governing the long-term debt contain covenants that, among other things, limit the ability of the Issuer and the Guarantor Subsidiaries to: incur more debt; pay dividends and make distributions; make certain investments; repurchase stock; create liens or other encumbrances; enter into transactions with affiliates; enter into transactions that restrict dividends or distributions from subsidiaries; and merge, consolidate, or sell, or otherwise dispose of, substantially all of their assets. Certain provisions of each of the credit facilities, indentures and supplemental indentures relating to the long-term debt restrict the ability of the Issuer to loan funds or make payments to Parent. However, the Issuer and Guarantor Subsidiaries are allowed to make certain permitted payments to the Parent under the terms of the indentures and the supplemental indentures.

During the preparation of the condensed consolidating financial information of T-Mobile US, Inc. and Subsidiaries for the year ended December 31, 2017, it was determined that certain intercompany advances were misclassified in Net cash provided by (used in) operating activities and Net cash provided by (used in) financing activities in the Condensed Consolidating Statement of Cash Flows Information for the three and nine months ended September 30, 2017, as filed in our Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2017. We have revised the Issuer, Guarantor Subsidiaries and Non-Guarantor Subsidiaries columns of the Condensed Consolidating Statement of Cash Flows Information to reclassify

Index for Notes to the Condensed Consolidated Financial Statements

Intercompany advances, net from Net cash provided by (used in) operating activities to Net cash provided by (used in) financing activities. The impacts to the Issuer, Guarantor Subsidiaries and Non-Guarantor Subsidiaries columns for the three months ended September 30, 2017 were $1.3 billion, $1.3 billion and $12 million, respectively and for the nine months ended September 30, 2017 were $15.2 billion, $15.2 billion and $28 million, respectively. The revisions, which we have determined are not material, are eliminated upon consolidation and have no impact on our Condensed Consolidating Statement of Cash Flows Information.

Presented below is the condensed consolidating financial information as of September 30, 2018 and December 31, 2017, and for the three and nine months ended September 30, 2018 and 2017.

Index for Notes to the Condensed Consolidated Financial Statements

Condensed Consolidating Balance Sheet Information
September 30, 2018

(in millions)	Parent	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating and Eliminating Adjustments	Consolidated
Assets						
Current assets						
Cash and cash equivalents	$2	$1	$ 272	$ 54	$ —	$ 329
Accounts receivable, net	—	—	1,428	224	—	1,652
Equipment installment plan receivables, net	—	—	2,366	—	—	2,366
Accounts receivable from affiliates	—	6	11	—	(5)	12
Inventories	—	—	957	1	—	958
Other current assets	—	—	1,273	696	—	1,969
Total current assets	2	7	6,307	975	(5)	7,286
Property and equipment, net [(1)]	—	—	22,197	305	—	22,502
Goodwill	—	—	1,683	218	—	1,901
Spectrum licenses	—	—	35,553	—	—	35,553
Other intangible assets, net	—	—	142	87	—	229
Investments in subsidiaries, net	25,007	44,605	—	—	(69,612)	—
Intercompany receivables and note receivables	—	6,324	—	—	(6,324)	—
Equipment installment plan receivables due after one year, net	—	—	1,223	—	—	1,223
Other assets	—	5	1,394	250	(161)	1,488
Total assets	$25,009	$50,941	$ 68,499	$ 1,835	$ (76,102)	$ 70,182
Liabilities and Stockholders' Equity						
Current liabilities						
Accounts payable and accrued liabilities	$—	$137	$ 6,090	$ 273	$ —	$ 6,500
Payables to affiliates	—	187	44	—	(5)	226
Short-term debt	—	54	729	—	—	783
Deferred revenue	—	—	696	—	—	696
Other current liabilities	—	—	166	201	—	367
Total current liabilities	—	378	7,725	474	(5)	8,572
Long-term debt	—	10,949	1,044	—	—	11,993
Long-term debt to affiliates	—	14,581	—	—	—	14,581
Tower obligations [(1)]	—	—	386	2,179	—	2,565
Deferred tax liabilities	—	—	4,531	—	(161)	4,370
Deferred rent expense	—	—	2,761	—	—	2,761
Negative carrying value of subsidiaries, net	—	—	625	—	(625)	—
Intercompany payables and debt	654	—	5,365	305	(6,324)	—
Other long-term liabilities	—	26	937	22	—	985
Total long-term liabilities	654	25,556	15,649	2,506	(7,110)	37,255
Total stockholders' equity (deficit)	24,355	25,007	45,125	(1,145)	(68,987)	24,355
Total liabilities and stockholders' equity	$25,009	$50,941	$ 68,499	$ 1,835	$ (76,102)	$ 70,182

(1) Assets and liabilities for Non-Guarantor Subsidiaries are primarily included in VIEs related to the 2012 Tower Transaction. See Note 8 – Tower Obligations included in our Annual Report on Form 10-K for the year ended December 31, 2017 for further information.

37

Index for Notes to the Condensed Consolidated Financial Statements

Condensed Consolidating Balance Sheet Information
December 31, 2017

(in millions)	Parent	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating and Eliminating Adjustments	Consolidated
Assets						
Current assets						
Cash and cash equivalents	$74	$1	$ 1,086	$ 58	$ —	$ 1,219
Accounts receivable, net	—	—	1,659	256	—	1,915
Equipment installment plan receivables, net	—	—	2,290	—	—	2,290
Accounts receivable from affiliates	—	—	22	—	—	22
Inventories	—	—	1,566	—	—	1,566
Other current assets	—	—	1,275	628	—	1,903
Total current assets	74	1	7,898	942	—	8,915
Property and equipment, net (1)	—	—	21,890	306	—	22,196
Goodwill	—	—	1,683	—	—	1,683
Spectrum licenses	—	—	35,366	—	—	35,366
Other intangible assets, net	—	—	217	—	—	217
Investments in subsidiaries, net	22,534	40,988	—	—	(63,522)	—
Intercompany receivables and note receivables	—	8,503	—	—	(8,503)	—
Equipment installment plan receivables due after one year, net	—	—	1,274	—	—	1,274
Other assets	—	2	814	236	(140)	912
Total assets	$22,608	$49,494	$ 69,142	$ 1,484	$ (72,165)	$ 70,563
Liabilities and Stockholders' Equity						
Current liabilities						
Accounts payable and accrued liabilities	$—	$253	$ 8,014	$ 261	$ —	$ 8,528
Payables to affiliates	—	146	36	—	—	182
Short-term debt	—	999	613	—	—	1,612
Deferred revenue	—	—	779	—	—	779
Other current liabilities	17	—	192	205	—	414
Total current liabilities	17	1,398	9,634	466	—	11,515
Long-term debt	—	10,911	1,210	—	—	12,121
Long-term debt to affiliates	—	14,586	—	—	—	14,586
Tower obligations (1)	—	—	392	2,198	—	2,590
Deferred tax liabilities	—	—	3,677	—	(140)	3,537
Deferred rent expense	—	—	2,720	—	—	2,720
Negative carrying value of subsidiaries, net	—	—	629	—	(629)	—
Intercompany payables and debt	32	—	8,201	270	(8,503)	—
Other long-term liabilities	—	65	866	4	—	935
Total long-term liabilities	32	25,562	17,695	2,472	(9,272)	36,489
Total stockholders' equity (deficit)	22,559	22,534	41,813	(1,454)	(62,893)	22,559
Total liabilities and stockholders' equity	$22,608	$49,494	$ 69,142	$ 1,484	$ (72,165)	$ 70,563

(1) Assets and liabilities for Non-Guarantor Subsidiaries are primarily included in VIEs related to the 2012 Tower Transaction. See Note 8 – Tower Obligations included in our Annual Report on Form 10-K for the year ended December 31, 2017, for further information.

38

Index for Notes to the Condensed Consolidated Financial Statements

Condensed Consolidating Statement of Comprehensive Income Information
Three Months Ended September 30, 2018

(in millions)	Parent	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating and Eliminating Adjustments	Consolidated
Revenues						
Service revenues	$—	$—	$ 7,737	$ 563	$ (234)	$ 8,066
Equipment revenues	—	—	2,444	—	(53)	2,391
Other revenues	—	6	333	59	(16)	382
Total revenues	—	6	10,514	622	(303)	10,839
Operating expenses						
Cost of services, exclusive of depreciation and amortization shown separately below	—	—	1,571	15	—	1,586
Cost of equipment sales	—	—	2,657	258	(53)	2,862
Selling, general and administrative	—	2	3,305	257	(250)	3,314
Depreciation and amortization	—	—	1,614	23	—	1,637
Cost of Metro business combination	—	—	—	—	—	—
Gains on disposal of spectrum licenses	—	—	—	—	—	—
Total operating expense	—	2	9,147	553	(303)	9,399
Operating (loss) income	—	4	1,367	69	—	1,440
Other income (expense)						
Interest expense	—	(117)	(29)	(48)	—	(194)
Interest expense to affiliates	—	(124)	(5)	—	5	(124)
Interest income	—	5	5	—	(5)	5
Other expense, net	—	—	4	(1)	—	3
Total other expense, net	—	(236)	(25)	(49)	—	(310)
Income (loss) before income taxes	—	(232)	1,342	20	—	1,130
Income tax expense	—	—	(330)	(5)	—	(335)
Earnings of subsidiaries	795	1,027	8	—	(1,830)	—
Net income	$ 795	$ 795	$ 1,020	$ 15	$ (1,830)	$ 795
Dividends on preferred stock	$—	$—	$ —	$ —	$ —	$ —
Net income attributable to common stockholders	$ 795	$ 795	$ 1,020	$ 15	$ (1,830)	$ 795
Net income	$ 795	$ 795	$ 1,020	$ 15	$ (1,830)	$ 795
Other comprehensive income, net of tax						
Other comprehensive income, net of tax	—	—	—	—	—	—
Total comprehensive income	$ 795	$ 795	$ 1,020	$ 15	$ (1,830)	$ 795

Index for Notes to the Condensed Consolidated Financial Statements

Condensed Consolidating Statement of Comprehensive Income Information
Three Months Ended September 30, 2017

(in millions)	Parent	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating and Eliminating Adjustments	Consolidated
Revenues						
Service revenues	$—	$—	$ 7,312	$ 527	$ (210)	$ 7,629
Equipment revenues	—	—	2,160	—	(42)	2,118
Other revenues	—	—	224	55	(7)	272
Total revenues	—	—	9,696	582	(259)	10,019
Operating expenses						
Cost of services, exclusive of depreciation and amortization shown separately below	—	—	1,588	6	—	1,594
Cost of equipment sales	—	—	2,418	241	(42)	2,617
Selling, general and administrative	—	—	3,106	209	(217)	3,098
Depreciation and amortization	—	—	1,399	17	—	1,416
Gains on disposal of spectrum licenses	—	—	(29)	—	—	(29)
Total operating expense	—	—	8,482	473	(259)	8,696
Operating income	—	—	1,214	109	—	1,323
Other income (expense)						
Interest expense	—	(176)	(30)	(47)	—	(253)
Interest expense to affiliates	—	(167)	(6)	—	6	(167)
Interest income	—	7	1	—	(6)	2
Other expense, net	—	1	1	(1)	—	1
Total other expense, net	—	(335)	(34)	(48)	—	(417)
Income (loss) before income taxes	—	(335)	1,180	61	—	906
Income tax expense	—	—	(335)	(21)	—	(356)
Earnings of subsidiaries	550	885	—	—	(1,435)	—
Net income	550	550	845	40	(1,435)	550
Dividends on preferred stock	(13)	—	—	—	—	(13)
Net income attributable to common stockholders	$537	$550	$ 845	$ 40	$ (1,435)	$ 537
Net income	$550	$550	$ 845	$ 40	$ (1,435)	$ 550
Other comprehensive income (loss), net of tax						
Other comprehensive income (loss), net of tax	1	1	1	—	(2)	1
Total comprehensive income	$551	$551	$ 846	$ 40	$ (1,437)	$ 551

Index for Notes to the Condensed Consolidated Financial Statements

Condensed Consolidating Statement of Comprehensive Income Information
Nine Months Ended September 30, 2018

(in millions)	Parent	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating and Eliminating Adjustments	Consolidated
Revenues						
Service revenues	$—	$—	$ 22,833	$ 1,654	$ (684)	$ 23,803
Equipment revenues	—	—	7,221	1	(153)	7,069
Other revenues	—	9	849	169	(34)	993
Total revenues	—	9	30,903	1,824	(871)	31,865
Operating expenses						
Cost of services, exclusive of depreciation and amortization shown separately below	—	—	4,673	32	—	4,705
Cost of equipment sales	—	—	7,877	756	(154)	8,479
Selling, general and administrative	—	8	9,663	709	(717)	9,663
Depreciation and amortization	—	—	4,779	67	—	4,846
Gains on disposal of spectrum licenses	—	—	—	—	—	—
Total operating expense	—	8	26,992	1,564	(871)	27,693
Operating (loss) income	—	1	3,911	260	—	4,172
Other income (expense)						
Interest expense	—	(411)	(86)	(144)	—	(641)
Interest expense to affiliates	—	(419)	(14)	—	15	(418)
Interest income	—	17	14	1	(15)	17
Other (expense) income, net	—	(91)	41	(1)	—	(51)
Total other (expense) income, net	—	(904)	(45)	(144)	—	(1,093)
Income (loss) before income taxes	—	(903)	3,866	116	—	3,079
Income tax expense	—	—	(806)	(25)	—	(831)
Earnings of subsidiaries	2,248	3,151	25	—	(5,424)	—
Net income	$2,248	$2,248	$ 3,085	$ 91	$ (5,424)	$ 2,248
Dividends on preferred stock	—	—	—	—	—	—
Net income attributable to common stockholders	$2,248	$2,248	$ 3,085	$ 91	$ (5,424)	$ 2,248
Net income	$2,248	$2,248	$ 3,085	$ 91	$ (5,424)	$ 2,248
Other comprehensive income, net of tax						
Other comprehensive income, net of tax	—	—	—	—	—	—
Total comprehensive income	$2,248	$2,248	$ 3,085	$ 91	$ (5,424)	$ 2,248

Index for Notes to the Condensed Consolidated Financial Statements

Condensed Consolidating Statement of Comprehensive Income Information
Nine Months Ended September 30, 2017

(in millions)	Parent	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating and Eliminating Adjustments	Consolidated
Revenues						
Service revenues	$—	$—	$ 21,457	$ 1,580	$ (634)	$ 22,403
Equipment revenues	—	—	6,878	—	(211)	6,667
Other revenues	—	—	634	158	(17)	775
Total revenues	—	—	28,969	1,738	(862)	29,845
Operating expenses						
Cost of services, exclusive of depreciation and amortization shown separately below	—	—	4,502	18	—	4,520
Cost of equipment sales	—	—	7,622	738	(211)	8,149
Selling, general and administrative	—	—	8,967	652	(651)	8,968
Depreciation and amortization	—	—	4,446	53	—	4,499
Gains on disposal of spectrum licenses	—	—	(67)	—	—	(67)
Total operating expenses	—	—	25,470	1,461	(862)	26,069
Operating income	—	—	3,499	277	—	3,776
Other income (expense)						
Interest expense	—	(634)	(80)	(143)	—	(857)
Interest expense to affiliates	—	(398)	(18)	—	18	(398)
Interest income	—	24	9	—	(18)	15
Other income (expense), net	—	(87)	(1)	(1)	—	(89)
Total other expense, net	—	(1,095)	(90)	(144)	—	(1,329)
Income (loss) before income taxes	—	(1,095)	3,409	133	—	2,447
Income tax expense	—	—	(572)	(46)	—	(618)
Earnings (loss) of subsidiaries	1,829	2,924	(17)	—	(4,736)	—
Net income	1,829	1,829	2,820	87	(4,736)	1,829
Dividends on preferred stock	(41)	—	—	—	—	(41)
Net income attributable to common stockholders	$1,788	$1,829	$ 2,820	$ 87	$ (4,736)	$ 1,788
Net income	$1,829	$1,829	$ 2,820	$ 87	$ (4,736)	$ 1,829
Other comprehensive income, net of tax						
Other comprehensive income, net of tax	3	3	3	—	(6)	3
Total comprehensive income	$1,832	$1,832	$ 2,823	$ 87	$ (4,742)	$ 1,832

Index for Notes to the Condensed Consolidated Financial Statements

Condensed Consolidating Statement of Cash Flows Information
Three Months Ended September 30, 2018

(in millions)	Parent	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating and Eliminating Adjustments	Consolidated
Operating activities						
Net cash (used in) provided by operating activities	$ —	$(429)	$ 2,713	$ (1,320)	$ (50)	$ 914
Investing activities						
Purchases of property and equipment	—	—	(1,355)	(7)	—	(1,362)
Purchases of spectrum licenses and other intangible assets	—	—	(22)	—	—	(22)
Proceeds related to beneficial interests in securitization transactions	—	—	12	1,326	—	1,338
Acquisition of companies, net of cash acquired	—	—	—	—	—	—
Equity investment in subsidiary	—	—	(17)	—	17	—
Other, net	—	—	4	—	—	4
Net cash (used in) provided by investing activities	—	—	(1,378)	1,319	17	(42)
Financing activities						
Proceeds from issuance of long-term debt	—	—	—	—	—	—
Payments of consent fees related to long-term debt	—	—	—	—	—	—
Proceeds from borrowing on revolving credit facility, net	—	1,810	—	—	—	1,810
Repayments of revolving credit facility	—	—	(2,130)	—	—	(2,130)
Repayments of capital lease obligations	—	—	(180)	(1)	—	(181)
Repayments of short-term debt for purchases of inventory, property and equipment, net	—	—	(246)	—	—	(246)
Repayments of long-term debt	—	—	—	—	—	—
Repurchases of common stock	—	—	—	—	—	—
Intercompany advances, net	—	(1,383)	1,342	41	—	—
Equity investment from parent	—	—	—	17	(17)	—
Tax withholdings on share-based awards	—	—	(5)	—	—	(5)
Cash payments for debt prepayment or debt extinguishment costs	—	—	—	—	—	—
Intercompany dividend paid	—	—	—	(50)	50	—
Other, net	1	—	(7)	—	—	(6)
Net cash provided by (used in) financing activities	1	427	(1,226)	7	33	(758)
Change in cash and cash equivalents	1	(2)	109	6	—	114
Cash and cash equivalents						
Beginning of period	1	3	163	48	—	215
End of period	$ 2	$1	$ 272	$ 54	$ —	$ 329

43

Index for Notes to the Condensed Consolidated Financial Statements

Condensed Consolidating Statement of Cash Flows Information
Three Months Ended September 30, 2017

(in millions)	Parent	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating and Eliminating Adjustments	Consolidated
Operating activities						
Net cash provided by (used in) operating activities	$ (2)	$ (282)	$ 2,609	$ (1,073)	$ —	$ 1,252
Investing activities						
Purchases of property and equipment	—	—	(1,441)	—	—	(1,441)
Purchases of spectrum licenses and other intangible assets	—	—	(15)	—	—	(15)
Proceeds related to beneficial interests in securitization transactions	—	—	11	1,099	—	1,110
Equity investment in subsidiary	—	—	—	—	—	—
Other, net	—	—	1	—	—	1
Net cash (used in) provided by investing activities	—	—	(1,444)	1,099	—	(345)
Financing activities						
Proceeds from issuance of long-term debt	—	500	—	—	—	500
Proceeds from borrowing on revolving credit facility, net	—	1,055	—	—	—	1,055
Repayments of revolving credit facility	—	—	(1,735)	—	—	(1,735)
Repayments of capital lease obligations	—	—	(141)	—	—	(141)
Repayments of short-term debt for purchases of inventory, property and equipment, net	—	—	(4)	—	—	(4)
Repayments of long-term debt	—	—	—	—	—	—
Intercompany advances, net	—	(1,272)	1,284	(12)	—	—
Equity investment from parent	—	—	—	—	—	—
Tax withholdings on share-based awards	—	—	(6)	—	—	(6)
Intercompany dividend paid	—	—	—	—	—	—
Dividends on preferred stock	(13)	—	—	—	—	(13)
Cash payments for debt prepayment or debt extinguishment costs	—	—	—	—	—	—
Other, net	1	—	(6)	—	—	(5)
Net cash (used in) provided by financing activities	(12)	283	(608)	(12)	—	(349)
Change in cash and cash equivalents	(14)	1	557	14	—	558
Cash and cash equivalents						
Beginning of period	43	1	121	16	—	181
End of period	$ 29	$ 2	$ 678	$ 30	$ —	$ 739

Balances have been revised based on the guidance in ASU 2016-15, "Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments." See Note 1 - Summary of Significant Accounting Policies of the Notes to the Condensed Consolidated Financial Statements, for further information.

44

Index for Notes to the Condensed Consolidated Financial Statements

Condensed Consolidating Statement of Cash Flows Information
Nine Months Ended September 30, 2018

(in millions)	Parent	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating and Eliminating Adjustments	Consolidated
Operating activities						
Net cash (used in) provided by operating activities	$ —	$(1,091)	$ 8,019	$ (3,803)	$ (180)	$ 2,945
Investing activities						
Purchases of property and equipment	—	—	(4,345)	(12)	—	(4,357)
Purchases of spectrum licenses and other intangible assets	—	—	(101)	—	—	(101)
Proceeds related to beneficial interests in securitization transactions	—	—	37	3,919	—	3,956
Acquisition of companies, net of cash acquired	—	—	(338)	—	—	(338)
Equity investment in subsidiary	—	—	(43)	—	43	—
Other, net	—	—	30	—	—	30
Net cash (used in) provided by investing activities	—	—	(4,760)	3,907	43	(810)
Financing activities						
Proceeds from issuance of long-term debt	—	2,494	—	—	—	2,494
Payments of consent fees related to long-term debt	—	—	(38)	—	—	(38)
Proceeds from borrowing on revolving credit facility, net	—	6,050	—	—	—	6,050
Repayments of revolving credit facility	—	—	(6,050)	—	—	(6,050)
Repayments of capital lease obligations	—	—	(506)	(2)	—	(508)
Repayments of short-term debt for purchases of inventory, property and equipment, net	—	—	(246)	—	—	(246)
Repayments of long-term debt	—	—	(3,349)	—	—	(3,349)
Repurchases of common stock	(1,071)	—	—	—	—	(1,071)
Intercompany advances, net	995	(7,453)	6,427	31	—	—
Equity investment from parent	—					