SPRINT Corp
Form 10-Q
January 31, 2019
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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 December 31, 2018
or
o 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 1-04721

SPRINT CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	46-1170005
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
6200 Sprint Parkway, Overland Park, Kansas	66251
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (913) 794-1091

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 o

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 o

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	o
Non-accelerated filer	o	Smaller reporting company	o
		Emerging growth company	o

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. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

COMMON SHARES OUTSTANDING AT JANUARY 30, 2019:

Sprint Corporation Common Stock	4,079,316,764

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PART I — FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

SPRINT CORPORATION
CONSOLIDATED BALANCE SHEETS

	December 31, 2018	March 31, 2018
	(in millions, except share and per share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 6,191	$ 6,610
Short-term investments	632	2,354
Accounts and notes receivable, net of allowance for doubtful accounts and deferred interest of $334 and $409, respectively	3,455	3,711
Device and accessory inventory	919	1,003
Prepaid expenses and other current assets	1,199	575
Total current assets	12,396	14,253
Property, plant and equipment, net	21,422	19,925
Costs to acquire a customer contract	1,497	—
Intangible assets		
Goodwill	6,598	6,586
FCC licenses and other	41,448	41,309
Definite-lived intangible assets, net	1,915	2,465
Other assets	1,128	921
Total assets	$ 86,404	$ 85,459
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 3,637	$ 3,409
Accrued expenses and other current liabilities	3,467	3,962
Current portion of long-term debt, financing and capital lease obligations	3,596	3,429
Total current liabilities	10,700	10,800
Long-term debt, financing and capital lease obligations	36,288	37,463
Deferred tax liabilities	7,684	7,294
Other liabilities	3,403	3,483
Total liabilities	58,075	59,040
Commitments and contingencies		
Stockholders' equity:		
Common stock, voting, par value $0.01 per share, 9.0 billion authorized, 4.079 billion and 4.005 billion issued, respectively	41	40
Paid-in capital	28,278	27,884
Treasury shares, at cost	(7)	—
Retained earnings (accumulated deficit)	291	(1,255)
Accumulated other comprehensive loss	(333)	(313)
Total stockholders' equity	28,270	26,356
Noncontrolling interests	59	63
Total equity	28,329	26,419
Total liabilities and equity	$ 86,404	$ 85,459

See Notes to the Consolidated Financial Statements

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SPRINT CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2018	2017	2018	2017
	(in millions, except per share amounts)			
Net operating revenues:				
Service	$5,699	$5,930	$17,201	$17,968
Equipment sales	1,589	1,262	4,180	3,443
Equipment rentals	1,313	1,047	3,778	2,912
	8,601	8,239	25,159	24,323
Net operating expenses:				
Cost of services (exclusive of depreciation and amortization included below)	1,648	1,733	5,019	5,140
Cost of equipment sales	1,734	1,673	4,521	4,622
Cost of equipment rentals (exclusive of depreciation below)	182	123	457	347
Selling, general and administrative	2,003	2,108	5,731	6,059
Depreciation - network and other	1,088	987	3,132	2,961
Depreciation - equipment rentals	1,137	990	3,454	2,732
Amortization	145	196	475	628
Other, net	185	(298)	298	(657)
	8,122	7,512	23,087	21,832
Operating income	479	727	2,072	2,491
Other (expense) income:				
Interest expense	(664)	(581)	(1,934)	(1,789)
Other income (expense), net	32	(42)	153	(50)
	(632)	(623)	(1,781)	(1,839)
(Loss) income before income taxes	(153)	104	291	652
Income tax benefit (expense)	8	7,052	(56)	6,662
Net (loss) income	(145)	7,156	235	7,314
Less: Net loss (income) attributable to noncontrolling interests	4	6	(4)	6
Net (loss) income attributable to Sprint Corporation	$(141)	$7,162	$231	$7,320
Basic net (loss) income per common share attributable to Sprint Corporation	$(0.03)	$1.79	$0.06	$1.83
Diluted net (loss) income per common share attributable to Sprint Corporation	$(0.03)	$1.76	$0.06	$1.79
Basic weighted average common shares outstanding	4,078	4,001	4,050	3,998
Diluted weighted average common shares outstanding	4,078	4,061	4,110	4,080
Other comprehensive (loss) income, net of tax:				
Net unrealized holding (losses) gains on securities and other	$(2)	$7	$(9)	$25
Net unrealized holding (losses) gains on derivatives	(25)	19	(8)	12
Net unrecognized net periodic pension and other postretirement benefits	2	—	5	1
Cumulative effect of accounting change	—	—	(8)	—
Other comprehensive (loss) income	(25)	26	(20)	38
Comprehensive (loss) income	$(170)	$7,182	$215	$7,352

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SPRINT CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended December 31,	
	2018	2017
	(in millions)	
Cash flows from operating activities:		
Net income	$235	$7,314
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	7,061	6,321
Provision for losses on accounts receivable	278	312
Share-based and long-term incentive compensation expense	101	137
Deferred income tax expense (benefit)	25	(6,707)
Gains from asset dispositions and exchanges	—	(479)
Loss on early extinguishment of debt	—	65
Amortization of long-term debt premiums, net	(94)	(125)
Loss on disposal of property, plant and equipment	642	533
Deferred purchase price from sale of receivables	(223)	(909)
Other changes in assets and liabilities:		
Accounts and notes receivable	65	(74)
Inventories and other current assets	248	570
Accounts payable and other current liabilities	(530)	(104)
Non-current assets and liabilities, net	(601)	260
Other, net	375	295
Net cash provided by operating activities	7,582	7,409
Cash flows from investing activities:		
Capital expenditures - network and other	(3,814)	(2,539)
Capital expenditures - leased devices	(5,739)	(5,533)
Expenditures relating to FCC licenses	(145)	(92)
Proceeds from sales and maturities of short-term investments	6,619	7,113
Purchases of short-term investments	(5,152)	(1,842)
Proceeds from sales of assets and FCC licenses	416	367
Proceeds from deferred purchase price from sale of receivables	223	909
Proceeds from corporate owned life insurance policies	110	2
Other, net	52	(1)
Net cash used in investing activities	(7,430)	(1,616)
Cash flows from financing activities:		
Proceeds from debt and financings	6,416	3,073
Repayments of debt, financing and capital lease obligations	(6,937)	(7,159)
Debt financing costs	(286)	(19)
Call premiums paid on debt redemptions	—	(129)
Proceeds from issuance of common stock, net	281	12

Other, net	—	(18)
Net cash used in financing activities	(526)	(4,240)
Net (decrease) increase in cash, cash equivalents and restricted cash	(374)	1,553
Cash, cash equivalents and restricted cash, beginning of period	6,659	2,942
Cash, cash equivalents and restricted cash, end of period	$6,285	$4,495

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SPRINT CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(in millions)

	Nine Months Ended December 31, 2018								
	Common Stock		Paid-in Capital	Treasury Shares		(Accumulated Deficit) Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Noncontrolling Interests	Total Equity
	Shares	Amount		Shares	Amount				
Balance, March 31, 2018	4,005	$ 40	$27,884	—	$ —	$ (1,255)	$ (313)	$ 63	$26,419
Net income (loss)						176		(3)	173
Other comprehensive income, net of tax							4		4
Issuance of common stock, net	8		2	1	(4)				(2)
Share-based compensation expense			40						40
Capital contribution by SoftBank			1						1
Cumulative effect of accounting changes						1,315	(8)		1,307
Other, net			3						3
Increase (decrease) attributable to noncontrolling interests			8					(8)	—
Balance, June 30, 2018	4,013	40	27,938	1	(4)	236	(317)	52	27,945
Net income						196		11	207
Other comprehensive income, net of tax							9		9
Issuance of common stock, net	66	1	288	1	(11)				278
Share-based compensation expense			27						27
Capital contribution by SoftBank			1						1
Other, net			(3)						(3)
Balance, September 30, 2018	4,079	41	28,251	2	(15)	432	(308)	63	28,464
Net loss						(141)		(4)	(145)
Other comprehensive loss, net of tax							(25)		(25)
Issuance of common stock, net			(3)	(1)	8				5
Share-based compensation expense			34						34
Other, net			(4)						(4)
Balance, December 31, 2018	4,079	$ 41	$28,278	1	$ (7)	$ 291	$ (333)	$ 59	$28,329

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SPRINT CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(in millions)

	Nine Months Ended December 31, 2017								
	Common Stock		Paid-in Capital	Treasury Shares		(Accumulated Deficit) Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Noncontrolling Interests	Total Equity
	Shares	Amount		Shares	Amount				
Balance, March 31, 2017	3,989	$ 40	$27,756	—	$ —	$ (8,584)	$ (404)	$ —	$18,808
Net income						206			206
Other comprehensive loss, net of tax							(4)		(4)
Issuance of common stock, net	7		9						9
Share-based compensation expense			40						40
Capital contribution by SoftBank			2						2
Other, net			(46)						(46)
Balance, June 30, 2017	3,996	40	27,761	—	—	(8,378)	(408)	—	19,015
Net loss						(48)			(48)
Other comprehensive income, net of tax							16		16
Issuance of common stock, net	4		1	1	(9)				(8)
Share-based compensation expense			47						47
Capital contribution by SoftBank			3						3
Other, net			(5)						(5)
Balance, September 30, 2017	4,000	40	27,807	1	(9)	(8,426)	(392)	—	19,020
Net income (loss)						7,162		(6)	7,156
Other comprehensive income, net of tax							26		26
Issuance of common stock, net	2		2	(1)	9				11
Share-based compensation expense			50						50
Other, net			(6)						(6)
(Decrease) increase attributable to noncontrolling interests			(28)					76	48
Balance, December 31, 2017	4,002	$ 40	$27,825	—	$ —	$ (1,264)	$ (366)	$ 70	$26,305

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SPRINT CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Basis of Presentation and Other Information

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X for interim financial information. All normal recurring adjustments considered necessary for a fair presentation have been included. Certain disclosures normally included in annual consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP) have been omitted. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes contained in our Annual report on Form 10-K for the year ended March 31, 2018. Unless the context otherwise requires, references to "Sprint," "we," "us," "our" and the "Company" mean Sprint Corporation and its consolidated subsidiaries for all periods presented, and references to "Sprint Communications" are to Sprint Communications, Inc. and its consolidated subsidiaries.

The preparation of the unaudited interim consolidated financial statements requires management of the Company to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities at the date of the unaudited interim consolidated financial statements. These estimates are inherently subject to judgment and actual results could differ.

The consolidated financial statements include our accounts, those of our 100% owned subsidiaries, and subsidiaries we control or in which we have a controlling financial interest. For controlled subsidiaries that are not wholly-owned, the noncontrolling interests are included in "Net (loss) income" and "Total equity." All intercompany transactions and balances have been eliminated in consolidation.

Reclassification of Prior Period Amounts

Certain prior period amounts have been reclassified to conform to the current period presentation. As a result of the growing significance of our leasing program, in fiscal year 2017 we disaggregated equipment revenue between device sales and device operating lease revenue in our consolidated statements of comprehensive (loss) income. Revenue derived from device sales is now being reported in a new caption called "Equipment sales," and revenue derived from device operating leases is now being reported in a new caption called "Equipment rentals." For the three- and nine-month periods ended December 31, 2017, we have disaggregated revenues of $1.0 billion and $2.9 billion, respectively, from equipment revenue to "Equipment rentals."

To align with the changes made to our revenue presentation, we have added two new captions within the consolidated statements of comprehensive (loss) income to capture certain costs directly attributable to our leasing activities consisting of "Cost of equipment rentals (exclusive of depreciation)" and "Depreciation - equipment rentals." For the three- and nine-month periods ended December 31, 2017, we have reclassed $123 million and $347 million, respectively, of loss on disposal of property, plant and equipment, net of recoveries resulting from the write-off of leased devices from "Other, net" to a new caption called "Cost of equipment rentals (exclusive of depreciation)." Additionally, we disaggregated total depreciation between network and other versus depreciation related to equipment rentals. Network and other depreciation is now being reported in a new caption called "Depreciation - network and other," and depreciation derived from equipment rentals is now being reported in a new caption called "Depreciation - equipment rentals." For the three- and nine-month periods ended December 31, 2017, we have disaggregated depreciation of $990 million and $2.7 billion, respectively, from depreciation to "Depreciation - equipment rentals." Total net operating revenues, net operating expenses, net (loss) income, and basic and diluted earnings per share were not affected by these reclassifications.

On January 1, 2018, the Company adopted authoritative guidance regarding Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments. The Company adopted this standard with retrospective application to the consolidated statements of cash flows. The standard impacted the presentation of cash flows related to beneficial interests in securitization transactions, which is the deferred purchase price associated with our accounts receivable facility, resulting in reclassification of cash inflows from operating activities to investing activities of $909 million for the nine-month period ended December 31, 2017 in our consolidated statements of cash flows. The standard also impacted the presentation of cash flows related to separately identifiable cash flows and application of the predominance principal primarily related to direct channel leased devices resulting in a material reclassification of cash outflows from operating

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activities to investing activities of $3.8 billion for the nine-month period ended December 31, 2017 in our consolidated statements of cash flows. In addition, the standard also impacted the presentation of cash flows related to debt prepayment or debt extinguishment costs and resulted in a reclassification of cash outflows from operating activities to financing activities of $129 million for the nine-month period ended December 31, 2017 in our consolidated statements of cash flows. Proceeds from the settlement of corporate-owned life insurance policies resulted in a $2 million reclassification between operating and investing activities in our consolidated statements of cash flows for the nine-month period ended December 31, 2017.

On January 1, 2018, the Company adopted authoritative guidance regarding Statement of Cash Flows: Restricted Cash, requiring that amounts generally described as restricted cash or restricted cash equivalents be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The Company adopted this standard with retrospective application to the consolidated statements of cash flows. The adoption of this standard resulted in an increase of $72 million in the beginning balance of cash, cash equivalents and restricted cash on April 1, 2017 and $55 million to the ending balance of cash, cash equivalents and restricted cash as of December 31, 2017.

Business Combination Agreement

On April 29, 2018, we announced that we entered into a Business Combination Agreement with T-Mobile US (T-Mobile) to merge in an all-stock transaction for a fixed exchange ratio of 0.10256 of T-Mobile shares for each Sprint share, or the equivalent of 9.75 Sprint shares for each T-Mobile share. Immediately following the transactions, Deutsche Telekom AG and SoftBank Group Corp. are expected to hold approximately 42% and 27% of fully-diluted shares of the combined company, respectively, with the remaining 31% of the fully-diluted shares of the combined company held by public stockholders. The Board will consist of 14 directors, of which nine will be nominated by Deutsche Telekom AG, four will be nominated by SoftBank Group Corp, and the final director will be the CEO of the combined company. The combined company will be named T-Mobile. The transaction is subject to customary closing conditions, including regulatory approvals, and is expected to close in the first half of calendar year 2019. Sprint and T-Mobile completed the Hart-Scott-Rodino filing with the Department of Justice on May 24, 2018. On June 18, 2018, the parties filed with the FCC the merger applications, including the Public Interest Statement. On July 18, 2018, the FCC accepted the applications for filing and established a public comment period for the transaction. The formal comment period concluded on October 31, 2018. The transaction received clearance from the Committee on Foreign Investment in the United States on December 17, 2018 and is awaiting further regulatory approvals.

Note 2. New Accounting Pronouncements

Accounting Pronouncements Adopted During the Current Year

In May 2014, the Financial Accounting Standards Board (FASB) issued new authoritative literature, Revenue from Contracts with Customers (Topic 606). This standard update, along with related subsequently issued updates, clarifies the principles for recognizing revenue and develops a common revenue standard for U.S. GAAP. The new standard supersedes much of the existing authoritative literature for revenue recognition (Topic 605). The standard update also amends current guidance for the recognition of costs to obtain and fulfill contracts with customers such that incremental costs of obtaining and direct costs of fulfilling contracts with customers will be deferred and amortized consistent with the transfer of the related good or service. Upon adoption, the Company applied the standard only to contracts that were not completed, referred to as open contracts.

The Company adopted this standard update beginning on April 1, 2018 using the modified retrospective method. This method requires that the cumulative effect of initially applying the standard be recognized at the date of application beginning April 1, 2018. We recorded a pre-tax cumulative effect of $1.7 billion ($1.3 billion, net of tax) as a reduction to the April 1, 2018 opening balance of accumulated deficit. Results for reporting periods beginning after April 1, 2018 are presented under Topic 606, while amounts reported for prior periods have not been adjusted and continue to be reported under accounting standards in effect for those periods. See Note 8. Revenues from Contracts with Customers for additional information related to revenues and contract costs, including qualitative and quantitative disclosures required under Topic 606.

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In January 2016, the FASB issued authoritative guidance regarding Financial Instruments, which amended guidance on the classification and measurement of financial instruments. Under the new guidance, entities will be required to measure equity investments that are not consolidated or accounted for under the equity method at fair value with any changes in fair value recorded in net (loss) income, unless the entity has elected the new practicability exception. For financial liabilities measured using the fair value option, entities will be required to separately present in other comprehensive (loss) income the portion of the changes in fair value attributable to instrument-specific credit risk. Additionally, the guidance amends certain disclosure requirements associated with the fair value of financial instruments. The Company adopted this standard update beginning on April 1, 2018 on a retrospective basis resulting in a pre-tax cumulative effect of $12 million ($8 million, net of tax) to our opening balance of accumulated deficit.
In October 2016, the FASB issued authoritative guidance regarding Income Taxes, which amended guidance for the income tax consequences of intra-entity transfers of assets other than inventory. Under the new guidance, entities will be required to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs, thereby eliminating the recognition exception within current guidance. The Company adopted this standard on April 1, 2018 on a modified retrospective basis with no impact to our consolidated financial statements.
In January 2017, the FASB issued authoritative guidance amending Business Combinations: Clarifying the Definition of a Business, to clarify the definition of a business with the objective of providing a more robust framework to assist management when evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The Company adopted this standard on April 1, 2018 with prospective application to future business combinations.
In January 2017, the FASB issued authoritative guidance regarding Intangibles - Goodwill and Other: Simplifying the Test for Goodwill Impairment, which simplifies the goodwill impairment test by eliminating the requirement to calculate the implied fair value of goodwill to measure a goodwill impairment charge (Step 2 of the test), but rather to record an impairment charge based on the excess of the carrying value over its fair value. The Company adopted this standard on April 1, 2018 with no impact to our consolidated financial statements at the date of adoption.
The cumulative after-tax effect of the changes made to our consolidated balance sheet for the adoption of Topic 606 and other ASUs effective for the Company on April 1, 2018 were as follows:

		Adjustments due to		
	March 31, 2018	Topic 606	Other ASUs	April 1, 2018
	(in millions)			
ASSETS				
Current assets:				
Accounts and notes receivable, net	$3,711	$ 97	$ —	$3,808
Device and accessory inventory	1,003	(24)	—	979
Prepaid expenses and other current assets	575	271	—	846
Costs to acquire a customer contract	—	1,219	—	1,219
Other assets	921	43	—	964
LIABILITIES AND EQUITY				
Current liabilities:				
Accrued expenses and other current liabilities	$3,962	$ (35)	$ —	$3,927
Deferred tax liabilities	7,294	366	—	7,660

Other liabilities	3,483	(32)	—	3,451
Stockholders' equity:				
(Accumulated deficit) retained earnings	(1,255)	1,307	8	60
Accumulated other comprehensive loss	(313)	—	(8)	(321)

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The most significant impact upon adoption of Topic 606 on April 1, 2018 was the recognition of a deferred contract cost asset of $1.2 billion, which was recorded in "Costs to acquire a customer contract" in our consolidated balance sheets for incremental contract acquisition costs paid on open contracts at the date of adoption. We are capitalizing and subsequently amortizing commission costs, which were previously expensed, related to new service contracts over the expected customer relationship period, while costs associated with contract renewals are amortized over the anticipated length of the service contract. We expect that operating expenses will be lower in the current fiscal year compared to amounts recorded under Topic 605 due to higher deferrals of such costs compared to the amortization of prior period commission costs deferred only for open contracts at the date of adoption as permitted by Topic 606.
A reconciliation of the adjustments from the adoption of Topic 606 relative to Topic 605 on our consolidated statements of comprehensive (loss) income and balance sheet is as follows:

	Three Months Ended December 31, 2018			Nine Months Ended December 31, 2018		
	As reported	Balances without adoption of Topic 606	Change	As reported	Balances without adoption of Topic 606	Change
	(in millions, except per share amounts)			(in millions, except per share amounts)		
Net operating revenues:						
Service	$5,699	$5,898	$(199)	$17,201	$17,716	$(515)
Equipment sales	1,589	1,264	325	4,180	3,223	957
Equipment rentals	1,313	1,329	(16)	3,778	3,827	(49)
	8,601	8,491	110	25,159	24,766	393
Net operating expenses:						
Cost of services (exclusive of depreciation and amortization included below)	1,648	1,671	(23)	5,019	5,073	(54)
Cost of equipment sales	1,734	1,715	19	4,521	4,431	90
Cost of equipment rentals (exclusive of depreciation below)	182	182	—	457	457	—
Selling, general and administrative	2,003	2,145	(142)	5,731	6,047	(316)
Depreciation - network and other	1,088	1,088	—	3,132	3,132	—
Depreciation - equipment rentals	1,137	1,137	—	3,454	3,454	—
Amortization	145	145	—	475	475	—
Other, net	185	185	—	298	298	—
	8,122	8,268	(146)	23,087	23,367	(280)
Operating income	479	223	256	2,072	1,399	673
Total other expense	(632)	(632)	—	(1,781)	(1,781)	—
(Loss) income before income taxes	(153)	(409)	256	291	(382)	673
Income tax benefit (expense)	8	62	(54)	(56)	85	(141)
Net (loss) income	(145)	(347)	202	235	(297)	532
Less: Net loss (income) attributable to noncontrolling interests	4	4	—	(4)	(4)	—

Net (loss) income attributable to Sprint	$(141)	$(343)	$202	$231	$(301)	$532
Basic net (loss) income per common share attributable to Sprint	$(0.03)	$(0.08)	$0.05	$0.06	$(0.07)	$0.13
Diluted net (loss) income per common share attributable to Sprint	$(0.03)	$(0.08)	$0.05	$0.06	$(0.07)	$0.13
Basic weighted average common shares outstanding	4,078	4,078	—	4,050	4,050	—
Diluted weighted average common shares outstanding	4,078	4,078	—	4,110	4,050	60

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SPRINT CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	December 31, 2018		
	As reported	Balances without adoption of Topic 606	Change
	(in millions)		
ASSETS			
Current assets:			
Accounts and notes receivable, net	$3,455	$3,356	$99
Device and accessory inventory	919	941	(22)
Prepaid expenses and other current assets	1,199	672	527
Costs to acquire a customer contract	1,497	—	1,497
Other assets	1,128	939	189
LIABILITIES AND EQUITY			
Current liabilities:			
Accrued expenses and other current liabilities	$3,467	$3,489	$(22)
Deferred tax liabilities	7,684	7,177	507
Other liabilities	3,403	3,437	(34)
Stockholders' equity:			
Retained earnings (accumulated deficit)	291	(1,548)	1,839

The most significant impacts to our financial statement results as reported under Topic 606 as compared to Topic 605 for the current reporting period are as follows:

- Consideration paid to customers or on behalf of customers is included as a reduction of the total transaction price of customer contracts, resulting in a contract asset that is amortized to service revenue over the term of the contract. As a result, the income statement impact reflects an increase in equipment sales offset by a reduction in wireless service revenue. Under the previous standard, this consideration paid to customers or on behalf of customers was recognized as a reduction to revenue or as selling, general and administrative expense.
- Costs to acquire a customer contract or for a contract renewal are now capitalized and amortized to selling, general and administrative expenses over the expected customer relationship period or length of the service contract, respectively. Under the previous standard, these commission costs were expensed as incurred.
- Deferred tax liabilities were increased for temporary differences established upon adoption of Topic 606, primarily attributable to costs to acquire a customer contract. For income tax purposes, these commission costs will continue to be expensed as incurred.

Accounting Pronouncements Not Yet Adopted

In February 2016, the FASB issued authoritative guidance regarding Leases, and has subsequently modified several areas of the standard in order to provide additional clarity and improvements. The new standard will supersede much of the existing authoritative literature for leases. This guidance requires lessees, among other things, to recognize right-of-use assets and liabilities on their balance sheet for all leases with lease terms longer than twelve months. In July 2018, the FASB made targeted improvements to the standard, including providing an additional and optional transition method. Under this method, an entity initially applies the standard at the adoption date, including the election of certain transition reliefs, and recognizes a cumulative effect adjustment to the opening balance of retained earnings in the period of adoption. The standard will be effective for the Company for its fiscal year beginning April 1, 2019, including interim periods within that fiscal year, with early adoption permitted. The Company is currently evaluating the guidance and assessing its overall impact. However, we expect the adoption of this guidance to have a material impact on our consolidated balance sheets and we are implementing significant new processes and internal controls over lease recognition, which will ultimately assist in the application of the new lease standard.

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In June 2016 and November 2018, the FASB issued authoritative guidance regarding Financial Instruments - Credit Losses, which requires entities to use a Current Expected Credit Loss impairment model based on expected losses rather than incurred losses. Under this model, an entity would recognize an impairment allowance equal to its current estimate of all contractual cash flows that the entity does not expect to collect from financial assets measured at amortized cost within the scope of the standard. The entity's estimate would consider relevant information about past events, current conditions and reasonable and supportable forecasts, which will result in recognition of lifetime expected credit losses. The standard will be effective for the Company's fiscal year beginning April 1, 2020, including interim reporting periods within that fiscal year, although early adoption is permitted. The Company does not expect the adoption of this guidance to have a material impact on our consolidated financial statements.

In June 2018, the FASB issued authoritative guidance regarding Compensation - Stock Compensation, which expands the scope of ASC Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees. The standard will be effective for the Company for its fiscal year beginning April 1, 2019, including interim periods within that fiscal year, with early adoption permitted. The Company is currently evaluating the guidance and assessing its overall impact. However, we do not expect the adoption of this guidance to have a material impact on our consolidated financial statements.

In August 2018, the FASB issued authoritative guidance regarding Fair Value Measurement: Disclosure Framework, which eliminates, adds and modifies certain disclosure requirements for fair value measurements. The standard will be effective for the Company for its fiscal year beginning April 1, 2020, including interim periods within that fiscal year, with early adoption permitted. The Company is currently evaluating the guidance and assessing its overall impact. However, we do not expect the adoption of this guidance to have a material impact on our consolidated financial statements.

In August 2018, the FASB issued authoritative guidance regarding Intangibles - Goodwill and Other - Internal-Use Software, which aligns the requirements for a customer to capitalize 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 be effective for the Company for its fiscal year beginning April 1, 2020, including interim periods within that fiscal year, with early adoption permitted. The Company is currently evaluating the guidance and assessing its overall impact.

Note 3. Installment Receivables

Certain subscribers have the option to pay for their devices in installments, generally up to a 24-month period. Short-term installment receivables are recorded in "Accounts and notes receivable, net" and long-term installment receivables are recorded in "Other assets" in the consolidated balance sheets.

The following table summarizes the installment receivables:

	December 31, 2018	March 31, 2018
	(in millions)	
Installment receivables, gross	$1,151	$ 1,472
Deferred interest	(62)	(106)
Installment receivables, net of deferred interest	1,089	1,366
Allowance for credit losses	(195)	(217)
Installment receivables, net	$894	$ 1,149

Classified in the consolidated balance sheets as:

Accounts and notes receivable, net	$675	$ 995
Other assets	219	154
Installment receivables, net	$894	$ 1,149

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The balance and aging of installment receivables on a gross basis by credit category were as follows:

	December 31, 2018			March 31, 2018		
	Prime	Subprime	Total	Prime	Subprime	Total
	(in millions)			(in millions)		
Unbilled	$661	$ 396	$1,057	$951	$ 391	$1,342
Billed - current	48	23	71	69	29	98
Billed - past due	12	11	23	17	15	32
Installment receivables, gross	$721	$ 430	$1,151	$1,037	$ 435	$1,472

Activity in the deferred interest and allowance for credit losses for the installment receivables was as follows:

	Nine Months Ended December 31, 2018	Twelve Months Ended March 31, 2018
	(in millions)	
Deferred interest and allowance for credit losses, beginning of period	$323	$ 506
Adjustment to deferred interest on short- and long-term installment receivables due to Topic 606	(50)	—
Bad debt expense	66	142
Write-offs, net of recoveries	(88)	(224)
Change in deferred interest on short- and long-term installment receivables	6	(101)
Deferred interest and allowance for credit losses, end of period	$257	$ 323

Note 4. Financial Instruments

The Company carries certain assets and liabilities at fair value. Fair value is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The three-tier hierarchy for inputs used in measuring fair value, which prioritizes the inputs based on the observability as of the measurement date, is as follows: quoted prices in active markets for identical assets or liabilities; observable inputs other than the quoted prices in active markets for identical assets and liabilities; and unobservable inputs for which there is little or no market data, which require the Company to develop assumptions of what market participants would use in pricing the asset or liability.

The carrying amount of cash equivalents, accounts and notes receivable, and accounts payable approximates fair value. Short-term investments are recorded at amortized cost and the respective carrying amounts approximate the fair value that would be determined primarily using quoted prices in active markets. As of December 31, 2018, short-term investments totaled $632 million and consisted of $251 million of time deposits and $381 million of commercial paper. As of March 31, 2018, short-term investments totaled $2.4 billion and consisted of approximately $1.6 billion of time deposits and $765 million of commercial paper. The fair value of marketable equity securities totaling $2 million and $57 million as of December 31, 2018 and March 31, 2018, respectively, are measured on a recurring basis using quoted prices in active markets. Current and long-term debt inclusive of our other financings are carried at amortized cost.

Debt for which estimated fair value is determined based on unobservable inputs primarily represents borrowings under our secured equipment credit facilities, and sales of receivables under our Accounts Receivable Facility (Receivables Facility). See Note 7. Long-Term Debt, Financing and Capital Lease Obligations for additional information. The carrying amounts associated with these borrowings approximate fair value.

The estimated fair value of the majority of our current and long-term debt, excluding our secured equipment credit facilities, and sold wireless service, installment billing and future receivables is determined based on quoted prices in active markets or by using other observable inputs that are derived principally from, or corroborated by, observable market data.

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The following table presents carrying amounts and estimated fair values of current and long-term debt and financing obligations:

	Carrying amount at December 31, 2018	Estimated Fair Value Using Input Type			
		Quoted prices in active markets	Observable	Unobservable	Total estimated fair value
	(in millions)				
Current and long-term debt and financing obligations	$40,125	$35,756	$ —	$ 4,570	$ 40,326

	Carrying amount at March 31, 2018	Estimated Fair Value Using Input Type			
		Quoted prices in active markets	Observable	Unobservable	Total estimated fair value
	(in millions)				
Current and long-term debt and financing obligations	$40,820	$37,549	$ —	$ 3,737	$ 41,286

Note 5. Property, Plant and Equipment

Property, plant and equipment consists primarily of network equipment, leased devices and other long-lived assets used to provide service to our subscribers. Non-cash accruals included in property, plant and equipment (excluding leased devices) totaled $1.0 billion and $428 million as of December 31, 2018 and 2017, respectively.

The following table presents the components of property, plant and equipment and the related accumulated depreciation:

	December 31, 2018	March 31, 2018
	(in millions)	
Land	$247	$254
Network equipment, site costs and related software	24,015	22,930
Buildings and improvements	833	813
Leased devices, non-network internal use software, office equipment and other	12,612	11,149
Construction in progress	3,520	2,202
Less: accumulated depreciation	(19,805)	(17,423)
Property, plant and equipment, net	$21,422	$19,925

Sprint offers a leasing program to its customers whereby qualified subscribers can lease a device for a contractual period of time. At the end of the lease term, the subscriber has the option to return the device, continue leasing the device, or purchase the device. As of December 31, 2018, substantially all of our device leases were classified as operating leases. Purchases of leased devices are reported as cash outflows for "Capital expenditures - leased devices" in the consolidated statements of cash flows. The devices are then depreciated using the straight-line method to their estimated residual value generally over the term of the lease.

The following table presents leased devices and the related accumulated depreciation:

	December 31, 2018	March 31, 2018
	(in millions)	
Leased devices	$10,987	$ 9,592
Less: accumulated depreciation	(4,304)	(3,580)
Leased devices, net	$6,683	$ 6,012

During the nine-month periods ended December 31, 2018 and 2017, we had non-cash transfers of returned leased devices from property, plant and equipment to device and accessory inventory at the lower of net book value or their estimated fair value of $645 million and $574 million, respectively. Non-cash accruals included in leased devices totaled $264 million and $306 million as of December 31, 2018 and 2017, respectively.

During the three- and nine-month periods ended December 31, 2018 and 2017, we recorded $299 million, $642 million, $123 million and $527 million, respectively, of loss on disposal of property, plant and equipment, net of recoveries.

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Net losses that resulted from the write-off of leased devices were primarily associated with lease cancellations prior to the scheduled customer lease terms, where customers did not return the devices to us. Such losses were $182 million, $457 million, $123 million and $347 million for the three- and nine-month periods ended December 31, 2018 and 2017, respectively, and are included in "Cost of equipment rentals" in our consolidated statements of comprehensive (loss) income. During the three- and nine-month periods ended December 31, 2018, we recorded $117 million and $185 million, respectively, of losses primarily related to cell site construction costs and other network costs that are no longer recoverable as a result of changes in our network plans, which are included in "Other, net" in our consolidated statements of comprehensive (loss) income. During the nine-month period ended December 31, 2017, we recorded $180 million of losses primarily related to cell site construction costs that are no longer recoverable as a result of changes in our network plans.

Note 6. Intangible Assets

Indefinite-Lived Intangible Assets

Our indefinite-lived intangible assets consist of FCC licenses, which were acquired primarily through FCC auctions and business combinations, certain of our trademarks and goodwill. At December 31, 2018, we held 800 MHz, 1.9 GHz and 2.5 GHz FCC licenses authorizing the use of radio frequency spectrum to deploy our wireless services. As long as the Company acts within the requirements and constraints of the regulatory authorities, the renewal and extension of these licenses is reasonably certain at minimal cost. Accordingly, we have concluded that FCC licenses are indefinite-lived intangible assets. Our Sprint and Boost Mobile trademarks have also been identified as indefinite-lived intangible assets. Goodwill represents the excess of consideration paid over the estimated fair value of net tangible and identifiable intangible assets acquired in business combinations.

The following provides the activity of indefinite-lived intangible assets within the consolidated balance sheets:

	March 31, 2018	Net Additions	December 31, 2018
	(in millions)		
FCC licenses	$37,274	$ 139	$ 37,413
Trademarks	4,035	—	4,035
Goodwill[(1)]	6,586	12	6,598
	$47,895	$ 151	$ 48,046

(1) Through December 31, 2018, there is no accumulated impairment losses for goodwill.

Assessment of Impairment

Our annual impairment testing date for goodwill and indefinite-lived intangible assets is January 1 of each year; however, we test for impairment between our annual tests if an event occurs or circumstances change that indicate that the asset may be impaired, or in the case of goodwill, that the fair value of the reporting unit is below its carrying amount. Our most recent test for impairment of goodwill was completed at June 30, 2018 and we concluded that the estimated fair value of the Wireless reporting unit exceeded the carrying amount. As a result, no goodwill impairment was recorded.

The determination of fair value requires considerable judgment and is highly sensitive to changes in underlying assumptions. Consequently, there can be no assurance that the estimates and assumptions made for the purposes of the goodwill, spectrum licenses, and Sprint and Boost Mobile trade names impairment tests will prove to be an accurate prediction of the future. Sustained declines in the Company’s operating results, number of wireless subscribers, future forecasted cash flows, growth rates and other assumptions, as well as significant, sustained declines in the Company’s stock price and related market capitalization could impact the underlying key assumptions and our estimated fair values, potentially leading to a future material impairment of goodwill or other indefinite-lived intangible assets.

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Intangible Assets Subject to Amortization
Customer relationships are amortized using the sum-of-the-months' digits method, while all other definite-lived intangible assets are amortized using the straight-line method over the estimated useful lives of the respective assets. We reduce the gross carrying value and associated accumulated amortization when specified intangible assets become fully amortized. Amortization expense related to favorable spectrum and tower leases is recognized in "Cost of services" in our consolidated statements of comprehensive (loss) income.

		December 31, 2018			March 31, 2018		
	Useful Lives	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
		(in millions)					
Customer relationships	5 to 8 years	$6,563	$ (5,906)	$ 657	$6,562	$ (5,462)	$ 1,100
Other intangible assets:							
Favorable spectrum leases	23 years	764	(142)	622	856	(172)	684
Favorable tower leases	9 years	335	(207)	128	335	(179)	156
Trademarks	2 to 34 years	520	(86)	434	520	(74)	446
Other	5 to 10 years	135	(61)	74	129	(50)	79
Total other intangible assets		1,754	(496)	1,258	1,840	(475)	1,365
Total definite-lived intangible assets		$8,317	$ (6,402)	$ 1,915	$8,402	$ (5,937)	$ 2,465

Note 7. Long-Term Debt, Financing and Capital Lease Obligations

	Interest Rates	Maturities	December 31, 2018	March 31, 2018
			(in millions)	
Notes				
Senior notes				
Sprint Corporation	7.13 -7.88%	2021-2026	$12,000	$ 12,000
Sprint Communications, Inc.	6.00 -11.50%	2020-2022	4,780	4,980
Sprint Capital Corporation	6.88 -8.75%	2019-2032	6,204	6,204
Senior secured notes				
Sprint Spectrum Co LLC, Sprint Spectrum Co II LLC, Sprint Spectrum Co III LLC	3.36 -5.15%	2021-2028	6,344	7,000
Guaranteed notes				
Sprint Communications, Inc.	7.00	2020	1,000	2,753
Credit facilities				
Secured revolving bank credit facility	4.81%	2021	—	—
Secured term loans	5.06%-5.56%	2024	5,030	3,960
PRWireless term loan	8.05%	2020	187	182
Export Development Canada (EDC)	4.77%	2019	300	300
Secured equipment credit facilities	4.02 -4.85%	2020-2022	515	527
Accounts receivable facility	3.60 -3.81%	2020	3,324	2,411
Financing obligations, capital lease and other obligations	2.35 -12.00%	2019-2026	588	686

Net premiums and debt financing costs	(388)	(111)
	39,884	40,892
Less current portion	(3,596)	(3,429)
Long-term debt, financing and capital lease obligations	$36,288	$37,463

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As of December 31, 2018, Sprint Corporation, had $12.0 billion in aggregate principal amount of senior notes outstanding. In addition, as of December 31, 2018, the outstanding principal amount of the senior notes issued by Sprint Communications and Sprint Capital Corporation, the guaranteed notes issued by Sprint Communications, Sprint Communications' secured term loans and secured revolving bank credit facility, the EDC agreement, the secured equipment credit facilities, the Receivables Facility, and certain other obligations collectively totaled $21.6 billion in principal amount of our long-term debt. Sprint Corporation fully and unconditionally guaranteed such indebtedness, which was issued by 100% owned subsidiaries. Although certain financing agreements restrict the ability of Sprint Communications and its subsidiaries to distribute cash to Sprint Corporation, the ability of the subsidiaries to distribute cash to their respective parents, including to Sprint Communications, is generally not restricted.

Cash interest payments, net of amounts capitalized of $54 million and $42 million during the nine-month periods ended December 31, 2018 and 2017, respectively, totaled $1.9 billion during each of the nine-month periods ended December 31, 2018 and 2017.

Notes

As of December 31, 2018, our outstanding notes consisted of senior notes and guaranteed notes, all of which are unsecured, as well as senior secured notes associated with our spectrum financing transactions. Cash interest on all of the notes is payable semi-annually in arrears with the exception of the spectrum financing senior secured notes, which is payable quarterly. As of December 31, 2018, $30.3 billion aggregate principal amount of the notes was redeemable at the Company's discretion at the then-applicable redemption prices plus accrued interest.

As of December 31, 2018, $24.1 billion aggregate principal amount of our senior notes, senior secured notes, and guaranteed notes provided holders with the right to require us to repurchase the notes if a change of control triggering event (as defined in the applicable indentures and supplemental indentures) occurs. In May 2018, we successfully completed consent solicitations with respect to certain series of Sprint Corporation, Sprint Communications, and Sprint Capital Corporation senior notes. As a result of the Sprint Corporation and Sprint Communications consent solicitations, the proposed merger transaction with T-Mobile, if consummated, will not constitute a change of control as defined in the applicable indentures governing the notes.

Effective December 31, 2018, Sprint defeased the $200 million aggregate principal amount of Sprint Communications 9.25% debentures due 2022, which included the deposit of U.S. Treasury securities with the trustee to provide for the future interest and principal payments on the notes through maturity. The defeasance resulted in reductions to "Short-term investments" and "Current portion of long-term debt, financing and capital lease obligations" in the consolidated balance sheets as of December 31, 2018.

In November 2018, Sprint Communications retired $1.8 billion aggregate principal amount upon maturity of its outstanding 9.000% Guaranteed Notes.

Spectrum Financing

In October 2016, certain subsidiaries of Sprint Communications, which were not "Restricted Subsidiaries" under Sprint Capital Corporation's indentures, transferred certain directly held and third-party leased spectrum licenses (collectively, Spectrum Portfolio) to wholly-owned bankruptcy-remote special purpose entities (collectively, Spectrum Financing SPEs). The Spectrum Portfolio, which represented approximately 14% of Sprint's total spectrum holdings on a MHz-pops basis, was used as collateral to raise an initial $3.5 billion in senior secured notes (2016 Spectrum-Backed Notes) bearing interest at 3.36% per annum under a $7.0 billion securitization program. The 2016 Spectrum-Backed Notes are repayable over a five-year term, with interest-only payments over the first four quarters and amortizing quarterly principal payments thereafter commencing December 2017 through September 2021. During the nine-month period ended December 31, 2018, we made scheduled principal repayments of $656 million, resulting in a total principal amount outstanding related to the 2016 Spectrum-Backed Notes of $2.4 billion as of December 31, 2018, of which $875 million was classified as "Current portion of long-term debt, financing and capital lease obligations" in the consolidated balance sheets.

In March 2018, we amended the transaction documents governing the securitization program to allow for the issuance of more than $7.0 billion of notes outstanding pursuant to the securitization program subject to certain conditions, which, among other things, may require the contribution of additional spectrum. Also in March 2018, we issued approximately $3.9 billion in aggregate principal amount of senior secured notes under the existing $7.0 billion securitization program, consisting of two series of senior secured notes. The first series of notes totaled $2.1 billion in aggregate principal

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amount, bears interest at 4.738% per annum, have quarterly interest-only payments until June 2021, and amortizing quarterly principal amounts thereafter commencing in June 2021 through March 2025. The second series of notes totaled approximately $1.8 billion in aggregate principal amount, bears interest at 5.152% per annum, have quarterly interest-only payments until June 2023, and amortizing quarterly principal amounts thereafter commencing in June 2023 through March 2028. The Spectrum Portfolio, which also serves as collateral for the 2016 Spectrum-Backed Notes, remains substantially identical to the original portfolio from October 2016.

Simultaneously with the October 2016 offering, Sprint Communications entered into a long-term lease with the Spectrum Financing SPEs for the ongoing use of the Spectrum Portfolio. The spectrum lease is an executory contract, which for accounting purposes is treated in a similar manner to an operating lease. Sprint Communications is required to make monthly lease payments to the Spectrum Financing SPEs at a market rate. The lease payments, which are guaranteed by Sprint Corporation and certain subsidiaries (none of which are "Restricted Subsidiaries" under Sprint Capital Corporation's indentures) of Sprint Communications (and are secured together with the obligations under another transaction document by substantially all of the assets of such entities on a pari passu basis up to an aggregate cap of $3.5 billion with the grant of security under the secured term loan and revolving bank credit facility and EDC (as defined below) agreement), are sufficient to service all outstanding series of the senior secured notes and the lease also constitutes collateral for the senior secured notes. Because the Spectrum Financing SPEs are wholly-owned Sprint subsidiaries, these entities are consolidated and all intercompany activity has been eliminated.

Each Spectrum Financing SPE is a separate legal entity with its own separate creditors who will be entitled, prior to and upon the liquidation of the Spectrum Financing SPEs, to be satisfied out of the Spectrum Financing SPEs' assets prior to any assets of the Spectrum Financing SPEs becoming available to Sprint. Accordingly, the assets of the Spectrum Financing SPEs are not available to satisfy the debts and other obligations owed to other creditors of Sprint until the obligations of the Spectrum Financing SPEs under the spectrum-backed senior secured notes are paid in full.

In June 2018, we obtained the consent of the control party under the spectrum-backed senior secured notes indenture to amend the indenture such that the proposed merger transaction with T-Mobile, if consummated, will not constitute a change of control as defined in the indenture.

Credit Facilities

Secured Term Loan and Revolving Bank Credit Facility

On February 3, 2017, we entered into a credit agreement for $6.0 billion, consisting of a $4.0 billion, seven-year secured term loan (Initial Term Loan) that matures in February 2024 and a $2.0 billion secured revolving bank credit facility that expires in February 2021. As of December 31, 2018, $105 million in letters of credit were outstanding under the secured revolving bank credit facility, including the letter of credit required by the Report and Order (see Note 11. Commitments and Contingencies). As a result of the outstanding letters of credit, which directly reduce the availability of borrowings, the Company had approximately $1.9 billion of borrowing capacity available under the secured revolving bank credit facility as of December 31, 2018. The bank credit facility requires a ratio (Leverage Ratio) of total indebtedness to trailing four quarters earnings before interest, taxes, depreciation and amortization and other non-recurring items, as defined by the bank credit facility (adjusted EBITDA), not to exceed 4.75 to 1.0 through the fiscal quarter ending December 31, 2018. For each fiscal quarter ending March 31, 2019 through December 31, 2019, the Leverage Ratio must not exceed 3.75 to 1.0. The Leverage Ratio must not exceed 3.5 to 1.0 for the fiscal quarter ended March 31, 2020 and each fiscal quarter ending thereafter through expiration of the facility. The Initial Term Loan has an interest rate equal to LIBOR plus 250 basis points and the secured revolving bank credit facility has an interest rate equal to LIBOR plus a spread that varies depending on the Leverage Ratio. During the nine-month period ended December 31, 2018, we made principal repayments on the Initial Term Loan totaling $30 million, resulting in a total principal amount outstanding for the Initial Term Loan of $3.9 billion as of December 31, 2018.

In consideration of the Initial Term Loan, we entered into a five-year fixed-for-floating interest rate swap on a $2.0 billion notional amount that has been designated as a cash flow hedge. The effective portion of changes in fair value are recorded in "Other comprehensive (loss) income" in the consolidated statements of comprehensive (loss) income and the ineffective portion, if any, is recorded as interest expense in current period earnings in the consolidated statements of comprehensive (loss) income. The fair value of the interest rate swap was $31 million and $41 million as of December 31, 2018 and March 31, 2018, respectively, which was recorded in "Other assets" in the consolidated balance sheets.

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On November 26, 2018, the credit agreement was amended to, among other things, add an incremental secured term loan (Incremental Term Loan) of $1.1 billion that matures in February 2024, which increased the total credit facility to $7.1 billion. The Incremental Term Loan has an interest rate equal to LIBOR plus 300 basis points.

PRWireless Term Loan

During the three-month period ended December 31, 2017, Sprint and PRWireless PR, Inc. completed a transaction to combine their operations in Puerto Rico and the U.S. Virgin Islands into a new entity. Prior to the formation of the new entity, PRWireless PR, Inc. had incurred debt under a secured term loan, which became debt of the new entity upon the transaction close. The secured term loan bears interest at 5.25% plus LIBOR and expires in June 2020. Any amounts repaid early may not be drawn again. During the nine-month period ended December 31, 2018, the joint venture borrowed $6 million and made principal repayments totaling $1 million, resulting in a total principal amount outstanding of $187 million as of December 31, 2018, with an additional $14 million remaining available. Sprint has provided an unsecured guarantee of repayment of the secured term loan obligations. The secured portion of the facility is limited to assets of the new entity as the borrower.

EDC Agreement

As of December 31, 2018, the EDC agreement provided for security and covenant terms similar to our secured term loan and revolving bank credit facility. However, under the terms of the EDC agreement, repayments of outstanding amounts cannot be redrawn. As of December 31, 2018, the total principal amount of our borrowings under the EDC facility was $300 million.

Secured Equipment Credit Facilities

Finnvera plc (Finnvera)

The Finnvera secured equipment credit facility provided for the ability to borrow up to $800 million to finance network equipment-related purchases from Nokia Solutions and Networks US LLC, USA. The facility's availability for borrowing expired in October 2017. Such borrowings were contingent upon the amount and timing of network equipment-related purchases made by Sprint. During the nine-month period ended December 31, 2018, we made principal repayments totaling $54 million on the facility, resulting in a total principal amount of $120 million outstanding as of December 31, 2018.

K-sure

The K-sure secured equipment credit facility provides for the ability to borrow up to $750 million to finance network equipment-related purchases from Samsung Telecommunications America, LLC. The facility can be divided into three consecutive tranches of varying size. In October 2018, we amended the secured equipment credit facility to extend the borrowing availability through September 2019. Such borrowings are contingent upon the amount and timing of network equipment-related purchases made by Sprint. During the nine-month period ended December 31, 2018, we drew $156 million and made principal repayments totaling $75 million on the facility, resulting in a total principal amount of $275 million outstanding as of December 31, 2018.

Delcredere | Ducroire (D/D)

The D/D secured equipment credit facility provided for the ability to borrow up to $250 million to finance network equipment-related purchases from Alcatel-Lucent USA Inc. In September 2017, we amended the secured equipment credit facility to restore previously expired commitments of $150 million. During the nine-month period ended December 31, 2018, we made principal repayments totaling $40 million on the facility, resulting in a total principal amount of $119 million outstanding as of December 31, 2018.

Borrowings under the Finnvera, K-sure and D/D secured equipment credit facilities are each secured by liens on the respective network equipment purchased pursuant to each facility's credit agreement. In addition, repayments of outstanding amounts borrowed under the secured equipment credit facilities cannot be redrawn. Each of these facilities is fully and unconditionally guaranteed by both Sprint Communications and Sprint Corporation. The secured equipment credit facilities have certain key covenants similar to those in our secured term loan and revolving bank credit facility.

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Accounts Receivable Facility

Transaction Overview

Our Receivables Facility provides us the opportunity to sell certain wireless service receivables, installment receivables, and future amounts due from customers who lease certain devices from us to unaffiliated third parties (the Purchasers). The maximum funding limit under the Receivables Facility is $4.5 billion. While we have the right to decide how much cash to receive from each sale, the maximum amount of cash available to us varies based on a number of factors and, as of December 31, 2018, represents approximately 50% of the total amount of the eligible receivables sold to the Purchasers. As of December 31, 2018, the total amount of borrowings under our Receivables Facility was $3.3 billion and the total amount available to be drawn was $131 million. However, subsequent to December 31, 2018, Sprint repaid $2.0 billion under the Receivables Facility reducing amounts outstanding to $1.3 billion. In February 2017, the Receivables Facility was amended and Sprint regained effective control over the receivables transferred to the Purchasers by obtaining the right, under certain circumstances, to repurchase them. Subsequent to the February 2017 amendment, all proceeds received from the Purchasers in exchange for the transfer of our wireless service and installment receivables are recorded as borrowings. Repayments and borrowings under the Receivables Facility are reported as financing activities in the consolidated statements of cash flows. All cash collected on repurchased receivables continues to be recognized in investing activities in the consolidated statements of cash flows. In October 2017, the Receivables Facility was amended to, among other things, extend the maturity date to November 2019 and to reallocate the Purchasers' commitments between wireless service, installment and future lease receivables through May 2018 to 26%, 28% and 46%, respectively. After May 2018, the allocation of the Purchasers' commitments between wireless service, installment and future lease receivables are 26%, 18% and 56%, respectively. In June 2018, the Receivables Facility was further amended to, among other things, extend the maturity date to June 2020, increase the maximum funding limit by $200 million, reduce financing costs, add month-to-month lease receivables as eligible receivables for leases that extend past their original lease term, and change the Purchasers' commitment allocations. The Purchasers' commitments are allocated 22% to wireless service receivables and 78% to a combined pool of installment receivables, future lease receivables and month-to-month lease receivables. During the nine-month period ended December 31, 2018, we borrowed $5.1 billion and repaid $4.2 billion to the Purchasers.

Prior to the February 2017 amendment, wireless service and installment receivables sold to the Purchasers were treated as a sale of financial assets and we derecognized these receivables, as well as the related allowances, and recognized the net proceeds received in cash provided by operating activities in the consolidated statements of cash flows. The total proceeds from the sale of these receivables were comprised of a combination of cash, which was recognized as operating activities within our consolidated statements of cash flows, and a deferred purchase price (DPP). The DPP was realized by us upon either the ultimate collection of the underlying receivables sold to the Purchasers or upon Sprint's election to receive additional advances in cash from the Purchasers subject to the total availability under the Receivables Facility. All cash collections on the DPP were recognized as investing activities in the consolidated statements of cash flows. The fees associated with these sales were recognized in "Selling, general and administrative" in the consolidated statements of comprehensive (loss) income through the date of the February 2017 amendment. Subsequent to the February 2017 amendment, the sale of wireless service and installment receivables are reported as financings, which is consistent with our historical treatment for the sale of future lease receivables, and the associated fees are recognized as "Interest expense" in the consolidated statements of comprehensive (loss) income.

Transaction Structure

Sprint contributes certain wireless service, installment and future lease receivables, as well as the associated leased devices, to Sprint's wholly-owned consolidated bankruptcy-remote special purpose entities (SPEs). At Sprint's direction, the SPEs have sold, and will continue to sell, wireless service, installment and future lease receivables to Purchasers or to a bank agent on behalf of the Purchasers. Leased devices will remain with the SPEs, once sales are initiated, and continue to be depreciated over their estimated useful life. As of December 31, 2018, wireless service, installment and lease receivables contributed to the SPEs and included in "Accounts and notes receivable, net" in the consolidated balance sheets were $2.5 billion and the long-term portion of installment receivables included in "Other assets" in the consolidated balance sheets was $204 million. As of December 31, 2018, the net book value of devices contributed to the SPEs was $6.7 billion.

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Each SPE is a separate legal entity with its own separate creditors who will be entitled, prior to and upon the liquidation of the SPE, to be satisfied out of the SPE's assets prior to any assets in the SPE becoming available to Sprint. Accordingly, the assets of the SPE are not available to pay creditors of Sprint or any of its affiliates (other than any other SPE), although collections from these receivables in excess of amounts required to repay the advances, yield and fees of the Purchasers and other creditors of the SPEs may be remitted to Sprint during and after the term of the Receivables Facility.

Sales of eligible receivables by the SPEs generally occur daily and are settled on a monthly basis. Sprint pays a fee for the drawn and undrawn portions of the Receivables Facility. A subsidiary of Sprint services the receivables in exchange for a monthly servicing fee, and Sprint guarantees the performance of the servicing obligations under the Receivables Facility.

Variable Interest Entity

Sprint determined that certain of the Purchasers, which are multi-seller asset-backed commercial paper conduits (Conduits) are considered variable interest entities because they lack sufficient equity to finance their activities. Sprint's interest in the receivables purchased by the Conduits is not considered a variable interest because Sprint's interest is in assets that represent less than 50% of the total activity of the Conduits.

Financing Obligations, Capital Lease and Other Obligations

Tower Financing

During 2008, we sold and subsequently leased back approximately 3,000 cell sites, of which approximately 1,750 remain as of December 31, 2018. Terms extend through 2021, with renewal options for an additional 20 years. These cell sites continue to be reported as part of our "Property, plant and equipment, net" in our consolidated balance sheets due to our continued involvement with the property sold and the transaction is accounted for as a financing. The financing obligation as of December 31, 2018 is $118 million.

Capital Lease and Other Obligations

In May 2016, Sprint closed on a transaction with Shentel to acquire one of our wholesale partners, NTELOS Holdings Corporation (nTelos). The total consideration for this transaction included $181 million, on a net present value basis, of notes payable to Shentel. Sprint will satisfy its obligations under the notes payable over an expected term of five to six years, of which the remaining obligation is $118 million as of December 31, 2018. The remainder of our capital lease and other obligations of $310 million as of December 31, 2018 are primarily for the use of wireless network equipment.

Covenants

Certain indentures and other agreements require compliance with various covenants, including covenants that limit the ability of the Company and its subsidiaries to sell all or substantially all of its assets, limit the ability of the Company and its subsidiaries to incur indebtedness and liens, and require that we maintain certain financial ratios, each as defined by the terms of the indentures, supplemental indentures and financing arrangements.

As of December 31, 2018, the Company was in compliance with all restrictive and financial covenants associated with its borrowings. A default under any of our borrowings could trigger defaults under certain of our other debt obligations, which in turn could result in the maturities being accelerated.

Under our secured revolving bank credit facility, we are currently restricted from paying cash dividends because our ratio of total indebtedness to adjusted EBITDA (each as defined in the applicable agreements) exceeds 2.5 to 1.0.

Note 8. Revenues from Contracts with Customers

The Company adopted Topic 606 beginning on April 1, 2018 using the modified retrospective method. We earn revenue from contracts with customers, primarily through the provision of telecommunications and other services and the sale or rental of wireless devices and accessories. Net operating revenues primarily consist of Wireless and Wireline service revenues, revenues generated from device and accessory sales, revenues from wholesale operators and third-party affiliates. Our contracts with customers may involve multiple performance obligations, which include services, wireless devices or a combination thereof, and we allocate the transaction price between each performance obligation based on its relative standalone selling price. Upon adoption, the Company applied the standard only to contracts that were not completed, referred to as open contracts.

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We operate two reportable segments: Wireless and Wireline. For additional information regarding our business and segments, see "Part I, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations."

Contracts with Customers

Service-related components of the total transaction price typically consist of fixed monthly recurring charges, variable usage charges and miscellaneous fees such as activation fees, international long distance and roaming, commissions on the device insurance program, late payment and administrative fees, and certain regulatory-related fees, net of service credits. For contracts involving multiple performance obligations, such as equipment and service, revenue is allocated based on relative standalone selling price of each performance obligation. We generally recognize revenue allocated to service performance obligations as those services are rendered. As a result of the timing of our multiple billing cycles throughout each month, we are required to estimate the amount of subscriber revenues earned but not billed from the end of each billing cycle to the end of each reporting period, and to estimate and defer amounts billed but not earned as of the end of each reporting period. These estimates are based primarily on rate plans in effect and our historical usage and billing patterns. Regulatory fees and costs are recorded gross. The largest component of regulatory fees is the Universal Service Fund, which represented no more than 1% of net operating revenues for the three- and nine-month periods ended December 31, 2018 and no more than 2% and 1%, respectively, for the three- and nine-month periods ended December 31, 2017 in the consolidated statements of comprehensive (loss) income.

We recognize equipment sales and corresponding costs of equipment sales when title and risk of loss passes to the indirect dealer or end-use subscriber, assuming all other revenue recognition criteria are met. This typically occurs at the point of sale for direct channel sales and freight-on-board dealer destination for indirect channel sales. For the three- and nine-month periods ended December 31, 2018, equipment sales to our indirect dealers were approximately $1.0 billion and $2.6 billion, respectively. In subsidized postpaid and prepaid Wireless contracts, we subsidize the cost of the device as an incentive to retain and acquire subscribers.

We recognize revenue on equipment rentals subject to leasing contracts in accordance with the classification of the lease, which is over the lease term for operating leases or upon transfer of control over the equipment for most capital leases.

The accounting estimates related to the recognition of revenue require us to make assumptions about numerous factors such as future billing adjustments, future returns, and the total contract consideration (e.g., for contracts which include customer incentives or consideration payable to the customer).

We use output methods to recognize revenue for performance obligations satisfied over time (i.e., service performance obligations). Output methods measure progress toward satisfying a performance obligation on the basis of direct measurements of the goods or services transferred to date, relative to the remaining goods or services promised under a contract. Management asserts that this method most reasonably represents the transfer of goods or services to the customer. For prepaid contracts which provide the customer with the ability to redeem fixed prepayments for future goods or services, we utilize the proportional amount of redemptions from the customer in comparison to the total expected amount of redemptions as an estimate of our progress toward satisfaction of our performance obligations. For postpaid contracts with unlimited amounts of monthly service and for Wireline contracts, we utilize the time elapsed in relation to the total contract duration as an estimate of our progress toward satisfaction of our performance obligations.

In determining the amounts of revenue to recognize, we use the following methods, inputs, and assumptions:

- Determination of transaction price - we include any fixed and determinable charges per our contracts as part of the total transaction price. To the extent that variable consideration is not constrained, we include a probability-weighted estimate of the variable amount within the total transaction price and update our assumptions over the duration of the contract. We do not accept non-cash consideration from our customers as direct payment for the purchase of equipment at contract inception or for the purchase of ongoing services. Subject to certain restrictions, we may purchase used equipment from customers entering into a new subscriber contract. Our payment for the purchase of this used equipment may not equal its market value. In those circumstances, the expected difference between the purchase price and the market value of the used equipment is treated as an adjustment to the total transaction price of the customer's contract at contract inception.

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- Assessment of estimates of variable consideration - our Wireless contracts generally do not involve variable consideration which must be allocated amongst performance obligations at contract inception, other than expected adjustments to the total transaction price related to (a) customer equipment rebates; (b) customer retention credits; and (c) product returns and service refunds, all of which we are able to reasonably estimate at contract inception based upon historical experience with similar or identical contracts and similar or identical customers. Our Wireline contracts are generally not subject to significant amounts of variable consideration. We do not consider any of our variable consideration to be constrained for the purpose of estimating the total transaction price to be allocated to our performance obligations.
- Allocation of transaction price - we allocate the total transaction price in our contracts amongst performance obligations based upon the relative standalone selling prices of those performance obligations. We use observable external pricing of performance obligations when sold on a standalone basis as evidence of standalone selling prices. Discounts and premiums built into our transaction prices are typically allocated proportionately to all performance obligations within the contracts, exclusive of performance obligations for the delivery of accessories, which are consistently sold at a standalone selling price regardless of bundling, and with the exception of estimated Wireless customer retention credits, which are treated as a reduction in the portion of the total transaction price allocated to service revenue.
- Measurement of returns, refunds, and other similar obligations are estimated separately for separate product and service types based upon historical experience with similar contracts and similar types of customers. The total transaction price is reduced by the amount estimated as a return, refund, or other similar obligation in relation to the sale. This amount is recorded as a current liability, unless and until our estimates have changed or the relevant obligation has been satisfied.

Disaggregation of Revenue

We disaggregate revenue based upon differences in accounting for underlying performance obligations. Accounting differences related to our performance obligations are driven by various factors, including the type of product offering provided, the type of customer, and the expected timing of payment for goods and services.

The following table presents disaggregated reported revenue by category:

	Three Months Ended December 31, 2018	Nine Months Ended December 31, 2018
	(in millions)	
Service revenue		
Postpaid	$4,236	$ 12,679
Prepaid	924	2,860
Wholesale, affiliate and other	294	881
Wireline	245	781
Total service revenue	5,699	17,201
Equipment sales	1,589	4,180
Equipment rentals	1,313	3,778
Total revenue	$8,601	$ 25,159

Contract Assets and Liabilities

Performance obligations related to our Wireless segment involve the provision of equipment and service. In most circumstances, equipment performance obligations provided to the customer as part of subsidized and installment billing contracts, or as part of standalone equipment sales, are satisfied when title and risk of loss passes to the indirect dealer or end-use subscriber, assuming all other revenue recognition criteria are met. This typically occurs at the point of sale for direct channel sales and freight-on-board dealer destination for indirect channel sales. We recognize revenue on equipment rentals subject to leasing contracts in accordance with the classification of the lease, which is over the lease term for operating leases or upon transfer of control over the equipment for most capital leases. Wireless service performance obligations are typically satisfied over 24 months for subsidized and installment billing contracts with substantive termination penalties such as Buy-One-Get-One (BOGO) contracts, over 18 to 30 months for leasing contracts, and over one month for traditional installment

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billing contracts. Amounts due for subsidized equipment are due at point of sale. Amounts due for equipment subject to an operating or capital lease are invoiced and collected monthly over the term of the lease. Amounts due for equipment subject to an installment billing note are invoiced and collected monthly over the term of the note, typically between 24 and 30 months for handsets and 12 to 18 months for accessories. A financing component exists in relation to subsidized and installment billing Wireless contracts. However, we do not consider the financing component to be quantitatively or qualitatively significant for installment billing contracts with durations longer than one year. For those installment billing contracts with durations of one year or less, we have elected to apply the practical expedient and not adjust the transaction price for the effects of a financing component. Amounts due for Wireless services are typically invoiced and collected monthly over the relevant service period. Wireless contracts generally do not involve variable consideration, other than expected adjustments to the total transaction price related to expected future price concessions and product returns and service refunds. Our Wireless contracts include consideration resulting from monthly customer charges intended to partially recover taxes imposed on the Company, including fees related to the Universal Service Fund. These fees are based on the customer's estimated monthly voice usage and are therefore allocated to corresponding distinct months of Wireless services. We update our estimates related to return and refund obligations for Wireless equipment and services on a quarterly basis. Returns and refunds are typically provided for up to 14 days after contract inception for individual customers and for 30 days for business customers.

Performance obligations related to our Wireline business involve the provision of services to corporate customers. Wireline service performance obligations are satisfied typically over a period between 24 and 36 months. Amounts due for services are invoiced and collected periodically over the relevant service period. Wireline contracts are not subject to significant amounts of variable consideration, other than charges intended to partially recover taxes imposed on the Company, including fees related to the Universal Service Fund. Such fees are based on the customer's estimated monthly usage and are therefore allocated to corresponding distinct months of Wireline services. Our Wireline contracts do provide the customer with monthly options to purchase goods or services at prices commensurate with the standalone selling prices for those goods or services, as determined at contract inception.

The relationship between the satisfaction of our performance obligations and collection of payments from the customer will vary depending upon the type of contract. In Wireless subsidized contracts, payment related to equipment performance obligations is partially collected upfront and partially collected over the related service period resulting in a contract asset position at contract inception. In traditional Wireless installment billing contracts, the full amount of consideration related to equipment performance obligations is recognized as a receivable at contract inception and collected ratably in accordance with payment terms attached to the installment note. Traditional Wireless installment billing contracts are subject to an accounting contract duration of one month, and therefore do not result in the recognition of a contract position. In Wireless installment billing contracts that include a substantive termination penalty such as when customers receive a monthly service credit to offset monthly payments against applicable installment billing notes, the amount of the total transaction price that is allocated to equipment performance obligations is less than the amount recognized as a noncontingent receivable from the customer at contract inception, resulting in a contract liability position. In Wireless leasing contracts, the amount of cash received at inception is generally larger than the amount of upfront revenue allocated and recognized as rental income. This results in a contract liability at contract inception, which is often partially composed of deferred rental income. In prepaid contracts initiated in our indirect channel, customers may purchase a device at a discount. The Company will often reimburse the dealer some portion of this discount, which is expected to be recovered through future sales of monthly service. This results in a contract asset position at contract inception. In circumstances where prepaid customers prepay account balances, which can be used to purchase future Wireless goods or services, those amounts are recognized as a contract liability until the point where prepayments are redeemed for goods or services and the related performance obligations have been satisfied. In Wireline contracts, we record a contract position, either a contract asset or a contract liability depending upon the specific facts and circumstances of the contract, including to reflect differences between the amount of revenue allocated to equipment delivered upfront and the contractually stated price for that equipment, or if we collect nonrefundable upfront payments from customers related to installation and activation.

We capitalize incremental commissions directly related to the acquisition or renewal of customer contracts, to the extent that the costs are expected to be recovered. Capitalized costs are amortized on a straight-line basis over the shorter of the expected customer life or the expected benefit related directly to those costs.

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We assess our capitalized contract acquisition asset for impairment on a quarterly basis. We impair our capitalized costs to the extent that the carrying amount of a capitalized cost exceeds (a) the remaining amount of consideration we expect to receive in exchange for the goods and services related to the cost, less (b) the expected costs related directly to providing those goods and services that have not yet been recognized as expenses.
The following table presents the opening and closing balances of our contract assets, contract liabilities, and receivables balances, as well as capitalized costs associated with contracts with customers:

	December 31, 2018	April 1, 2018
	(in millions)	
Contract assets and liabilities		
Contract assets[(1)]	$806	$ 432
Billed trade receivables	2,591	2,559
Unbilled trade receivables	918	1,250
Contract liabilities[(2)]	1,011	1,104
Other related assets and liabilities		
Other related assets:		
Capitalized costs to acquire a customer contract:		
Sales commissions - opening balance	$1,219	
Sales commissions - additions	874	
Amortization of capitalized sales commissions	(596)	
Net costs to acquire a customer contract	$1,497	

(1) The fluctuation correlates directly to the execution of new customer contracts and invoicing and collections from customers in the normal course of business.

(2) Revenue recognized during the nine-month period ended December 31, 2018, which was included within the beginning contract liability balance, amounts to $986 million.

Remaining Performance Obligations

The aggregate amount of total transaction price allocated to performance obligations in contracts existing as of the balance sheet date, which are wholly or partially unsatisfied as of the end of the reporting period, and the expected time frame for satisfaction of those wholly or partially unsatisfied performance obligations, are as follows (in millions):

Remainder of year ending March 31, 2019	$2,898
Year ending March 31, 2020	6,558
Thereafter	319
Total	$9,775

The amounts disclosed above relate to the allocation of revenue amongst performance obligations in contracts existing as of the balance sheet date, and not to any differences between the timing of revenue recognition and recognition of receivables or cash collection. As a result, those amounts are not necessarily reflected as a contract liability as of the balance sheet date. Included in the above amounts are $1.1 billion for the year ending March 31, 2019 and $2.5 billion for the year ending March 31, 2020, respectively, related to the allocation of the total transaction price to future operating lease revenues. Additionally, amounts disclosed above include estimates of variable consideration, where applicable.

Our Wireless contracts generally do not involve variable consideration, other than expected adjustments to the total transaction price related to future price concessions and product returns and service refunds, all of which we are able to reasonably estimate at contract inception based upon historical experience with similar contracts and similar types of customers. In accordance with the practical expedients:

- The amounts disclosed above do not include revenue allocated to wholly or partially unsatisfied performance obligations for which the accounting contract duration at contract inception is less than 12 months, which includes expected revenues from traditional installment billing contracts with a one-month accounting contract duration.

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- The amounts disclosed above do not include variable consideration resulting from monthly customer charges intended to partially recover taxes imposed on the Company, including fees related to the Universal Service Fund. Such fees are based on the customer's estimated monthly voice usage and are therefore allocated to corresponding distinct months of Wireless services.
- The amounts disclosed above do not include variable consideration resulting from monthly charges to Wireless wholesale customers. Such fees are based on the customer's monthly usage of capacity and are therefore allocated to corresponding distinct months of Wireless services.

Wireline contracts are generally not subject to significant amounts of variable consideration, other than charges intended to partially recover taxes imposed on the Company, including fees related to the Universal Service Fund. Such fees are based on the customer's estimated monthly usage and are therefore allocated to corresponding distinct months of Wireline services, and recognized as revenue when invoiced in accordance with the practical expedient. Our Wireline contracts do typically provide the customer with monthly options to purchase goods or services at prices commensurate with the standalone selling prices for those goods or services as determined at contract inception.

Note 9. Severance and Exit Costs
Severance and exit costs consist of lease exit costs primarily associated with tower and cell sites, access exit costs related to payments that will continue to be made under our backhaul access contracts for which we will no longer be receiving any economic benefit, and severance costs associated with reductions in our work force.
The following provides the activity in the severance and exit costs liability included in "Accounts payable," "Accrued expenses and other current liabilities" and "Other liabilities" within the consolidated balance sheets. The net expenses are included in "Other, net" within the consolidated statements of comprehensive (loss) income:

	March 31, 2018	Net Expense		Cash Payments and Other	December 31, 2018
	(in millions)				
Lease exit costs	$165	$ 23	(1)	$ (43)	$ 145
Severance costs	64	22	(2)	(74)	12
Access exit costs	19	18	(3)	(13)	24
	$248	$ 63		$ (130)	$ 181

(1) For the nine-month period ended December 31, 2018, we recognized costs of $23 million (Wireless only).
(2) For the nine-month period ended December 31, 2018, we recognized costs of $22 million ($15 million Wireless, $7 million Wireline).
(3) For the nine-month period ended December 31, 2018, we recognized costs of $18 million ($7 million Wireless, $11 million Wireline) as "Severance and exit costs."

We continually refine our network strategy and evaluate other potential network initiatives to improve the overall performance of our network. Additionally, major cost cutting initiatives are expected to continue to reduce operating expenses and improve our operating cash flows. As a result of these ongoing activities, we may incur future material charges associated with lease and access exit costs, severance, asset impairments, and accelerated depreciation, among others.

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Note 10. Income Taxes
The U.S. federal statutory tax rates for the nine-month periods ended December 31, 2018 and 2017 were 21% and 31.5%, respectively. The Tax Cuts and Jobs Act (the Tax Act) enacted in December 2017 reduced the corporate income tax rate effective January 1, 2018. The differences that caused our effective income tax rates to differ from the U.S. federal statutory rates for the nine-month periods ended December 31, 2018 and 2017, respectively, were as follows:

	Nine Months Ended December 31,	
	2018	2017
	(in millions)	
Income tax expense at the federal statutory rate	$(61)	$(205)
Effect of:		
State income taxes, net of federal income tax effect	(40)	(57)
State law changes, net of federal income tax effect	62	(28)
Increase deferred tax liability for organizational restructuring	(12)	—
Increase deferred tax liability for business activity changes	—	(69)
Credit for increasing research activities	13	11
Change in federal and state valuation allowance	12	(64)
Increase in liability for unrecognized tax benefits	(6)	(20)
Tax benefit from the Tax Act	—	7,090
Non-deductible penalties	(29)	—
Other, net	5	4
Income tax (expense) benefit	$(56)	$6,662
Effective income tax rate	19.2 %	(1,021.8)%

Income tax expense of $56 million for the nine-month period ended December 31, 2018 represented a consolidated effective tax rate of 19%. During the period, we recognized a $62 million tax benefit for the impact of state law changes enacted during the period, partially offset by a $12 million tax expense attributable to organizational restructuring. These adjustments were primarily driven by the change in carrying value of our deferred tax assets and liabilities on temporary differences. In addition, the rate was impacted by non-deductible penalties related to litigation with the State of New York that was settled during the period.

Income tax benefit of $6.7 billion for the nine-month period ended December 31, 2017 represented a consolidated effective tax rate of (1,022)%. Income tax benefit was primarily attributable to the impact of the Tax Act, partially offset by taxable temporary differences from the tax amortization of FCC licenses and tax expense on pre-tax gains from spectrum license exchanges during the period. We also increased our deferred state income tax liability by $69 million for changes in business activities causing us to become subject to income tax in additional tax jurisdictions. This resulted in a change in the measurement of the carrying value of our deferred tax liability on temporary differences, primarily FCC licenses.

We continue to maintain a valuation allowance on certain deferred tax assets, primarily net operating losses with definite-life carry forward periods. Factors that could change our judgment as to our ability to realize these deferred tax assets, and therefore, reduce our valuation allowance, include the existence of future taxable income generated by temporary differences reversing in the net operating loss carryforward periods and income from continuing operations.

The Tax Act, enacted in December 2017, made broad and complex changes to the U.S. tax code, including, but not limited to: (1) reducing the U.S. federal corporate tax rate from 35% to 21%; (2) changing rules related to uses and limitations of net operating loss carryforwards created in tax years beginning after December 31, 2017; (3) eliminating corporate alternative minimum tax; and (4) new tax rules related to foreign operations. In accordance with ASC Topic 740, Income Taxes and Staff Accounting Bulletin No. 118 (SAB 118), we made a reasonable estimate of the impacts of the Tax Act and recorded the estimate in the period ended December 31, 2017. SAB 118 allows for a measurement period not to extend beyond one year from the date of enactment to complete the accounting for the impacts of the Tax Act. As of December 31, 2018, our analysis under SAB 118 is complete, including, but not limited to, the re-measurement of deferred tax assets and

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liabilities. Our analysis resulted in no material adjustments to the provisional estimate recorded in the period ended December 31, 2017.

As of December 31, 2018 and March 31, 2018, we maintained unrecognized tax benefits of $233 million and $239 million, respectively. Cash paid for income taxes, net was $62 million and $55 million for the nine-month periods ended December 31, 2018 and 2017, respectively.

Note 11. Commitments and Contingencies

Litigation, Claims and Assessments

In March 2009, a stockholder brought suit, Bennett v. Sprint Nextel Corp., in the U.S. District Court for the District of Kansas, alleging that Sprint Communications and three of its former officers violated Section 10(b) of the Exchange Act and Rule 10b-5 by failing adequately to disclose certain alleged operational difficulties subsequent to the Sprint-Nextel merger, and by purportedly issuing false and misleading statements regarding the write-down of goodwill. The district court granted final approval of a settlement in August 2015, which did not have a material impact to our financial statements. Five stockholder derivative suits related to this 2009 stockholder suit were filed against Sprint Communications and certain of its present and/or former officers and directors. The first, Murphy v. Forsee, was filed in state court in Kansas on April 8, 2009, was removed to federal court, and was stayed by the court pending resolution of the motion to dismiss the Bennett case; the second, Randolph v. Forsee, was filed on July 15, 2010 in state court in Kansas, was removed to federal court, and was remanded back to state court; the third, Ross-Williams v. Bennett, et al., was filed in state court in Kansas on February 1, 2011; the fourth, Price v. Forsee, et al., was filed in state court in Kansas on April 15, 2011; and the fifth, Hartleib v. Forsee, et al., was filed in federal court in Kansas on July 14, 2011. These cases were essentially stayed while the Bennett case was pending, and we have reached an agreement in principle to settle the matters, by agreeing to some governance provisions and by paying plaintiffs' attorneys fees in an immaterial amount. The court approved the settlement but reduced the plaintiffs' attorneys fees. On April 27, 2018, the court of appeals for the state of Kansas affirmed the settlement ruling. On May 30, 2018, plaintiffs filed a Petition for Review with the Supreme Court of Kansas. On November 21, 2018, the Supreme Court of Kansas denied the Petition for Review, which concluded the case.

On April 19, 2012, the New York Attorney General filed a complaint alleging that Sprint Communications had fraudulently failed to collect and pay more than $100 million in New York sales taxes on receipts from its sale of wireless telephone services since July 2005. The complaint also sought recovery of triple damages under the State False Claims Act, as well as penalties and interest. Sprint Communications moved to dismiss the complaint on June 14, 2012. On July 1, 2013, the court entered an order denying the motion to dismiss in large part, although it did dismiss certain counts or parts of certain counts. Sprint Communications appealed that order and the intermediate appellate court affirmed the order of the trial court. On October 20, 2015, the Court of Appeals of New York affirmed the decision of the appellate court that the tax statute required us to collect and remit the disputed taxes. Our petition for certiorari to the U.S. Supreme Court on grounds of federal preemption was denied. We previously paid the principal amount of tax at issue, under protest, while the suit was pending. On December 21, 2018, Sprint Communications and the State of New York settled the dispute, as well as an unrelated tax matter. As a result, the Company recognized an additional $50 million of litigation expense during the three-month period ended December 31, 2018.

Eight related stockholder derivative suits have been filed against Sprint Communications and certain of its current and former officers and directors. Each suit alleges generally that the individual defendants breached their fiduciary duties to Sprint Communications and its stockholders by allegedly permitting, and failing to disclose, the actions alleged in the suit filed by the New York Attorney General. One suit, filed by the Louisiana Municipal Police Employees

Retirement System, was dismissed by a federal court. Two suits were filed in state court in Johnson County, Kansas and one of those suits was dismissed as premature; and five suits are pending in federal court in Kansas. The remaining Kansas suits have been stayed pending resolution of the Attorney General's suit. We do not expect the resolution of these matters to have a material adverse effect on our financial position or results of operations.

On October 9, 2018, October 18, 2018, and October 24, 2018, three purported stockholders of Sprint commenced actions, captioned Klein v. Sprint Corporation et al., Muehlgay v. Sprint Corporation et al., and Binns Blount v. Sprint Corporation et al., in the United States District Court for the District of Delaware. The complaints name Sprint and the

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members of the Sprint board of directors as defendants. The complaints asserted claims under Section 14(a) and Section 20(a) of the Exchange Act challenging the adequacy of the disclosures relating to the proposed merger transactions with T-Mobile made in the associated joint consent solicitation statement/prospectus. The complaints sought, among other relief, an injunction preventing the parties from consummating the merger transactions, damages in the event the merger transactions are consummated, and the award of attorneys' fees. On October 29, 2018, the plaintiff in the Binns Blount action filed a notice voluntarily dismissing their complaint without prejudice. On December 27, 2018, the Klein case was dismissed. On January 4, 2019, the Muehlgay case was dismissed.

Sprint is currently involved in numerous court actions alleging that Sprint is infringing various patents. Most of these cases effectively seek only monetary damages. A small number of these cases are brought by companies that sell products and seek injunctive relief as well. These cases have progressed to various degrees and a small number may go to trial if they are not otherwise resolved. Adverse resolution of these cases could require us to pay significant damages, cease certain activities, or cease selling the relevant products and services. In many circumstances, we would be indemnified for monetary losses that we incur with respect to the actions of our suppliers or service providers. We do not expect the resolution of these cases to have a material adverse effect on our financial position or results of operations.

In October 2013, the FCC Enforcement Bureau began to issue notices of apparent liability (NALs) to other Lifeline providers, imposing fines for intracarrier duplicate accounts identified by the government during its audit function. Those audits also identified a small percentage of potentially duplicative intracarrier accounts related to our Assurance Wireless® business. No NAL has yet been issued with respect to Sprint and we do not know if one will be issued. Further, we are not able to reasonably estimate the amount of any claim for penalties that might be asserted. However, based on the information currently available, if a claim is asserted by the FCC, Sprint does not believe that any amount ultimately paid would be material to the Company's results of operations or financial position.

Various other suits, inquiries, proceedings and claims, either asserted or unasserted, including purported class actions typical for a large business enterprise and intellectual property matters, are possible or pending against us or our subsidiaries. If our interpretation of certain laws or regulations, including those related to various federal or state matters such as sales, use or property taxes, or other charges were found to be mistaken, it could result in payments by us. While it is not possible to determine the ultimate disposition of each of these proceedings and whether they will be resolved consistent with our beliefs, we expect that the outcome of such proceedings, individually or in the aggregate, will not have a material adverse effect on our financial position or results of operations. During the three-month period ended September 30, 2018, we settled a state tax matter for which we had previously accrued $114 million, with no material impact on our financial position or results of operations upon final settlement.

Spectrum Reconfiguration Obligations

In 2004, the FCC adopted a Report and Order that included new rules regarding interference in the 800 MHz band and a comprehensive plan to reconfigure the 800 MHz band. The Report and Order provides for the exchange of a portion of our 800 MHz FCC spectrum licenses, and requires us to fund the cost incurred by public safety systems and other incumbent licensees to reconfigure the 800 MHz spectrum band. Also, in exchange, we received licenses for 10 MHz of nationwide spectrum in the 1.9 GHz band.

The minimum cash obligation was $2.8 billion under the Report and Order. We are, however, obligated to continue to pay the full amount of the costs relating to the reconfiguration plan, although those costs have exceeded $2.8 billion. As required under the terms of the Report and Order, a letter of credit has been secured to provide assurance that funds will be available to pay the relocation costs of the incumbent users of the 800 MHz spectrum. The letter of credit was initially $2.5 billion, but has been reduced during the course of the proceeding to $78 million as of December 31, 2018. Since the inception of the program, we have incurred payments of approximately $3.6 billion directly attributable to our performance under the Report and Order, including $35 million during the nine-month period ended December 31, 2018. When incurred, substantially all costs are accounted for as additions to FCC licenses with the remainder as property, plant and equipment. Based on our expenses to date and on third party administrator's audits, we have exceeded $2.8 billion minimum cash obligation required by the FCC. On October 12, 2017, the FCC released a Declaratory Ruling that we have met the minimum cash obligation under the Report and Order and concluded that Sprint will not be required to make any payments to the U.S. Treasury.

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Completion of the 800 MHz band reconfiguration was initially required by June 26, 2008 and public safety reconfiguration is nearly complete across the country with the exception of the States of California and Texas. These areas, however, are nearly complete. The FCC continues to grant the remaining 800 MHz public safety licensees additional time to complete their band reconfigurations which, in turn, delays our access to our 800 MHz replacement channels in these areas. In the non-border areas of these states where band reconfiguration is complete, Sprint has received its replacement spectrum in the 800 MHz band and Sprint is deploying 3G CDMA and 4G LTE on this spectrum in combination with its spectrum in the 1.9 GHz and 2.5 GHz bands.

Note 12. Per Share Data
The computation of basic and diluted net (loss) income per common share attributable to Sprint was as follows:

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2018	2017	2018	2017
	(in millions, except per share amounts)			
Net (loss) income	$(145)	$7,156	$235	$7,314
Less: Net loss (income) attributable to noncontrolling interests	4	6	(4)	6
Net (loss) income attributable to Sprint	$(141)	$7,162	$231	$7,320
Basic weighted average common shares outstanding	4,078	4,001	4,050	3,998
Effect of dilutive securities:				
Options and restricted stock units	—	47	56	61
Warrants[1]	—	13	4	21
Diluted weighted average common shares outstanding	4,078	4,061	4,110	4,080
Basic net (loss) income per common share attributable to Sprint	$(0.03)	$1.79	$0.06	$1.83
Diluted net (loss) income per common share attributable to Sprint	$(0.03)	$1.76	$0.06	$1.79
Potentially dilutive securities:				
Outstanding stock options[2]	96	6	6	6

(1) For the nine-month period ended December 31, 2018, dilutive securities attributable to warrants include 1 million shares issuable under the warrant held by SoftBank. For the three- and nine-month periods ended December 31, 2017, dilutive securities attributable to warrants include 9 million and 17 million shares, respectively, issuable under the warrant held by SoftBank. At the close of the merger with SoftBank, the warrant was issued at $5.25 per share. On July 10, 2018, SoftBank exercised its warrant in full to purchase 55 million shares of Sprint common stock for $287 million.

(2) Potentially dilutive securities were not included in the computation of diluted net (loss) income per common share if to do so would have been antidilutive.

Note 13. Segments
Sprint operates two reportable segments: Wireless and Wireline.

- Wireless primarily includes retail, wholesale, and affiliate revenue from a wide array of wireless voice and data transmission services, revenue from the sale of wireless devices (handsets and tablets) and accessories, and equipment rentals from devices leased to customers, all of which are generated in the U.S., Puerto Rico and the U.S. Virgin Islands.
- Wireline primarily includes revenue from domestic and international wireline communication services provided to other communications companies and targeted business subscribers, in addition to our Wireless segment.

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We define segment earnings as wireless or wireline operating income (loss) before other segment expenses such as depreciation, amortization, severance, exit costs, goodwill impairments, asset impairments, and other items, if any, solely and directly attributable to the segment representing items of a non-recurring or unusual nature. Expense and income items excluded from segment earnings are managed at the corporate level. Transactions between segments are generally accounted for based on market rates, which we believe approximate fair value. The Company generally re-establishes these rates at the beginning of each fiscal year. The impact of intercompany pricing rate changes to our Wireline segment earnings does not affect our consolidated results of operations as our Wireless segment has an equivalent offsetting impact in cost of services.
Segment financial information is as follows:

Statement of Operations Information	Wireless	Wireline	Corporate, Other and Eliminations	Consolidated
	(in millions)			
Three Months Ended December 31, 2018				
Net operating revenues	$8,351	$ 245	$ 5	$ 8,601
Inter-segment revenues[(1)]	—	71	(71)	—
Total segment operating expenses[(2)]	(5,240)	(332)	72	(5,500)
Segment earnings (loss)	$3,111	$ (16)	$ 6	3,101
Less:				
Depreciation - network and other				(1,088)
Depreciation - equipment rentals				(1,137)
Amortization				(145)
Merger costs[(3)]				(67)
Other, net[(4)]				(185)
Operating income				479
Interest expense				(664)
Other income, net				32
Loss before income taxes				$ (153)

Statement of Operations Information	Wireless including hurricane and other	Wireless hurricane and other	Wireless excluding hurricane and other	Wireline	Corporate, Other and Eliminations	Consolidated
	(in millions)					
Three Months Ended December 31, 2017						
Net operating revenues[(2)]	$7,928	$ 21	$ 7,949	$ 307	$ 4	$ 8,260
Inter-segment revenues[(1)]	—	—	—	86	(86)	—
Total segment operating expenses[(2)]	(5,286)	96	(5,190)	(423)	72	(5,541)
Segment earnings (loss)	$2,642	$ 117	$ 2,759	$ (30)	$ (10)	2,719
Less:						
Depreciation - network and other						(987)
Depreciation - equipment rentals						(990)
Amortization						(196)

Hurricane-related costs[2]	(66)
Other, net[4]	247
Operating income	727
Interest expense	(581)
Other expense, net	(42)
Income before income taxes	$ 104

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Statement of Operations Information	Wireless including hurricane (in millions)	Wireless hurricane	Wireless excluding hurricane	Wireline	Corporate, Other and Eliminations	Consolidated
Nine Months Ended December 31, 2018						
Net operating revenues(2)	$24,365	$ (3)	$24,362	$ 781	$ 13	$ 25,156
Inter-segment revenues(1)	—	—	—	201	(201)	—
Total segment operating expenses(2)	(14,650)	(7)	(14,657)	(1,060)	198	(15,519)
Segment earnings (loss)	$9,715	$ (10)	$9,705	$ (78)	$ 10	9,637
Less:						
Depreciation - network and other						(3,132)
Depreciation - equipment rentals						(3,454)
Amortization						(475)
Hurricane-related reimbursements(2)						32
Merger costs(3)						(216)
Other, net(4)						(320)
Operating income						2,072
Interest expense						(1,934)
Other income, net						153
Income before income taxes						$ 291

Statement of Operations Information	Wireless including hurricane and other (in millions)	Wireless hurricane and other	Wireless excluding hurricane and other	Wireline	Corporate, Other and Eliminations	Consolidated
Nine Months Ended December 31, 2017						
Net operating revenues(2)	$23,347	$ 33	$23,380	$ 963	$ 13	$ 24,356
Inter-segment revenues(1)	—	—	—	272	(272)	—
Total segment operating expenses(2)	(15,109)	118	(14,991)	(1,305)	241	(16,055)
Segment earnings (loss)	$8,238	$ 151	$8,389	$ (70)	$ (18)	8,301
Less:						
Depreciation - network and other						(2,961)
Depreciation - equipment rentals						(2,732)
Amortization						(628)
Hurricane-related costs(2)						(100)
Other, net(4)						611
Operating income						2,491
Interest expense						(1,789)
Other expense, net						(50)
Income before income taxes						$ 652

Other Information	Wireless	Wireline	Consolidated

			Corporate and Other	
	(in millions)			
Capital expenditures for the nine months ended December 31, 2018	$9,101	$ 170	$ 282	$ 9,553
Capital expenditures for the nine months ended December 31, 2017	$7,612	$ 132	$ 328	$ 8,072

(1) Inter-segment revenues consist primarily of wireline services provided to the Wireless segment for resale to, or use by, wireless subscribers.

(2) The nine-month period ended December 31, 2018 includes $32 million of hurricane-related reimbursements, which are classified in our consolidated statements of comprehensive (loss) income as follows: $3 million as revenue in net operating revenues, $6 million as cost of services, $1 million as selling, general and administrative expenses and $22 million as other, net, all within the Wireless segment. The three- and nine-month periods ended December 31, 2017 includes $66 million and $100 million, respectively, of hurricane-related costs, which are classified in our consolidated statements of comprehensive (loss) income as follows: $21 million and $33 million, respectively, as contra-revenue in net operating revenues, $30 million and $45 million, respectively, as cost of services, $15 million and $17 million, respectively, as selling, general and administrative expenses and $5 million in the nine-month period only as other, net, all within the Wireless segment. In addition, the three- and nine-month periods ended December 31, 2017 includes a $51 million charge related to a regulatory fee matter, which is classified as cost of services in our consolidated statements of comprehensive (loss) income.

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(3) The three- and nine-month periods ended December 31, 2018 includes $67 million and $216 million, respectively, of merger-related costs, which were recorded as selling, general and administrative expenses in the consolidated statements of comprehensive (loss) income.

(4) Other, net for the three- and nine-month periods ended December 31, 2018 includes $30 million and $63 million, respectively, of severance and exit costs primarily due to lease exit costs, reductions in work force and access termination charges. The three- and nine-month periods ended December 31, 2018 includes $117 million and $185 million, respectively, of loss on disposal of property, plant and equipment primarily related to cell site construction costs and other network costs that are no longer recoverable as a result of changes in our network plans. In addition, the three- and nine-month periods ended December 31, 2018 include a $12 million gain from the sale of certain assets and $50 million in litigation expense related to tax matters settled with the State of New York. The nine-month period ended December 31, 2018 includes $34 million associated with the purchase of certain leased spectrum assets, which upon termination of the related spectrum leases resulted in the accelerated recognition of the unamortized favorable lease balances. Other, net for the three- and nine-month periods ended December 31, 2017 includes $13 million of severance and exit costs in both periods and net reductions of $260 million and $315 million, respectively, primarily associated with legal settlements or favorable developments in pending legal proceeding. The nine-month period ended December 31, 2017 includes a $175 million net loss on disposal of property, plant and equipment, which consisted of a $181 million loss related to cell site construction costs that are no longer recoverable as a result of changes in our network plans, slightly offset by a $6 million gain. In addition, the nine-month period ended December 31, 2017 includes a $479 million non-cash gain related to spectrum license exchanges with other carriers and a $5 million reversal of previously accrued contract termination costs primarily related to the termination of our relationship with General Wireless Operations Inc. (Radio Shack).

Operating Revenues by Service and Products	Wireless	Wireline	Corporate, Other and Eliminations[1]	Consolidated
	(in millions)			
Three Months Ended December 31, 2018				
Service revenue	$5,160	$ 297	$ (71)	$ 5,386
Wireless equipment sales	1,589	—	—	1,589
Wireless equipment rentals	1,313	—	—	1,313
Other	289	19	5	313
Total net operating revenues	$8,351	$ 316	$ (66)	$ 8,601

Operating Revenues by Service and Products	Wireless	Wireline	Corporate, Other and Eliminations[1]	Consolidated
	(in millions)			
Three Months Ended December 31, 2017				
Service revenue[2]	$5,311	$ 377	$ (88)	$ 5,600
Wireless equipment sales	1,262	—	—	1,262
Wireless equipment rentals	1,047	—	—	1,047
Other	329	16	6	351
Total net operating revenues	$7,949	$ 393	$ (82)	$ 8,260

Operating Revenues by Service and Products	Wireless	Wireline	Corporate, Other and Eliminations(1)	Consolidated
	(in millions)			
Nine Months Ended December 31, 2018				
Service revenue(2)	$15,536	$ 914	$ (201)	$ 16,249
Wireless equipment sales	4,180	—	—	4,180
Wireless equipment rentals	3,778	—	—	3,778
Other	868	68	13	949
Total net operating revenues	$24,362	$ 982	$ (188)	$ 25,156

Operating Revenues by Service and Products	Wireless	Wireline	Corporate, Other and Eliminations(1)	Consolidated
	(in millions)			
Nine Months Ended December 31, 2017				
Service revenue(2)	$16,141	$ 1,188	$ (273)	$ 17,056
Wireless equipment sales	3,443	—	—	3,443
Wireless equipment rentals	2,912	—	—	2,912
Other	884	47	14	945
Total net operating revenues	$23,380	$ 1,235	$ (259)	$ 24,356

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(1) Revenues eliminated in consolidation consist primarily of wireline services provided to the Wireless segment for resale to or use by wireless subscribers.

(2) Service revenue related to the Wireless segment in the nine-month period ended December 31, 2018 excludes $3 million of hurricane-related revenue reimbursements reflected in net operating revenues in our consolidated statements of comprehensive (loss) income. Service revenue related to the Wireless segment in the three- and nine-month periods ended December 31, 2017 excludes $21 million and $33 million, respectively, of hurricane-related contra-revenue costs reflected in net operating revenues in our consolidated statements of comprehensive (loss) income.

Note 14. Related-Party Transactions

In addition to agreements arising out of or relating to the SoftBank Merger, Sprint has entered into various other arrangements with SoftBank, its controlled affiliates or with third parties to which SoftBank Parties are also parties, including arrangements for international wireless roaming, wireless and wireline call termination, real estate, logistical management, and other services.

Brightstar

We have arrangements with Brightstar US, Inc. (Brightstar), whereby Brightstar provides supply chain and inventory management services to us in our indirect channels and whereby Sprint may sell new and used devices and new accessories to Brightstar for its own purposes. To facilitate certain of these arrangements, we have extended a $700 million credit line to Brightstar to assist with the purchasing and distribution of devices and accessories. As a result, we shifted our concentration of credit risk away from our indirect channel partners to Brightstar. As Brightstar is a subsidiary of SoftBank, we expect SoftBank will provide the necessary support to ensure that Brightstar will fulfill its obligations to us under these arrangements. However, we have no assurance that SoftBank will provide such support.
The supply chain and inventory management arrangement included, among other things, that Brightstar may purchase inventory from the original equipment manufacturers to sell directly to our indirect dealers. As compensation for these services, we remit per unit fees to Brightstar for each device sold to dealers or retailers in our indirect channels. During the three- and nine-month periods ended December 31, 2018 and 2017, we incurred fees under these arrangements totaling $18 million, $51 million, $25 million and $71 million, respectively, which are recognized in "Cost of equipment sales" and "Selling, general and administrative" expenses in the consolidated statements of comprehensive (loss) income. Additionally, we have an arrangement with Brightstar whereby they perform certain of our reverse logistics including device buyback, trade-in technology and related services.
During the three-month period ended September 30, 2017, we entered into an arrangement with Brightstar whereby accessories previously procured by us and sold to customers in our direct channels will now be procured and consigned to us from Brightstar. Amounts billed from the sale of accessory inventory are remitted to Brightstar. In exchange for our efforts to sell accessory inventory owned by Brightstar, we received a fixed fee from Brightstar for each device activated in our direct channels. In August 2018, the arrangement was amended and we will receive a share of the profits associated with the sale of accessory inventory owned by Brightstar. For the three- and nine-month periods ended December 31, 2018 and 2017, Sprint earned fees under these arrangements of $52 million, $149 million, $71 million and $100 million, respectively, which are recognized as other revenue within "Service revenue" in the consolidated statements of comprehensive (loss) income.
Amounts included in our consolidated financial statements associated with these supply chain and inventory management arrangements with Brightstar were as follows:
Consolidated balance sheets:

	December 31, 2018	March 31, 2018
	(in millions)	
Accounts receivable	$ 134	$ 188
Accounts payable and accrued expenses and other current liabilities	$ 37	$ 88

	Three Months Ended		Nine Months Ended	
Consolidated statements of comprehensive (loss) income:	December 31,		December 31,	
	2018	2017	2018	2017
	(in millions)			
Equipment sales	$619	$639	$1,448	$1,432
Cost of equipment sales	$644	$657	$1,510	$1,465

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Note 15. Guarantor Financial Information

On September 11, 2013, Sprint Corporation issued $2.25 billion aggregate principal amount of 7.250% notes due 2021 and $4.25 billion aggregate principal amount of 7.875% notes due 2023 in a private placement transaction with registration rights. On December 12, 2013, Sprint Corporation issued $2.5 billion aggregate principal amount of 7.125% notes due 2024 in a private placement transaction with registration rights. Each of these issuances is fully and unconditionally guaranteed by Sprint Communications (Subsidiary Guarantor), which is a 100% owned subsidiary of Sprint Corporation (Parent/Issuer). In connection with the foregoing, in November 2014, the Company and Sprint Communications completed an offer to exchange the notes for a new issue of substantially identical exchange notes registered under the Securities Act of 1933. We did not receive any proceeds from this exchange offer. In addition, on February 24, 2015, Sprint Corporation issued $1.5 billion aggregate principal amount of 7.625% notes due 2025, and on February 20, 2018, Sprint Corporation issued $1.5 billion aggregate principal amount of 7.625% senior notes due 2026, which are fully and unconditionally guaranteed by Sprint Communications.

During the nine-month periods ended December 31, 2018 and 2017, there were non-cash equity distributions from the non-guarantor subsidiaries to Subsidiary Guarantor of approximately $1.1 billion and non-cash equity contributions from Subsidiary Guarantor to the non-guarantor subsidiaries of $4.7 billion, respectively, as a result of organizational restructuring for tax purposes. As of December 31, 2018, there were $24.0 billion of intercompany notes issued by the Subsidiary Guarantor to the non-guarantor subsidiaries. The notes are subordinated to all unaffiliated third-party obligations of Sprint Corporation and its subsidiaries.

Under the Subsidiary Guarantor's secured revolving bank credit facility, the Subsidiary Guarantor is currently restricted from paying cash dividends to the Parent/Issuer or any non-guarantor subsidiary because the ratio of total indebtedness to adjusted EBITDA (each as defined in the applicable agreement) exceeds 2.5 to 1.0.

Sprint has a Receivables Facility providing for the sale of eligible wireless service, installment and certain future lease receivables. In April 2016, Sprint entered into the Tranche 2 transaction to sell and leaseback certain leased devices and a separate network equipment sale-leaseback transaction to sell and leaseback certain network equipment. In October 2016, Sprint transferred certain directly held and third-party leased spectrum licenses to wholly-owned bankruptcy-remote special purpose entities as part of the spectrum financing transaction. In connection with each of the Receivables Facility, Tranche 2, and the spectrum financing transaction, Sprint formed certain wholly-owned bankruptcy-remote subsidiaries that are included in the non-guarantor subsidiaries' condensed consolidated financial information. In addition, the bankruptcy-remote special purpose entities formed in connection with the network equipment sale-leaseback transaction, but which are not Sprint subsidiaries, are included in the non-guarantor subsidiaries' condensed consolidated financial information. Each of these is a separate legal entity with its own separate creditors who will be entitled, prior to and upon its liquidation, to be satisfied out of its assets prior to any assets becoming available to Sprint (see Note 7. Long-Term Debt, Financing and Capital Lease Obligations).

We have accounted for investments in subsidiaries using the equity method. Presented below is the condensed consolidating financial information.

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CONDENSED CONSOLIDATING BALANCE SHEET

	December 31, 2018				
	Parent/Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	(in millions)				
ASSETS					
Current assets:					
Cash and cash equivalents	$—	$ 5,800	$ 391	$ —	$ 6,191
Short-term investments	—	632	—	—	632
Accounts and notes receivable, net	233	477	3,455	(710)	3,455
Current portion of notes receivable from consolidated affiliates	—	424	—	(424)	—
Device and accessory inventory	—	—	919	—	919
Prepaid expenses and other current assets	—	15	1,184	—	1,199
Total current assets	233	7,348	5,949	(1,134)	12,396
Investments in subsidiaries	27,983	19,314	—	(47,297)	—
Property, plant and equipment, net	—	—	21,422	—	21,422
Costs to acquire a customer contract	—	—	1,497	—	1,497
Due from consolidated affiliates	289	1,849	—	(2,138)	—
Notes receivable from consolidated affiliates	11,877	23,567	—	(35,444)	—
Intangible assets					
Goodwill	—	—	6,598	—	6,598
FCC licenses and other	—	—	41,448	—	41,448
Definite-lived intangible assets, net	—	—	1,915	—	1,915
Other assets	—	70	1,058	—	1,128
Total assets	$40,382	$ 52,148	$ 79,887	$ (86,013)	$ 86,404
LIABILITIES AND EQUITY					
Current liabilities:					
Accounts payable	$—	$ —	$ 3,637	$ —	$ 3,637
Accrued expenses and other current liabilities	235	349	3,593	(710)	3,467
Current portion of long-term debt, financing and capital lease obligations	—	351	3,245	—	3,596
Current portion of notes payable to consolidated affiliates	—	—	424	(424)	—
Total current liabilities	235	700	10,899	(1,134)	10,700
Long-term debt, financing and capital lease obligations	11,877	10,837	13,574	—	36,288
Notes payable to consolidated affiliates	—	11,877	23,567	(35,444)	—
Deferred tax liabilities	—	—	7,684	—	7,684
Other liabilities	—	751	2,652	—	3,403
Due to consolidated affiliates	—	—	2,138	(2,138)	—
Total liabilities	12,112	24,165	60,514	(38,716)	58,075
Commitments and contingencies					
Total stockholders' equity	28,270	27,983	19,314	(47,297)	28,270

Noncontrolling interests	—	—	59	—	59
Total equity	28,270	27,983	19,373	(47,297)	28,329
Total liabilities and equity	$40,382	$ 52,148	$ 79,887	$ (86,013)	$ 86,404

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CONDENSED CONSOLIDATING BALANCE SHEET

	March 31, 2018				
	Parent/Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	(in millions)				
ASSETS					
Current assets:					
Cash and cash equivalents	$—	$ 6,222	$ 388	$ —	$ 6,610
Short-term investments	—	2,354	—	—	2,354
Accounts and notes receivable, net	99	248	3,711	(347)	3,711
Current portion of notes receivable from consolidated affiliates	—	424	—	(424)	—
Device and accessory inventory	—	—	1,003	—	1,003
Prepaid expenses and other current assets	5	9	561	—	575
Total current assets	104	9,257	5,663	(771)	14,253
Investments in subsidiaries	26,351	18,785	—	(45,136)	—
Property, plant and equipment, net	—	—	19,925	—	19,925
Due from consolidated affiliates	1	—	594	(595)	—
Notes receivable from consolidated affiliates	11,887	23,991	—	(35,878)	—
Intangible assets					
Goodwill	—	—	6,586	—	6,586
FCC licenses and other	—	—	41,309	—	41,309
Definite-lived intangible assets, net	—	—	2,465	—	2,465
Other assets	—	185	736	—	921
Total assets	$38,343	$ 52,218	$ 77,278	$ (82,380)	$ 85,459
LIABILITIES AND EQUITY					
Current liabilities:					
Accounts payable	$—	$ —	$ 3,409	$ —	$ 3,409
Accrued expenses and other current liabilities	100	341	3,868	(347)	3,962
Current portion of long-term debt, financing and capital lease obligations	—	1,832	1,597	—	3,429
Current portion of notes payable to consolidated affiliates	—	—	424	(424)	—
Total current liabilities	100	2,173	9,298	(771)	10,800
Long-term debt, financing and capital lease obligations	11,887	10,381	15,195	—	37,463
Notes payable to consolidated affiliates	—	11,887	23,991	(35,878)	—
Deferred tax liabilities	—	—	7,294	—	7,294
Other liabilities	—	831	2,652	—	3,483
Due to consolidated affiliates	—	595	—	(595)	—
Total liabilities	11,987	25,867	58,430	(37,244)	59,040
Commitments and contingencies					
Total stockholders' equity	26,356	26,351	18,785	(45,136)	26,356
Noncontrolling interests	—	—	63	—	63

Total equity	26,356	26,351	18,848	(45,136)	26,419
Total liabilities and equity	$ 38,343	$ 52,218	$ 77,278	$ (82,380)	$ 85,459

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SPRINT CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE (LOSS) INCOME

	Three Months Ended December 31, 2018				
	Parent/Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	(in millions)				
Net operating revenues:					
Service	$—	$ —	$ 5,699	$ —	$ 5,699
Equipment sales	—	—	1,589	—	1,589
Equipment rentals	—	—	1,313	—	1,313
	—	—	8,601	—	8,601
Net operating expenses:					
Cost of services (exclusive of depreciation and amortization included below)	—	—	1,648	—	1,648
Cost of equipment sales	—	—	1,734	—	1,734
Cost of equipment rentals (exclusive of depreciation below)	—	—	182	—	182
Selling, general and administrative	—	—	2,003	—	2,003
Depreciation - network and other	—	—	1,088	—	1,088
Depreciation - equipment rentals	—	—	1,137	—	1,137
Amortization	—	—	145	—	145
Other, net	—	—	185	—	185
	—	—	8,122	—	8,122
Operating income	—	—	479	—	479
Other income (expense):					
Interest income	227	540	175	(904)	38
Interest expense	(227)	(609)	(732)	904	(664)
(Losses) earnings of subsidiaries	(141)	(69)	—	210	—
Other expense, net	—	(3)	(3)	—	(6)
	(141)	(141)	(560)	210	(632)
(Loss) income before income taxes	(141)	(141)	(81)	210	(153)
Income tax benefit	—	—	8	—	8
Net (loss) income	(141)	(141)	(73)	210	(145)
Less: Net loss attributable to noncontrolling interests	—	—	4	—	4
Net (loss) income attributable to Sprint Corporation	(141)	(141)	(69)	210	(141)
Other comprehensive (loss) income	(25)	(25)	—	25	(25)
Comprehensive (loss) income	$(166)	$ (166)	$ (73)	$ 235	$ (170)

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CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME (LOSS)

	Three Months Ended December 31, 2017				
	Parent/Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	(in millions)				
Net operating revenues:					
Service	$—	$—	$ 5,930	$—	$ 5,930
Equipment sales	—	—	1,262	—	1,262
Equipment rentals	—	—	1,047	—	1,047
	—	—	8,239	—	8,239
Net operating expenses:					
Cost of services (exclusive of depreciation and amortization included below)	—	—	1,733	—	1,733
Cost of equipment sales	—	—	1,673	—	1,673
Cost of equipment rentals (exclusive of depreciation below)	—	—	123	—	123
Selling, general and administrative	—	—	2,108	—	2,108
Depreciation - network and other	—	—	987	—	987
Depreciation - equipment rentals	—	—	990	—	990
Amortization	—	—	196	—	196
Other, net	—	—	(298)	—	(298)
	—	—	7,512	—	7,512
Operating income	—	—	727	—	727
Other income (expense):					
Interest income	198	458	1	(643)	14
Interest expense	(198)	(382)	(644)	643	(581)
Earnings (losses) of subsidiaries	7,162	7,088	—	(14,250)	—
Other expense, net	—	(2)	(54)	—	(56)
	7,162	7,162	(697)	(14,250)	(623)
Income (loss) before income taxes	7,162	7,162	30	(14,250)	104
Income tax benefit	—	—	7,052	—	7,052
Net income (loss)	7,162	7,162	7,082	(14,250)	7,156
Less: Net loss attributable to noncontrolling interests	—	—	6	—	6
Net income (loss) attributable to Sprint Corporation	7,162	7,162	7,088	(14,250)	7,162
Other comprehensive income (loss)	26	26	6	(32)	26
Comprehensive income (loss)	$7,188	$ 7,188	$ 7,088	$ (14,282)	$ 7,182

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SPRINT CORPORATION
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CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME (LOSS)

	Nine Months Ended December 31, 2018				
	Parent/Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	(in millions)				
Net operating revenues:					
Service	$—	$ —	$ 17,201	$ —	$ 17,201
Equipment sales	—	—	4,180	—	4,180
Equipment rentals	—	—	3,778	—	3,778
	—	—	25,159	—	25,159
Net operating expenses:					
Cost of services (exclusive of depreciation and amortization included below)	—	—	5,019	—	5,019
Cost of equipment sales	—	—	4,521	—	4,521
Cost of equipment rentals (exclusive of depreciation below)	—	—	457	—	457
Selling, general and administrative	—	—	5,731	—	5,731
Depreciation - network and other	—	—	3,132	—	3,132
Depreciation - equipment rentals	—	—	3,454	—	3,454
Amortization	—	—	475	—	475
Other, net	—	—	298	—	298
	—	—	23,087	—	23,087
Operating income	—	—	2,072	—	2,072
Other income (expense):					
Interest income	679	1,632	517	(2,699)	129
Interest expense	(679)	(1,755)	(2,199)	2,699	(1,934)
Earnings (losses) of subsidiaries	231	337	—	(568)	—
Other income, net	—	17	7	—	24
	231	231	(1,675)	(568)	(1,781)
Income (loss) before income taxes	231	231	397	(568)	291
Income tax expense	—	—	(56)	—	(56)
Net income (loss)	231	231	341	(568)	235
Less: Net income attributable to noncontrolling interests	—	—	(4)	—	(4)
Net income (loss) attributable to Sprint Corporation	231	231	337	(568)	231
Other comprehensive (loss) income	(20)	(20)	(10)	30	(20)
Comprehensive income (loss)	$211	$ 211	$ 331	$ (538)	$ 215

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SPRINT CORPORATION
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CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME (LOSS)

	Nine Months Ended December 31, 2017				
	Parent/Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	(in millions)				
Net operating revenues:					
Service	$—	$ —	$ 17,968	$ —	$ 17,968
Equipment sales	—	—	3,443	—	3,443
Equipment rentals	—	—	2,912	—	2,912
	—	—	24,323	—	24,323
Net operating expenses:					
Cost of services (exclusive of depreciation and amortization included below)	—	—	5,140	—	5,140
Cost of equipment sales	—	—	4,622	—	4,622
Cost of equipment rentals (exclusive of depreciation below)	—	—	347	—	347
Selling, general and administrative	—	—	6,059	—	6,059
Depreciation - network and other	—	—	2,961	—	2,961
Depreciation - equipment rentals	—	—	2,732	—	2,732
Amortization	—	—	628	—	628
Other, net	—	(55)	(602)	—	(657)
	—	(55)	21,887	—	21,832
Operating income	—	55	2,436	—	2,491
Other income (expense):					
Interest income	593	783	10	(1,320)	66
Interest expense	(593)	(1,171)	(1,345)	1,320	(1,789)
Earnings (losses) of subsidiaries	7,320	7,722	—	(15,042)	—
Other expense, net	—	(69)	(47)	—	(116)
	7,320	7,265	(1,382)	(15,042)	(1,839)
Income (loss) before income taxes	7,320	7,320	1,054	(15,042)	652
Income tax benefit	—	—	6,662	—	6,662
Net income (loss)	7,320	7,320	7,716	(15,042)	7,314
Less: Net loss attributable to noncontrolling interests	—	—	6	—	6
Net income (loss) attributable to Sprint Corporation	7,320	7,320	7,722	(15,042)	7,320
Other comprehensive income (loss)	38	38	18	(56)	38
Comprehensive income (loss)	$7,358	$ 7,358	$ 7,734	$ (15,098)	$ 7,352

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SPRINT CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

	Nine Months Ended December 31, 2018				
	Parent/Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	(in millions)				
Cash flows from operating activities:					
Net cash (used in) provided by operating activities	$ —	$ (408)	$ 7,990	$ —	$ 7,582
Cash flows from investing activities:					
Capital expenditures - network and other	—	—	(3,814)	—	(3,814)
Capital expenditures - leased devices	—	—	(5,739)	—	(5,739)
Expenditures relating to FCC licenses	—	—	(145)	—	(145)
Proceeds from sales and maturities of short-term investments	—	6,619	—	—	6,619
Purchases of short-term investments	—	(5,152)	—	—	(5,152)
Change in amounts due from/due to consolidated affiliates	(253)	(1,285)	—	1,538	—
Proceeds from sales of assets and FCC licenses	—	—	416	—	416
Proceeds from deferred purchase price from sale of receivables	—	—	223	—	223
Proceeds from corporate owned life insurance policies	—	110	—	—	110
Proceeds from intercompany note advance to consolidated affiliate	—	424	—	(424)	—
Other, net	—	—	52	—	52
Net cash (used in) provided by investing activities	(253)	716	(9,007)	1,114	(7,430)
Cash flows from financing activities:					
Proceeds from debt and financings	—	1,100	5,316	—	6,416
Repayments of debt, financing and capital lease obligations	—	(1,783)	(5,154)	—	(6,937)
Debt financing costs	(28)	(47)	(211)	—	(286)
Proceeds from issuance of common stock, net	281	—	—	—	281
Change in amounts due from/due to consolidated affiliates	—	—	1,538	(1,538)	—
Repayments of intercompany note advance from parent	—	—	(424)	424	—
Net cash provided by (used in) financing activities	253	(730)	1,065	(1,114)	(526)
Net (decrease) increase in cash, cash equivalents and restricted cash	—	(422)	48	—	(374)
Cash, cash equivalents and restricted cash, beginning of period	—	6,222	437	—	6,659
Cash, cash equivalents and restricted cash, end of period	$ —	$ 5,800	$ 485	$ —	$ 6,285

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SPRINT CORPORATION
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CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

	Nine Months Ended December 31, 2017				
	Parent/Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Eliminations	Consolidated
	(in millions)				
Cash flows from operating activities:					
Net cash (used in) provided by operating activities	$ —	$ (1,016)	$ 8,425	$ —	$ 7,409
Cash flows from investing activities:					
Capital expenditures - network and other	—	—	(2,539)	—	(2,539)
Capital expenditures - leased devices	—	—	(5,533)	—	(5,533)
Expenditures relating to FCC licenses	—	—	(92)	—	(92)
Proceeds from sales and maturities of short-term investments	—	7,113	—	—	7,113
Purchases of short-term investments	—	(1,842)	—	—	(1,842)
Change in amounts due from/due to consolidated affiliates	—	—	689	(689)	—
Proceeds from sales of assets and FCC licenses	—	—	367	—	367
Proceeds from deferred purchase price from sale of receivables	—	—	909	—	909
Proceeds from corporate owned life insurance policies	—	2	—	—	2
Proceeds from intercompany note advance to consolidated affiliate	—	575	—	(575)	—
Other, net	—	—	(1)	—	(1)
Net cash provided by (used in) investing activities	—	5,848	(6,200)	(1,264)	(1,616)
Cash flows from financing activities:					
Proceeds from debt and financings	—	—	3,073	—	3,073
Repayments of debt, financing and capital lease obligations	—	(2,530)	(4,629)	—	(7,159)
Debt financing costs	—	(9)	(10)	—	(19)
Call premiums paid on debt redemptions	—	(129)	—	—	(129)
Proceeds from issuance of common stock, net	—	12	—	—	12
Change in amounts due from/due to consolidated affiliates	—	(689)	—	689	—
Repayments of intercompany note advance from consolidated affiliate	—	—	(575)	575	—
Other, net	—	—	(18)	—	(18)
Net cash (used in) provided by financing activities	—	(3,345)	(2,159)	1,264	(4,240)
Net increase in cash, cash equivalents and restricted cash	—	1,487	66	—	1,553
Cash, cash equivalents and restricted cash, beginning of period	—	2,461	481	—	2,942
Cash, cash equivalents and restricted cash, end of period	$ —	$ 3,948	$ 547	$ —	$ 4,495

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SPRINT CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 16. Additional Financial Information
Cash, Cash Equivalents and Restricted Cash
The following provides the classifications of cash, cash equivalents and restricted cash in the consolidated balance sheets:

	December 31, 2018	March 31, 2018
	(in millions)	
Cash and cash equivalents	$6,191	$ 6,610
Restricted cash in Other assets [(1)]	94	49
Cash, cash equivalents and restricted cash	$6,285	$ 6,659

(1) Restricted cash in Other assets is required as part of our spectrum financing transactions.

Accounts Payable
Accounts payable at December 31, 2018 and March 31, 2018 include liabilities in the amounts of $76 million and $66 million, respectively, for payments issued in excess of associated bank balances but not yet presented for collection.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

OVERVIEW

Sprint Corporation, including its consolidated subsidiaries, is a communications company offering a comprehensive range of wireless and wireline communications products and services that are designed to meet the needs of individual consumers, businesses, government subscribers, and resellers. Unless the context otherwise requires, references to "Sprint," "we," "us," "our" and the "Company" mean Sprint Corporation and its consolidated subsidiaries for all periods presented, and references to "Sprint Communications" are to Sprint Communications, Inc. and its consolidated subsidiaries.

Description of the Company

We are a large wireless communications company in the U.S., as well as a provider of wireline services. Our services are provided through our ownership of extensive wireless networks, an all-digital global wireline network and a Tier 1 Internet backbone.

We offer wireless and wireline services to subscribers in all 50 states, Puerto Rico, and the U.S. Virgin Islands under the Sprint corporate brand, which includes our retail brands of Sprint®, Boost Mobile®, Virgin Mobile®, and Assurance Wireless® on our wireless networks utilizing various technologies including third generation (3G) code division multiple access (CDMA) and fourth generation (4G) services utilizing Long Term Evolution (LTE). We utilize these networks to offer our wireless subscribers differentiated products and services through the use of a single network or a combination of these networks.

Business Combination Agreement

On April 29, 2018, we announced that we entered into a Business Combination Agreement with T-Mobile US (T-Mobile) to merge in an all-stock transaction for a fixed exchange ratio of 0.10256 of T-Mobile shares for each Sprint share, or the equivalent of 9.75 Sprint shares for each T-Mobile share. Immediately following the transactions, Deutsche Telekom AG and SoftBank Group Corp. are expected to hold approximately 42% and 27% of fully-diluted shares of the combined company, respectively, with the remaining 31% of the fully-diluted shares of the combined company held by public stockholders. The Board will consist of 14 directors, of which nine will be nominated by Deutsche Telekom AG, four will be nominated by SoftBank Group Corp, and the final director will be the CEO of the combined company. The combined company will be named T-Mobile. The transaction is subject to customary closing conditions, including regulatory approvals, and is expected to close in the first half of calendar year 2019. Sprint and T-Mobile completed the Hart-Scott-Rodino filing with the Department of Justice on May 24, 2018. On June 18, 2018, the parties filed with the FCC the merger applications, including the Public Interest Statement. On July 18, 2018, the FCC accepted the applications for filing and established a public comment period for the transaction. The formal comment period concluded on October 31, 2018. The transaction received clearance from the Committee on Foreign Investment in the United States on December 17, 2018 and is awaiting further regulatory approvals.

Revenue Recognition

The Company adopted Revenue from Contracts with Customers (Topic 606) beginning on April 1, 2018 using the modified retrospective method. See Note 8. Revenues from Contracts with Customers in Notes to the Consolidated Financial Statements in Part I, Item 1. of this Quarterly Report on Form 10-Q for additional information related to revenues and contract costs, including qualitative and quantitative disclosures required under Topic 606. The impact to our consolidated financial statements of adopting Topic 606 is presented in Note 2. New Accounting Pronouncements in Notes to the Consolidated Financial Statements in Part I, Item 1. of this Quarterly Report on Form 10-Q.

Wireless

We offer wireless services on a postpaid and prepaid payment basis to retail subscribers and also on a wholesale basis, which includes the sale of wireless services that utilize the Sprint network but are sold under the wholesaler's brand.

Postpaid

In our postpaid portfolio, we offer several price plans for both consumer and business subscribers. Many of our price plans include unlimited talk, text and data or allow subscribers to purchase monthly data allowances. We also offer family plans that include multiple lines of service under one account.

Under the Sprint brand, we currently offer our devices through leasing and installment billing programs, and within limited plan offerings devices may be subsidized in exchange for a service contract. Our Sprint branded leasing and installment billing programs do not require a service contract but offer devices tied to service plans at lower monthly rates

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when compared to subsidy plans. The installment billing program requires the subscriber to pay full or a discounted retail price based on promotional activities for the device over the installment period. The leasing program requires the subscriber to pay a rental fee over the lease term. In July 2017, we introduced the Sprint Flex program, which gives customers the opportunity to enjoy their phone before deciding what option (upgrade, continue leasing, return or buy) works best for their lifestyle. Depending on device type, certain leases carry an option to upgrade to a new device annually prior to expiration of the lease. The terms of our lease and installment billing contracts require that customers maintain service otherwise the balance of the remaining contractual obligation on the device is due upon termination of their service. The subsidy program, which has been de-emphasized, requires a service contract and allows for a subscriber to purchase a device generally at a discount. Additionally, in our non-Sprint branded postpaid plan we offer devices through an installment billing program while requiring service to be purchased on a prepaid basis. The majority of Sprint's current handset activations occur on our Sprint Flex leasing program.

Prepaid

Our prepaid portfolio currently includes multiple brands, each designed to appeal to specific subscriber uses and demographics. Additionally, a subsidy program is available within limited prepaid plan offerings. In our indirect channel, customers who activate service under certain prepaid plan offerings are able to purchase devices at a discount. Sprint Forward (formerly Sprint Prepaid) primarily serves as a complementary offer to our Sprint Postpaid offer for those subscribers who want plans that are affordable, simple and flexible without a long-term commitment. Boost Mobile primarily serves subscribers that are looking for value without data limits. Virgin Mobile primarily serves subscribers that are looking to optimize spend but need solutions that offer control, flexibility and connectivity through various plans with high speed data options. Virgin Mobile is also designated as a Lifeline-only Eligible Telecommunications Carrier. Under the Assurance Wireless brand, Virgin Mobile provides service to Lifeline eligible subscribers (for whom it seeks reimbursement from the federal Universal Service Fund) and subscribers who have lost their Lifeline eligibility and retain Assurance Wireless retail service. The Lifeline program requires applicants to meet certain eligibility requirements and existing subscribers must recertify as to those requirements annually. While Sprint will continue to support our Lifeline subscribers through our Assurance Wireless prepaid brand, we have excluded these subscribers from our reported prepaid customer base for all periods presented due to regulatory changes resulting in tighter program restrictions.

Wholesale

We have focused our wholesale business on enabling our diverse network of customers to successfully grow their business by providing them with an array of network, product, and device solutions. This allows our customers to customize this full suite of value-added solutions to meet the growing demands of their businesses. As part of these growing demands, some of our wholesale mobile virtual network operators (MVNO) are also selling prepaid services under the Lifeline program. While Sprint will continue to support our Lifeline subscribers through our wholesale MVNOs, we have excluded these subscribers from our reported wholesale customer base for all periods presented due to regulatory changes resulting in tighter program restrictions.

We continue to support the open development of applications, content, and devices on the Sprint network. In addition, we enable a variety of business and consumer third-party relationships through our portfolio of machine-to-machine solutions, which we offer on a retail postpaid and wholesale basis. Our machine-to-machine solutions portfolio provides a secure, real-time and reliable wireless two-way data connection across a broad range of connected devices.

Wireline

We provide a suite of wireline communication services to other communications companies and targeted business subscribers. In addition, our Wireline segment provides data and IP communication services to our Wireless segment. We provide long distance services and operate all-digital global long distance and Tier 1 IP networks.

Business Strategies and Key Priorities

Our business strategy is to be responsive to changing mobility demands of existing and potential customers, and to expand our business into new areas of customer value and economic opportunity through innovation and differentiation. To help lay the foundation for these future growth opportunities, our strategy revolves around targeted investment in the following key priority areas:

- Sprint's Next-Gen network plan will deliver competitive coverage, faster speeds and more capacity;

- Create a compelling unlimited value proposition;
- Provide the best digital customer experience; and
- Engage our partners by making Sprint a great place to work.

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We plan to invest in our network during the next few years targeting to launch 5G in the first half of 2019. We aim to use our wealth of spectrum to build our 5G network, with focus on designing an incredibly dense network with thousands of small cells. 5G includes faster speeds and, more importantly, low latency. We expect to also expand coverage using a hybrid plan that combines traditional macros, mini macros, air strands and Sprint Magic Boxes.
We plan to create a compelling unlimited value proposition by leveraging our spectrum holdings while remaining the price leader on Unlimited plan offerings and taking our brand to the next level.
We plan to invest in digital capabilities and artificial intelligence to improve the customer experience. We are focused on finding the right balance between physical and digital retail to serve customers wherever and whenever they want.
We have recruited leaders in our industry from around the globe and employ an organizational focus to ensure Sprint has a work environment employees recommend.

Network

We continue to increase coverage and capacity by densifying and evolving our existing network toward 5G. Densification, which includes increasing the number of small cells and antennas, is intended to enhance coverage and capacity across the network. We are also deploying new technologies, such as Massive MIMO and carrier aggregation, which allows us to move more data at faster speeds over the same spectrum and migrate customers to an all data service. Additionally, our introduction of tri-band devices, including those with 5G capabilities, allows us to manage and operate our network more efficiently and at a lower cost. We have continued to see positive results from these infrastructure upgrades in key U.S. markets. While Sprint will build 5G in a number of cities throughout the country, its current 5G build plans will result in coverage that is limited to major cities and the surrounding areas rather than coverage that blankets the entire geography of the United States. Sprint’s ability to expand this 5G network build plan may be limited by its financial resources, lack of scale and profitability. Moreover, Sprint plans to offer a “mobile” 5G network and customer experience, meaning that its focus will be on creating a 5G ecosystem for smartphones and mobile devices rather than stationary devices.

The 2.5 GHz spectrum band carries the highest percentage of Sprint's LTE data traffic. We have significant additional capacity to grow the use of our 2.5 GHz spectrum holdings into the future. Sprint believes it is well-positioned with spectrum holdings of more than 160 MHz of 2.5 GHz spectrum in the top 100 markets in the U.S. Sprint's broad spectrum holdings allow us to introduce 5G in parallel with 4G service over the same 2.5 GHz spectrum band, supporting the early introduction of 5G devices without disrupting the capacity needed to support our 4G users. Overall, our densification and introduction of 5G technologies are expected to continue to enhance the customer experience by adding data capacity, increasing the wireless data speeds available to our customers, and improving network performance for both voice and data services. While circumstances may change in the future, we believe that our substantial spectrum holdings are sufficient to allow us to continue to provide consistent network reliability, capacity, and speed. As part of the evolution of our existing network toward 5G, we plan to modify our existing backhaul architecture to enable increased capacity to our network at a lower cost by either negotiating lower vendor pricing for existing Ethernet technology or replacing Ethernet with fiber. We expect to incur termination costs associated with Ethernet contractual commitments with third party vendors ranging between approximately $150 million to $175 million, of which the majority are expected to be incurred by December 31, 2020.

Sprint has plans to launch 5G service beginning in 2019 in nine major cities, becoming one of the first to offer 5G. Once 5G equipment is in place, customers in those cities will have access to Sprint's 5G network if they are in range of a cell site that has been equipped with a 5G radio supported by available 2.5 GHz spectrum and have a 5G-capable device. As more and more sites are 5G-enabled, customers will be able to have an increasing percentage of their mobile experiences on 5G rather than on LTE or 3G.

If the merger with T-Mobile is not completed, it is expected that Sprint will not be able to deploy a nationwide 5G network on the same scale and on the same timeline as the combined company. For example, Sprint’s standalone 5G network would be geographically limited due to both Sprint’s limited current network footprint on which to build 5G sites and the cost of utilizing 2.5 GHz spectrum for 5G.

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RESULTS OF OPERATIONS

Consolidated Results of Operations

The following table provides an overview of the consolidated results of operations.

	Three Months Ended December 31, 2018	Three Months Ended December 31, 2017	Nine Months Ended December 31, 2018	Nine Months Ended December 31, 2017
	(in millions)			
Wireless segment earnings	$3,111	$2,759	$9,705	$8,389
Wireline segment loss	(16)	(30)	(78)	(70)
Corporate, other and eliminations	6	(10)	10	(18)
Consolidated segment earnings	3,101	2,719	9,637	8,301
Depreciation - network and other	(1,088)	(987)	(3,132)	(2,961)
Depreciation - equipment rentals	(1,137)	(990)	(3,454)	(2,732)
Amortization	(145)	(196)	(475)	(628)
Other, net	(252)	181	(504)	511
Operating income	479	727	2,072	2,491
Interest expense	(664)	(581)	(1,934)	(1,789)
Other income (expense), net	32	(42)	153	(50)
Income tax benefit (expense)	8	7,052	(56)	6,662
Net (loss) income	$(145)	$7,156	$235	$7,314

Depreciation Expense - Network and Other

Depreciation expense - network and other increased $101 million, or 10%, and $171 million, or 6%, for the three- and nine-month periods ended December 31, 2018, respectively, compared to the same periods in 2017, primarily due to increased depreciation on new asset additions, partially offset by decreases associated with fully depreciated or retired assets.

Depreciation Expense - Equipment Rentals

Depreciation expense - equipment rentals increased $147 million, or 15%, and $722 million, or 26%, for the three- and nine-month periods ended December 31, 2018, respectively, compared to the same periods in 2017, primarily due to increased depreciation on new leased devices as a result of the continued growth of the device leasing program. This increase was partially offset by decreased depreciation for fully depreciated or retired leased devices combined with favorable changes to leased device residual values.

Amortization Expense

Amortization expense decreased $51 million, or 26%, and $153 million, or 24%, for the three- and nine-month periods ended December 31, 2018, respectively, compared to the same periods in 2017, primarily due to customer relationship intangible assets that are amortized using the sum-of-the-months'-digits method, which results in higher amortization rates in early periods that decline over time.

Other, net

The following table provides additional information regarding items included in "Other, net" for the three- and nine-month periods ended December 31, 2018 and 2017.

	Three Months Ended December 31, 2018	Three Months Ended December 31, 2017	Nine Months Ended December 31, 2018	Nine Months Ended December 31, 2017
	(in millions)			
Severance and exit costs	$(30)	$(13)	$(63)	$(13)
Litigation expenses and other contingencies	(50)	260	(50)	315
Loss on disposal of property, plant and equipment, net	(117)	—	(185)	(175)
Contract termination (costs) benefits	—	—	(34)	5

Gains from asset dispositions and exchanges	12	—	12	479
Merger costs	(67)	—	(216)	—
Hurricane-related (costs) reimbursements	—	(66)	32	(100)
Total	$(252)	$181	$(504)	$511

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Other, net represented an expense of $252 million and $504 million for the three- and nine-month periods ended December 31, 2018, respectively. During the three- and nine-month periods ended December 31, 2018, we recognized severance and exit costs of $30 million and $63 million, respectively, primarily due to lease exit costs, reductions in work force and access termination charges. During the three- and nine-month periods ended December 31, 2018, we recognized $50 million of litigation expense related to tax matters settled with the State of New York and a $12 million gain from the sale of certain assets. In addition, during the three- and nine-month periods ended December 31, 2018, we recorded $117 million and $185 million, respectively, of loss on disposal of property, plant and equipment primarily related to cell site construction costs and other network costs that are no longer recoverable as a result of changes in our network plans. During the three-month period ended June 30, 2018, we recognized $34 million associated with the purchase of certain leased spectrum assets, which upon termination of the related spectrum leases resulted in the accelerated recognition of the unamortized favorable lease balances. In addition, during the three- and nine-month periods ended December 31, 2018, we incurred merger-related costs of $67 million and $216 million, respectively, which were recorded as selling, general and administrative expenses in the consolidated statements of comprehensive (loss) income. We also recorded $32 million of reimbursements during the nine-month period ended December 31, 2018 related to the hurricanes occurring in the prior fiscal year, which were recorded as revenue in net operating revenues, cost of services, selling, general and administrative expenses, and other, net in the consolidated statements of comprehensive (loss) income.

Other, net represented a benefit of $181 million and $511 million for the three- and nine-month periods ended December 31, 2017, respectively. During the three- and nine-month periods ended December 31, 2017, we recognized severance and exit costs of $13 million primarily associated with reductions in work force. We incurred hurricane-related costs of $66 million and $100 million during the three- and nine-month periods ended December 31, 2017, respectively, which were recorded as contra-revenue, cost of services, selling, general and administrative expenses, and loss on disposal of property, plant and equipment in the consolidated statements of comprehensive (loss) income. We recorded a net benefit in litigation expense and other contingencies of $260 million and $315 million during the three- and nine-month periods ended December 31, 2017, respectively, associated with settlements for patent infringement lawsuits as well as other contingencies associated with a regulatory fee matter. During the nine-month period ended December 31, 2017, we recorded a $479 million non-cash gain as a result of spectrum license exchanges with other carriers and a $5 million contract termination benefit. Additionally, we recognized a $175 million net loss on disposal of property, plant and equipment, which consisted of a $181 million loss related to cell site construction costs that are no longer recoverable as a result of changes in our network plans, slightly offset by a $6 million gain.

Interest Expense

Interest expense increased $83 million, or 14%, and $145 million, or 8%, for the three- and nine-month periods ended December 31, 2018, respectively, compared to the same periods in 2017. The effective interest rate, which includes capitalized interest, on the weighted average long-term debt balance of $39.7 billion and $40.0 billion was 6.5% for both the three- and nine-month periods ended December 31, 2018, respectively. The effective interest rate, which includes capitalized interest, on the weighted average long-term debt balance of $37.2 billion and $38.6 billion was 6.4% and 6.3% for the three- and nine-month periods ended December 31, 2017, respectively. See “Liquidity and Capital Resources” for more information on the Company's financing activities.

Other income (expense), net

Other income, net was $32 million and $153 million for the three- and nine-month periods ended December 31, 2018, respectively. Interest income during the three- and nine-month periods ended December 31, 2018 was $39 million and $129 million, respectively. In addition, during the nine-month period ended December 31, 2018 we recognized other income of $24 million as a result of a tax-related legal settlement.

Other expense, net was $42 million and $50 million for the three- and nine-month periods ended December 31, 2017, respectively. The expense was primarily due to $64 million and $70 million of equity in losses of unconsolidated investments, net during the three- and nine-month periods ended December 31, 2017, respectively, which included a $50 million impairment to an equity method investment. In addition, during the nine-month period ended December 31, 2017, $65 million of loss on early extinguishment of debt related to the retirement of portions of the

Sprint Communications 8.375% Notes due 2017 and 9.000% Guaranteed Notes due 2018 was offset by $66 million of interest income.

Income Taxes

The U.S. federal statutory tax rates for the three- and nine-month periods ended December 31, 2018 and 2017 were 21% and 31.5%, respectively. The Tax Cuts and Jobs Act (the Tax Act) enacted in December 2017, reduced the corporate income tax rate effective January 1, 2018.

Income tax benefit of $8 million and expense of $56 million for the three- and nine-month periods ended December 31, 2018, respectively, represented a consolidated effective tax rate of 5% and 19%, respectively. During the nine-month period ended December 31, 2018, we recognized a $62 million tax benefit for the impact of state law changes enacted during the period, partially offset by a $12 million tax expense attributable to organizational restructuring. These adjustments were primarily driven by the change in carrying value of our deferred tax assets and liabilities on temporary differences.

Income tax benefit of $7.1 billion for the three-month period ended December 31, 2017 was primarily attributable to the impact of the Tax Act. Income tax benefit of $6.7 billion for the nine-month period ended December 31, 2017 was primarily attributable to the impact of the Tax Act, partially offset by taxable temporary differences from the tax amortization of FCC licenses and tax expense on pre-tax gains from spectrum license exchanges during the period. We also increased our deferred state income tax liability by $69 million for changes in business activities causing us to become subject to income tax in additional tax jurisdictions. This resulted in a change in the measurement of the carrying value of our deferred tax liability on temporary differences, primarily FCC licenses.

Segment Earnings - Wireless

Wireless segment earnings are a function of wireless net operating revenues inclusive of wireless service revenue, the sale of wireless devices (handsets and tablets), broadband devices, connected devices, leasing wireless devices, and commissions on the device insurance and accessory programs. Combined with wireless net operating revenues, Wireless segment earnings are also a function of costs of equipment sales and rentals, costs to acquire subscribers, and network and interconnection costs to serve those subscribers, as well as other Wireless segment operating expenses. The cost of equipment sales and equipment rentals primarily include equipment costs associated with our installment billing and subsidy programs, and loss on disposal of property, plant and equipment, net of recoveries, resulting from the write-off of leased devices where customers did not return the devices to us. The costs to acquire our subscribers also includes marketing and sales costs incurred to attract those subscribers. Network costs primarily represent switch and cell site costs, backhaul costs, and interconnection costs, which generally consist of per-minute usage fees and roaming fees paid to other carriers. The remaining costs associated with operating the Wireless segment include the costs to operate our customer care organization and administrative support. Wireless service revenue, costs to acquire subscribers, and variable network and interconnection costs fluctuate with the changes in our subscriber base and their related usage, but some cost elements do not fluctuate in the short-term with these changes.

As shown by the table above under "Consolidated Results of Operations," Wireless segment earnings represented almost all of our total consolidated segment earnings for the three- and nine-month periods ended December 31, 2018 and 2017. Within the Wireless segment, postpaid wireless services represent the most significant contributor to earnings, and is driven by the number of postpaid subscribers utilizing our services, as well as average revenue per user (ARPU). The wireless industry is subject to competition to retain and acquire subscribers of wireless services. All markets in which we operate have high rates of penetration for wireless services.

Device Financing Programs

We offer a leasing program whereby qualified subscribers can lease a device for a contractual period of time, and an installment billing program that allows subscribers to purchase a device by paying monthly installments, generally over 24 months. In July 2017, we introduced the Sprint Flex program, which gives customers the opportunity to enjoy their phone before deciding what option (upgrade, continue leasing, return or buy) works best for their lifestyle. Depending on device type, certain leases carry an option to upgrade to a new device annually prior to expiration of the lease. At the end of the lease term, the subscriber has the option to return the device, continue leasing the device, or purchase the device.

As of December 31, 2018, substantially all of our device leases were classified as operating leases and predominantly all of our subscribers choose the leasing option under the Sprint Flex program. As a result, the leased devices are classified as property, plant and equipment when made available to subscribers through Sprint's direct channels. For leases in the indirect channel, we purchase the devices at lease inception from the dealer, which are then capitalized to property, plant and equipment. Lease revenue is recorded monthly over the term of the lease and the cost of the device is depreciated to its estimated residual value, generally over the lease term. As these devices are classified as property, plant and equipment, the cost of the device is not recorded as cost of equipment sales compared to when sold under the installment billing or the traditional subsidy program, which results in a significant positive impact to Wireless segment earnings. Depreciation expense incurred on leased devices for the three- and nine-month periods ended December 31, 2018 and 2017, was $1.1 billion, $3.5 billion, $990 million and $2.7 billion, respectively. If the mix of leased devices within our subscriber base continues to increase, we expect this positive impact on the financial results of Wireless segment earnings to continue and depreciation expense to increase.

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Under the installment billing program, we recognize a majority of the revenue associated with future expected installment payments at the time of sale of the device to Sprint branded customers. As compared to our traditional subsidy program, this results in alignment of the revenue with the cost of the device. The impact to Wireless earnings from the sale of devices under our installment billing program is generally neutral except for the impact from promotional offers.

Our device leasing and installment billing programs require a greater use of cash flow in the early part of the device contracts as our subscribers will generally pay less upfront than a traditional subsidy program. The accounts receivables facility discussed in "Liquidity and Capital Resources" was designed to mitigate the significant use of cash from purchasing devices from original equipment manufacturers (OEMs) to fulfill our leasing and installment billing programs.

Wireless Segment Earnings Trends

Sprint offers lower monthly service fees without a traditional contract as an incentive to attract subscribers to certain of our service plans. These lower rates for service are available whether the subscriber brings their own device, pays the full or discounted retail price of the device, leases their device through our Sprint Flex leasing program, or purchases the device under our installment billing program. We expect our postpaid ARPU to stabilize in fiscal year 2018 due to less dilution from promotional activities as subscribers exit existing promotional offers and increase their monthly spending with us, combined with an increase in acquisition ARPU due to less promotional discounts on multi-lines. We continue to expect higher equipment rentals and equipment sales associated with the leasing and installment billing programs. Since inception, the combination of lower-priced plans and our leasing and installment billing programs have been accretive to Wireless segment earnings. We expect that trend to continue with the magnitude of the impact being dependent upon subscriber adoption rates.

We began to experience net losses of postpaid handset subscribers in mid-2013. Since the release of our price plans associated with device financing options, results have shown improvement in trends of handset subscribers starting with the quarter ended September 30, 2015; however, there can be no assurance that this trend will continue. We have taken initiatives to provide the best value in wireless service while continuing to enhance our network performance, coverage and capacity in order to attract and retain valuable handset subscribers. In addition, we continue to evaluate our cost model to operationalize a more effective cost structure.

The following table provides an overview of the results of operations of our Wireless segment.

Wireless Segment Earnings	Three Months Ended December 31, 2018	Three Months Ended December 31, 2017	Nine Months Ended December 31, 2018	Nine Months Ended December 31, 2017
	(in millions)			
Postpaid [1]	$4,236	$4,314	$12,676	$13,151
Prepaid [1]	924	997	2,860	2,990
Retail service revenues	5,160	5,311	15,536	16,141
Wholesale, affiliate and other	289	329	868	884
Total service revenue	5,449	5,640	16,404	17,025
Equipment sales	1,589	1,262	4,180	3,443
Equipment rentals	1,313	1,047	3,778	2,912
Total net operating revenues	8,351	7,949	24,362	23,380
Cost of services (exclusive of depreciation and amortization) [1]	(1,439)	(1,385)	(4,340)	(4,204)
Cost of equipment sales	(1,734)	(1,673)	(4,521)	(4,622)
Cost of equipment rentals (exclusive of depreciation)	(182)	(123)	(457)	(347)
Selling, general and administrative expense [1]	(1,885)	(2,009)	(5,339)	(5,818)
Total net operating expenses	(5,240)	(5,190)	(14,657)	(14,991)
Wireless segment earnings	$3,111	$2,759	$9,705	$8,389

(1)

The nine-month period ended December 31, 2018 excludes hurricane-related reimbursements of $3 million of postpaid service revenue, $6 million of cost of services, and $1 million of selling, general and administrative expenses. The three- and nine-month periods ended December 31, 2017 excludes $17 million and $25 million, respectively, of hurricane-related postpaid service contra-revenue, $4 million and $8 million, respectively, of hurricane-related prepaid service contra-revenue, $30 million and $45 million, respectively, of cost of services, and $15 million and $17 million, respectively, of selling, general and administrative expenses. In addition, the three- and nine-month periods ended December 31, 2017, excludes a $51 million charge from costs of services related to a regulatory fee matter.

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Service Revenue

Our Wireless segment generates service revenue from the sale of wireless services and the sale of wholesale and other services. Service revenue consists of fixed monthly recurring charges, variable usage charges and miscellaneous fees such as activation fees, international long distance and roaming, commissions on the device insurance program, late payment and administrative fees, and certain regulatory-related fees, net of service credits. The ability of our Wireless segment to generate service revenue is primarily a function of:

- revenue generated from each subscriber, which in turn is a function of the types and amount of services utilized by each subscriber and the rates charged for those services; and
- the number of subscribers that we serve, which in turn is a function of our ability to retain existing subscribers and acquire new subscribers.

Retail comprises those subscribers to whom Sprint directly provides wireless services, whether those services are provided on a postpaid or a prepaid basis. We also categorize our retail subscribers as prime and subprime based upon subscriber credit profiles. We use proprietary scoring systems that measure the credit quality of our subscribers using several factors, such as credit bureau information, subscriber credit risk scores and service plan characteristics. Payment history is subsequently monitored to further evaluate subscriber credit profiles. Wholesale and affiliates are those subscribers who are served through MVNO and affiliate relationships and other arrangements. Under the MVNO relationships, wireless services are sold by Sprint to other companies that resell those services to subscribers.

Retail service revenue decreased $151 million, or 3%, and $605 million, or 4% for the three- and nine-month periods ended December 31, 2018, respectively, compared to the same periods in 2017. The decreases were primarily due to a lower amount of revenue allocated to service revenue following the adoption of Topic 606, combined with lower average revenue per postpaid and prepaid subscribers driven by an increase in subscribers on lower price plans and promotional activities. These decreases were partially offset by an increase in average postpaid and prepaid subscribers.

Wholesale, affiliate and other revenues decreased $40 million, or 12%, and $16 million, or 2% for the three- and nine-month periods ended December 31, 2018, respectively, compared to the same periods in 2017. The decreases were primarily due to lower imputed interest associated with installment billing on devices due to the growth of our leasing program and impacts following the adoption of Topic 606. These decreases were partially offset by an increase in lifeline subscribers and fees earned under an accessories arrangement with Brightstar, which commenced during the quarter ending September 30, 2017. Approximately 81% of our total wholesale and affiliate subscribers represent connected devices. These devices generate revenue which varies based on usage.

Average Monthly Service Revenue per Subscriber and Subscriber Trends

The table below summarizes average number of retail subscribers. Additional information about the number of subscribers, net additions (losses) to subscribers, and average rates of monthly postpaid and prepaid subscriber churn for each quarter since the quarter ended June 30, 2017 may be found in the tables on the following pages.

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2018	2017	2018	2017
	(subscribers in thousands)			
Average postpaid subscribers	32,361	31,728	32,218	31,606
Average prepaid subscribers	8,918	8,840	8,976	8,756
Average retail subscribers	41,279	40,568	41,194	40,362

The table below summarizes ARPU. Additional information about ARPU for each quarter since the quarter ended June 30, 2017 may be found in the tables on the following pages.

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2018	2017	2018	2017
ARPU(1):				

Postpaid	$43.64	$45.13	$43.73	$46.14
Prepaid	$34.53	$37.46	$35.40	$37.84
Average retail	$41.67	$43.46	$41.90	$44.34

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(1) ARPU is calculated by dividing service revenue by the sum of the monthly average number of subscribers in the applicable service category. Changes in average monthly service revenue reflect subscribers for either the postpaid or prepaid service category who change rate plans, the level of voice and data usage, the amount of service credits which are offered to subscribers, plus the net effect of average monthly revenue generated by new subscribers and deactivating subscribers.

Postpaid ARPU for the three- and nine-month periods ended December 31, 2018 decreased compared to the same periods in 2017 primarily due to lower revenue allocated to service revenue following the adoption of Topic 606, lower service revenue resulting from subscriber migrations to lower price plans and increased promotional activities. Prepaid ARPU decreased for the three- and nine-month periods ended December 31, 2018 compared to the same periods in 2017 primarily due to lower revenue allocated to service revenue following the adoption of Topic 606 and lower service revenue resulting from promotional activities. (See "Subscriber Results" below for more information.)

The following table shows (a) net additions (losses) of wireless subscribers, (b) our total subscribers, and (c) end of period connected device subscribers as of the end of each quarterly period beginning with the quarter ended June 30, 2017.

	June 30, 2017	Sept 30, 2017	Dec 31, 2017	March 31, 2018	June 30, 2018	Sept 30, 2018	Dec 31, 2018
Net additions (losses) (in thousands)[1]							
Postpaid	(39)	168	256	39	123	109	309
Prepaid	35	95	63	170	3	(14)	(173)
Wholesale and affiliates	65	115	66	(165)	(69)	(115)	(88)
Total Wireless	61	378	385	44	57	(20)	48
End of period subscribers (in thousands)[1]							
Postpaid[2][4][5][6]	31,518	31,686	31,942	32,119	32,187	32,296	32,605
Prepaid[2][3][4][7][8]	8,719	8,765	8,997	8,989	9,033	9,019	8,846
Wholesale and affiliates[3][4][5][9][10]	13,461	13,576	13,642	13,517	13,347	13,232	13,044
Total Wireless	53,698	54,027	54,581	54,625	54,567	54,547	54,495
Supplemental data - connected devices							
End of period subscribers (in thousands)[5]							
Retail postpaid	2,091	2,158	2,259	2,335	2,429	2,585	2,821
Wholesale and affiliates	11,100	11,221	11,272	11,162	10,963	10,838	10,563
Total	13,191	13,379	13,531	13,497	13,392	13,423	13,384

(1) A subscriber is defined as an individual line of service associated with each device activated by a customer. Subscribers that transfer from their original service category classification to another service category are reflected as a net loss to the original service category and a net addition to their new service category. There is no net effect for such subscriber changes to the total wireless net additions (losses) or end of period subscribers.

(2) During the three-month period ended March 31, 2018, a non-Sprint branded postpaid offering was introduced allowing prepaid customers to purchase a device under our installment billing program. As a result of the extension of credit, approximately 167,000 prepaid subscribers were migrated from the prepaid subscriber base into the postpaid subscriber base. During the three-month period ended June 30, 2018, we ceased selling devices in our installment billing program under one of our brands and as a result, 45,000 subscribers were migrated back to prepaid.

(3) Sprint is no longer reporting Lifeline subscribers due to regulatory changes resulting in tighter program restrictions. We have excluded these subscribers from our subscriber base for all periods presented, including our Assurance Wireless prepaid brand and subscribers through our wholesale Lifeline MVNOs.

(4) As a result of our affiliate agreement with Shentel, certain subscribers have been transferred from postpaid and prepaid to affiliates. During the three-month period ended June 30, 2017, 17,000 and 4,000 subscribers were transferred from postpaid and prepaid, respectively, to affiliates. During the three-month period ended March 31, 2018, 29,000 and 11,000 subscribers were transferred from postpaid and prepaid, respectively, to affiliates. During the three-month period ended June 30, 2018, 10,000 and 4,000 subscribers were transferred from postpaid and prepaid, respectively, to affiliates.

(5) End of period connected devices are included in retail postpaid or wholesale and affiliates end of period subscriber totals for all periods presented.

(6) During the three-month period ended June 30, 2017, 2,000 Wi-Fi connections were adjusted from the postpaid subscriber base.

(7) During the three-month period ended September 30, 2017, the Prepaid Data Share platform It's On was decommissioned as the Company continues to focus on higher value contribution offerings resulting in a 49,000 reduction to prepaid end of period subscribers.

(8) During the three-month period ended December 31, 2017, prepaid end of period subscribers increased by 169,000 in conjunction with the PRWireless transaction.

(9) Subscribers through some of our MVNO relationships have inactivity either in voice usage or primarily as a result of the nature of the device, where activity only occurs when data retrieval is initiated by the end-user and may occur infrequently. Although we continue to provide these subscribers access to our network through our MVNO relationships, approximately 2,420,000 subscribers at December 31, 2018 through these MVNO relationships have been inactive for at least six months, with no associated revenue during the six-month period ended December 31, 2018.

(10) On April 1, 2018, 115,000 wholesale subscribers were removed from the subscriber base with no impact to revenue. During the three-month period ended December 31, 2018, an additional 100,000 wholesale subscribers were removed from the subscriber base with no impact to revenue.

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The following table shows our average rates of monthly postpaid and prepaid subscriber churn as of the end of each quarterly period beginning with the quarter ended June 30, 2017.

	June 30, 2017[2]	Sept 30, 2017	Dec 31, 2017	March 31, 2018	June 30, 2018	Sept 30, 2018	Dec 31, 2018
Monthly subscriber churn rate[1]							
Postpaid	1.65 %	1.72%	1.80 %	1.78%	1.63%	1.78%	1.85%
Prepaid	4.57 %	4.83%	4.63 %	4.30%	4.17%	4.74%	4.83%

(1) Churn is calculated by dividing net subscriber deactivations for the quarter by the sum of the average number of subscribers for each month in the quarter. For postpaid accounts comprising multiple subscribers, such as family plans and enterprise accounts, net deactivations are defined as deactivations in excess of subscriber activations in a particular account within 30 days. Postpaid and Prepaid churn consist of both voluntary churn, where the subscriber makes his or her own determination to cease being a subscriber, and involuntary churn, where the subscriber's service is terminated due to a lack of payment or other reasons.

(2) In the quarter ended June 30, 2017, the Company enhanced subscriber reporting to better align certain early-life gross activations and deactivations associated with customers who have not paid us after the initial subscriber transaction. This enhancement had no impact to net additions but did result in reporting lower gross additions and lower deactivations in the quarter. Without this enhancement, total postpaid churn in the quarter would have been 1.73% versus 1.65%.

The following table shows our postpaid and prepaid ARPU as of the end of each quarterly period beginning with the quarter ended June 30, 2017.

	June 30, 2017	Sept 30, 2017	Dec 31, 2017	March 31, 2018	June 30, 2018	Sept 30, 2018	Dec 31, 2018
ARPU							
Postpaid	$47.30	$46.00	$45.13	$44.40	$43.55	$43.99	$43.64
Prepaid	$38.24	$37.83	$37.46	$37.15	$36.27	$35.40	$34.53

Subscriber Results

Retail Postpaid — During the three-month period ended December 31, 2018, net postpaid subscriber additions were 309,000 compared to 256,000 in the same period in 2017. The net additions in the current quarter were primarily driven by net subscriber additions of other data devices and non-Sprint branded retail postpaid phones. The Company's non-Sprint branded postpaid offering allows prepaid customers to purchase a device under our installment billing program. This program provides prepaid customers with access to this offer under their respective brands. Qualified customers on this non-Sprint branded postpaid offering receive an extension of credit to purchase their device. The subscriber will remain classified as postpaid at the conclusion of their installment billing payments. During the quarter ended December 31, 2018, net subscriber additions under the non-Sprint branded postpaid plan offering were 107,000 and are included in total retail postpaid subscribers above.

Retail Prepaid — During the three-month period ended December 31, 2018, we lost 173,000 net prepaid subscribers compared to adding 63,000 in the same period in 2017. The net losses in the quarter were primarily due to the loss of prepaid customers qualifying for the non-Sprint branded postpaid offering as discussed above, combined with losses in the Virgin Mobile prepaid brand due to continued competitive pressures in the market.

Wholesale and Affiliate Subscribers — Wholesale and affiliate subscribers represent customers that are served on our networks through companies that resell our wireless services to their subscribers, customers residing in affiliate territories and connected devices that utilize our network. Of the 13.0 million subscribers included in wholesale and affiliates, approximately 81% represent connected devices. Wholesale and affiliate subscriber net losses were 88,000 during the three-month period ended December 31, 2018 compared to net additions of 66,000 during the same period in 2017, inclusive of net losses of connected devices totaling 175,000 and net additions totaling 51,000, respectively. The net losses in the three-month period ended December 31, 2018 were primarily attributable to a decline in connected devices, partially offset by an increase in subscribers through our prepaid resellers.

Cost of Services

Cost of services consists primarily of:

- costs to operate and maintain our networks, including direct switch and cell site costs, such as rent, utilities, maintenance, labor costs associated with network employees, and spectrum frequency leasing costs;
- fixed and variable interconnection costs, the fixed component of which consists of monthly flat-rate fees for facilities leased from local exchange carriers and other providers based on the number of cell sites and switches in service in a particular period and the related equipment installed at each site, and the variable component which generally consists of per-minute use fees charged by wireline providers for calls terminating on their networks, which fluctuate in relation to the level and duration of those terminating calls;

- long distance costs paid to other carriers, and the Wireline segment through fiscal year 2017;
- costs to service and repair devices;
- regulatory fees;
- roaming fees paid to other carriers; and
- fixed and variable costs relating to payments to third parties for the subscriber use of their proprietary data applications, such as messaging, music and cloud services and connected vehicle fees.

Cost of services increased $54 million, or 4%, and $136 million, or 3%, for the three- and nine-month periods ended December 31, 2018, respectively, compared to the same periods in 2017, primarily due to higher network costs including rent and backhaul. These increases were partially offset by a decrease in long distance due to the migration off of the Wireline network and lower service and repair costs.

Equipment Sales and Cost of Equipment Sales

Our devices are sold to customers through installment billing and subsidy programs. We recognize equipment sales and corresponding costs of equipment sales when title and risk of loss passes to the indirect dealer or end-use subscriber, assuming all other revenue recognition criteria are met. Under the installment billing program, the device is generally sold at full or a discounted retail price and we recognize most of the future expected installment payments at the time of sale of the device. Under the subsidy program, which has been de-emphasized, we offer certain incentives, such as new devices at heavily discounted prices, to retain and acquire subscribers. The cost of these incentives is recorded as a reduction of the total transaction price and allocated to performance obligations.

Cost of equipment sales includes equipment costs (primarily devices and accessories), order fulfillment related expenses, and write-downs of device and accessory inventory related to shrinkage and obsolescence. Additionally, cost of equipment sales is reduced by rebates that are earned from the equipment manufacturers. Cost of equipment sales in excess of the net revenue generated from equipment sales is referred to in the industry as equipment net subsidy. As postpaid subscribers migrate from acquiring devices through our subsidy program to our leasing or installment billing programs, equipment net subsidy continues to decline. We also make incentive payments to certain indirect dealers who purchase devices directly from OEMs or other device distributors. Under Topic 606, these incentive payments are included as a reduction of the total transaction price of customer contracts, resulting in a contract asset that is amortized to service revenue over the term of the contract.

The net impact to equipment sales revenue and cost of equipment sales from the sale of devices under our installment billing program is relatively neutral except for the impact from promotional offers.

Equipment sales increased $327 million, or 26%, and $737 million, or 21%, for the three- and nine-month periods ended December 31, 2018, respectively, compared to the same periods in 2017. The increase in equipment sales for the three- and nine-month periods ended December 31, 2018 was primarily due to a higher amount of revenue allocated to equipment sales following the adoption of Topic 606 and higher average sales price per postpaid and prepaid devices sold. These increases for the nine-month period were partially offset by a decline in the number of postpaid devices sold, lower accessory revenue due to an accessories arrangement with Brightstar, and a decrease in the volume of used postpaid devices sold to third parties. The fees earned under the arrangement with Brightstar are recorded as other revenue and included in wholesale, affiliate and other revenues. Cost of equipment sales increased $61 million, or 4%, for the three-month period ended December 31, 2018 and decreased $101 million, or 2%, for the nine-month period ended December 31, 2018, respectively, compared to the same periods in 2017. The increase in the three-month period was primarily due to higher average cost per postpaid and prepaid devices sold, partially offset by a decline in postpaid and prepaid devices sold. The decrease in the nine-month period was primarily due to a decline in postpaid devices sold as a result of the higher mix of postpaid subscribers choosing to lease their devices, a decrease in the volume of used postpaid devices sold to third parties, combined with lower accessory costs due to an accessories arrangement with Brightstar. These decreases for the nine-month period were partially offset by a higher average cost per postpaid and prepaid devices sold.

Equipment Rentals and Cost of Equipment Rentals

Under our leasing program, we recognize revenue from equipment rentals over the term of the operating lease. Cost of equipment rentals includes losses on disposal of property, plant and equipment, net of recoveries, resulting from the write-off of leased devices. The losses on disposal of property, plant and equipment, net of recoveries, result from the write-off of leased devices associated with lease cancellations prior to the scheduled customer lease terms where customers did not return the devices to us. We expect to incur losses in future periods as a result of customers who do not return devices under our leasing program.

We expect that the revenues derived from leasing our devices to customers will be less than the costs of the devices as the life of the device exceeds the contractual lease period. We offer the Sprint Flex program to customers as an incentive to attract and retain subscribers who purchase wireless services that utilize our wireless network. While revenue derived from providing devices to customers contributes to our consolidated earnings, wireless service is the major contributor. Therefore, we believe the evaluation of the Company's central operations, which is to provide wireless service to customers, are best viewed at the consolidated level. Accordingly, we believe consolidated level metrics such as operating income and cash flows from operations are the best indicators of our overall ability to generate cash.

Equipment rentals increased $266 million, or 25%, and $866 million, or 30%, for the three- and nine-month periods ended December 31, 2018, respectively, compared to the same periods in 2017, primarily due to higher revenue from the leasing program as more subscribers are choosing to lease their device. In addition, the increase in equipment rentals also benefited from a pricing change due to a shorter lease term under the Sprint Flex Program and the mix of devices leased. Cost of equipment rentals increased $59 million, or 48%, and $110 million, or 32%, for the three- and nine-month periods ended December 31, 2018, respectively, compared to the same periods in 2017, primarily due to an increase in loss on disposal of property, plant and equipment, net of recoveries associated with non-returned leased devices.

Selling, General and Administrative Expense

Sales and marketing costs primarily consist of subscriber acquisition costs, including commissions paid to our indirect dealers, third-party distributors and retail sales force for new device activations and upgrades, residual payments to our indirect dealers, commission payments made to OEMs or other device distributors for direct source handsets, payroll and facilities costs associated with our retail sales force, marketing employees, advertising, media programs and sponsorships, including costs related to branding. Upon the adoption of Topic 606, commission costs determined to be incremental, recoverable and directly associated with subscriber contracts are deferred and amortized to sales and marketing expense. General and administrative expenses primarily consist of costs for billing, customer care and information technology operations, bad debt expense and administrative support activities, including collections, legal, finance, human resources, corporate communications, and strategic planning.

Sales and marketing expense decreased $160 million, or 12%, and $452 million, or 12%, for the three- and nine-month periods ended December 31, 2018, respectively, compared to the same periods in 2017, primarily due to lower commission costs as a result of the adoption of Topic 606 combined with lower marketing costs.

General and administrative costs increased $36 million, or 5%, and decreased $27 million, or 1%, for the three- and nine-month periods ended December 31, 2018, respectively, compared to the same periods in 2017. The increase in the three-month period was primarily due to higher other general and administrative costs. The decrease in the nine-month period was primarily due to a decline in bad debt expenses and other general and administrative costs, partially offset by an increase in customer care costs.

Bad debt expense increased $10 million, or 10%, for the three-month period ended December 31, 2018 and decreased $23 million, or 8%, for the nine-month period ended December 31, 2018, compared to the same periods in 2017. The increase in the three-month period was primarily related to higher reserves associated with recently launched iconic devices, partially offset by lower installment billing reserves and a decline in service revenue bad debt. The decrease in the nine-month period was primarily related to lower installment billing reserves due to fewer subscribers entering into installment notes, partially offset by higher reserves associated with recently launched iconic devices. We reassess our allowance for doubtful accounts quarterly.

Segment Earnings - Wireline

We provide a suite of wireline communications services to other communications companies and targeted business subscribers. In addition, we provide data and IP communication services to our Wireless segment. We provide long distance services and operate all-digital global long distance and Tier 1 IP networks. Our services and products include domestic and international data communications using various protocols such as multiprotocol label switching technologies (MPLS), IP, managed network services, Voice over Internet Protocol (VoIP), and Session Initiated Protocol (SIP). Our IP services can also be combined with wireless services. Such services include our Sprint Mobile

Integration service, which enables a wireless handset to operate as part of a subscriber's wireline voice network, and our DataLink[SM] service, which uses our wireless networks to connect a subscriber location into their primarily wireline wide-area IP/MPLS data network, making it easy for businesses to adapt their network to changing business requirements.

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We continue to assess the portfolio of services provided by our Wireline business and are focusing our efforts on IP-based data services. Standalone voice services have been discontinued and we continue to de-emphasize and shutdown non-IP-based data services. Our Wireline segment markets and sells its services primarily through direct sales representatives.

Wireline segment earnings are primarily a function of wireline service revenue, network and interconnection costs, and other Wireline segment operating expenses. Network costs primarily represent special access costs and interconnection costs, which generally consist of domestic and international per-minute usage fees paid to other carriers. The remaining costs associated with operating the Wireline segment include the costs to operate our customer care and billing organizations in addition to administrative support. Wireline service revenue and variable network and interconnection costs fluctuate with the changes in our customer base and their related usage, but some cost elements do not fluctuate in the short-term with changes in our customer usage. Our wireline services provided to our Wireless segment are generally accounted for based on market rates, which we believe approximate fair value. The Company generally re-establishes these rates at the beginning of each fiscal year. The impact of intercompany pricing rate changes to our Wireline segment earnings does not affect our consolidated results of operations as our Wireless segment has an equivalent offsetting impact in cost of services.

The following table provides an overview of the results of operations of our Wireline segment.

	Three Months Ended December 31,		Nine Months Ended December 31,	
Wireline Segment Earnings	2018	2017	2018	2017
	(in millions)			
Total net service revenues	$316	$393	$982	$1,235
Cost of services (exclusive of depreciation)	(280)	(352)	(886)	(1,111)
Selling, general and administrative expense	(52)	(71)	(174)	(194)
Total net operating expenses	(332)	(423)	(1,060)	(1,305)
Wireline segment loss	$(16)	$(30)	$(78)	$(70)

Service Revenue

Service revenues for the three- and nine-month periods ended December 31, 2018 decreased $77 million, or 20%, and $253 million, or 20%, respectively, compared to the same periods in 2017. These decreases were driven by lower voice volumes as the Company has discontinued standalone voice services combined with fewer customers using IP-based data services.

Costs of Services

Costs of services include access costs paid to local phone companies, other domestic service providers and foreign phone companies to complete calls made by our domestic subscribers, costs to operate and maintain our networks, and costs of customer premise equipment. Costs of services decreased $72 million, or 20%, and $225 million, or 20%, in the three- and nine-month periods ended December 31, 2018, respectively, compared to the same periods in 2017. These decreases were primarily due to lower access expense as the result of savings initiatives and discontinuing standalone voice services.

Selling, General and Administrative Expense

Selling, general and administrative expense decreased $19 million, or 27%, and $20 million, or 10%, in the three- and nine-month periods ended December 31, 2018, respectively, compared to the same periods in 2017. These decreases were primarily due lower shared administrative and employee-related costs required to support the Wireline segment as a result of the decline in revenue. Total selling, general and administrative expense as a percentage of net services revenue was 16% and 18% for the three- and nine-month periods ended December 31, 2018, respectively, as compared to 18% and 16% for the three- and nine-month periods ended December 31, 2017, respectively.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

	Nine Months Ended December 31,	
	2018	2017
	(in millions)	
Net cash provided by operating activities	$7,582	$7,409
Net cash used in investing activities	$(7,430)	$(1,616)
Net cash used in financing activities	$(526)	$(4,240)

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On January 1, 2018, the Company adopted authoritative guidance regarding Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments. The Company adopted this standard with retrospective application to the consolidated statements of cash flows. The standard impacted the presentation of cash flows related to beneficial interests in securitization transactions, which is the deferred purchase price associated with our Accounts Receivable Facility (Receivables Facility), resulting in reclassifications of cash inflows from operating activities to investing activities of $909 million for the nine-month period ended December 31, 2017 in our consolidated statements of cash flows. We continue to record collections of installment billing receivables associated with the historical deferred purchase price for installment notes entered into prior to the amendment to our Receivables Facility in February 2017 as cash inflows in investing activities. The standard also impacted the presentation of cash flows related to separately identifiable cash flows and application of the predominance principal primarily related to direct channel leased devices and resulted in material reclassifications of cash outflows from operating activities to investing activities of $3.8 billion for the nine-month period ended December 31, 2017 in our consolidated statements of cash flows.

Operating Activities

Net cash provided by operating activities of $7.6 billion for the nine-month period ended December 31, 2018 increased $173 million from the same period in 2017. The change was primarily due to increased cash received from customers of $1.2 billion, of which $686 million is related to an increase in installment billing receivables collected due to an amendment to our Receivables Facility in February 2017. All cash collected on the underlying receivables generated after the amendment is reflected in operating activities as described below in Accounts Receivable Facility. The increased cash received from customers was partially offset by higher vendor- and labor-related payments of $1.1 billion primarily due to unfavorable changes in working capital.

Investing Activities

Net cash used in investing activities for the nine-month period ended December 31, 2018 increased by $5.8 billion compared to the same period in 2017, primarily due to decreased net proceeds from short-term investments of $3.8 billion, increased network and other capital expenditures of $1.3 billion due to 5G network expenditures and increased leased device purchases of $206 million. In addition, we had a decrease of $686 million due to an amendment to our Receivables Facility in February 2017. All cash collected on the underlying receivables generated after the amendment is reflected in operating activities as described below in Accounts Receivable Facility. These activities were partially offset by $110 million borrowed against the cash surrender value of corporate owned life insurance policies.

Financing Activities

Net cash used in financing activities was $526 million for the nine-month period ended December 31, 2018. Total principal repayments include $4.2 billion, $1.8 billion, $656 million and $169 million for the Receivables Facility, Sprint Communications 9.000% Guaranteed Notes due 2018, the 2016 spectrum financing transaction and the secured equipment credit facilities, respectively. Additionally, we paid $286 million in debt financing costs primarily due to fees related to the consent solicitations as a result of the Business Combination Agreement with T-Mobile. These payments were partially offset by Receivables Facility borrowings of $5.1 billion, proceeds from an incremental secured term loan (Incremental Term Loan) of $1.1 billion and proceeds from issuance of common stock, net of $281 million primarily related to SoftBank exercising its warrant in full to purchase 55 million shares of Sprint common stock in July 2018.

Net cash used in financing activities of $4.2 billion for the nine-month period ended December 31, 2017, which was primarily due to the retirement of $1.3 billion principal amount of outstanding Sprint Communications 8.375% Notes due 2017 and $1.2 billion principal amount of outstanding Sprint Communications 9.000% Guaranteed Notes due 2018. We also paid $129 million of call redemption premiums and tender expenses associated with the early retirement of the Sprint Communications debt. In addition, we repaid $342 million, $186 million, $1.7 billion, $1.4 billion, $629 million and $219 million for the Handset Sale-Leaseback Tranche 2, secured equipment credit facilities, Receivables Facility, network equipment sale-leaseback transaction, Clearwire Communications LLC 8.25% exchangeable notes and the 2016 spectrum financing transaction, respectively. These repayments were partially offset by Receivables Facility borrowings of $2.7 billion and secured equipment credit facilities draws of $310 million.

Working Capital

We had working capital of $1.7 billion and $3.5 billion as of December 31, 2018 and March 31, 2018, respectively. The change in working capital was primarily due to a decline in cash and cash equivalents and short-term investments driven by the increase in 5G network expenditures as described above. The remaining balance was due to changes to other working capital items.

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Long-Term Debt and Other Funding Sources

Our device leasing and installment billing programs require a greater use of operating cash flow in the early part of the device contracts as our subscribers will generally pay less upfront than through our traditional subsidy program. The Receivables Facility described below was designed in large part to mitigate the significant use of cash from purchasing devices from OEMs to fulfill our installment billing and leasing programs.

Accounts Receivable Facility

Our Receivables Facility provides us the opportunity to sell certain wireless service receivables, installment receivables, and future amounts due from customers who lease certain devices from us to unaffiliated third parties (the Purchasers). The maximum funding limit under the Receivables Facility is $4.5 billion. In February 2017, the Receivables Facility was amended and Sprint regained effective control over the receivables transferred to the Purchasers by obtaining the right, under certain circumstances, to repurchase them. Subsequent to the February 2017 amendment, all proceeds received from the Purchasers in exchange for the transfer of our wireless service and installment receivables are recorded as borrowings. Repayments and borrowings under the Receivables Facility are reported as financing activities in the consolidated statements of cash flows. All cash collected on repurchased receivables continues to be recognized in investing activities in the consolidated statements of cash flows. In October 2017, the Receivables Facility was amended to, among other things, extend the maturity date to November 2019. In June 2018, the Receivables Facility was further amended to, among other things, extend the maturity date to June 2020, increase the maximum funding limit by $200 million, reduce financing costs and add month-to-month lease receivables as eligible receivables for leases that extend past their original lease term. While we have the right to decide how much cash to receive from each sale, the maximum amount of cash available to us varies based on a number of factors and, as of December 31, 2018, represents approximately 50% of the total amount of the eligible receivables sold to the Purchasers. As of December 31, 2018, the total amount of borrowings under our Receivables Facility was $3.3 billion and the total amount available to be drawn was $131 million. However, subsequent to December 31, 2018, Sprint repaid $2.0 billion under the Receivables Facility reducing amounts outstanding to $1.3 billion. During the nine-month period ended December 31, 2018, we borrowed $5.1 billion and repaid $4.2 billion to the Purchasers, which were reflected as financing activities in the consolidated statements of cash flows. Sprint contributes certain wireless service, installment and future lease receivables, as well as the associated leased devices, to Sprint's wholly-owned consolidated bankruptcy-remote special purpose entities (SPEs). At Sprint's direction, the SPEs have sold, and will continue to sell, wireless service, installment and future lease receivables to Purchasers or to a bank agent on behalf of the Purchasers. Leased devices will remain with the SPEs, once sales are initiated, and continue to be depreciated over their estimated useful life. As of December 31, 2018, wireless service, installment and lease receivables contributed to the SPEs and included in "Accounts and notes receivable, net" in the consolidated balance sheets were $2.5 billion and the long-term portion of installment receivables included in "Other assets" in the consolidated balance sheets was $204 million. As of December 31, 2018, the net book value of devices contributed to the SPEs was $6.7 billion.

Spectrum Financing

In October 2016, certain subsidiaries of Sprint Communications, which were not "Restricted Subsidiaries" under Sprint Capital Corporation's indentures, transferred certain directly held and third-party leased spectrum licenses (collectively, Spectrum Portfolio) to wholly-owned bankruptcy-remote special purpose entities (collectively, Spectrum Financing SPEs). The Spectrum Portfolio, which represented approximately 14% of Sprint's total spectrum holdings on a MHz-pops basis, was used as collateral to raise an initial $3.5 billion in senior secured notes (2016 Spectrum-Backed Notes) bearing interest at 3.36% per annum under a $7.0 billion securitization program. The 2016 Spectrum-Backed Notes are repayable over a five-year term, with interest-only payments over the first four quarters and amortizing quarterly principal payments thereafter commencing December 2017 through September 2021. During the nine-month period ended December 31, 2018, we made scheduled principal repayments of $656 million, resulting in a total principal amount outstanding related to the 2016 Spectrum-Backed Notes of $2.4 billion as of December 31, 2018, of which $875 million was classified as "Current portion of long-term debt, financing and capital lease obligations" in the consolidated balance sheets.

In March 2018, we amended the transaction documents governing the securitization program to allow for the issuance of more than $7.0 billion of notes outstanding pursuant to the securitization program subject to certain conditions, which, among other things, may require the contribution of additional spectrum. Also in March 2018, we issued approximately $3.9 billion in aggregate principal amount of senior secured notes under the existing $7.0 billion securitization program, consisting of two series of senior secured notes. The first series of notes totaled $2.1 billion in aggregate principal amount, bears interest at 4.738% per annum, have quarterly interest-only payments until June 2021, and amortizing quarterly principal amounts thereafter commencing in June 2021 through March 2025. The second series of notes totaled approximately $1.8 billion in aggregate principal amount, bears interest at 5.152% per annum, have quarterly interest-only payments until June 2023, and amortizing quarterly principal amounts thereafter commencing in June 2023 through March 2028. The Spectrum Portfolio, which also serves as collateral for the 2016 Spectrum-Backed Notes, remains substantially identical to the original portfolio from October 2016.

Simultaneously with the October 2016 offering, Sprint Communications entered into a long-term lease with the Spectrum Financing SPEs for the ongoing use of the Spectrum Portfolio. The spectrum lease is an executory contract, which for accounting purposes is treated in a similar manner to an operating lease. Sprint Communications is required to make monthly lease payments to the Spectrum Financing SPEs at a market rate. The lease payments, which are guaranteed by Sprint Corporation and certain subsidiaries (none of which are "Restricted Subsidiaries" under Sprint Capital Corporation's indentures) of Sprint Communications (and are secured together with the obligations under another transaction document by substantially all of the assets of such entities on a pari passu basis up to an aggregate cap of $3.5 billion with the grant of security under the secured term loan and revolving bank credit facility and EDC (as defined below) agreement), are sufficient to service all outstanding series of the senior secured notes and the lease also constitutes collateral for the senior secured notes. Because the Spectrum Financing SPEs are wholly-owned Sprint subsidiaries, these entities are consolidated and all intercompany activity has been eliminated.

Each Spectrum Financing SPE is a separate legal entity with its own separate creditors who will be entitled, prior to and upon the liquidation of the Spectrum Financing SPEs, to be satisfied out of the Spectrum Financing SPEs' assets prior to any assets of the Spectrum Financing SPEs becoming available to Sprint. Accordingly, the assets of the Spectrum Financing SPEs are not available to satisfy the debts and other obligations owed to other creditors of Sprint until the obligations of the Spectrum Financing SPEs under the spectrum-backed senior secured notes are paid in full.

In June 2018, we obtained the consent of the control party under the spectrum-backed senior secured notes indenture to amend the indenture such that the proposed merger transaction with T-Mobile, if consummated, will not constitute a change of control as defined in the indenture.

Long-Term Debt

In November 2018, Sprint Communications retired $1.8 billion aggregate principal amount upon maturity of its outstanding 9.000% Guaranteed Notes.

Credit Facilities

Secured Term Loan and Revolving Bank Credit Facility

On February 3, 2017, we entered into a credit agreement for $6.0 billion, consisting of a $4.0 billion, seven-year secured term loan (Initial Term Loan) that matures in February 2024 and a $2.0 billion secured revolving bank credit facility that expires in February 2021. The bank credit facility requires a ratio (Leverage Ratio) of total indebtedness to trailing four quarters earnings before interest, taxes, depreciation and amortization and other non-recurring items, as defined by the bank credit facility (adjusted EBITDA), not to exceed 4.75 to 1.0 through the fiscal quarter ending December 31, 2018. For each fiscal quarter ending March 31, 2019 through December 31, 2019, the Leverage Ratio must not exceed 3.75 to 1.0. The Leverage Ratio must not exceed 3.5 to 1.0 for the fiscal quarter ended March 31, 2020 and each fiscal quarter ending thereafter through expiration of the facility. The Initial Term Loan has an interest rate equal to LIBOR plus 250 basis points and the secured revolving bank credit facility has an interest rate equal to LIBOR plus a spread that varies depending on the Leverage Ratio. During the nine-month period ended December 31, 2018, we made principal repayments on the Initial Term Loan totaling $30 million, resulting in a total principal amount outstanding for the Initial Term Loan of $3.9 billion as of December 31, 2018.

On November 26, 2018, the credit agreement was amended to, among other things, add an Incremental Term Loan of $1.1 billion that matures in February 2024, which increased the total credit facility to $7.1 billion. The Incremental Term Loan has an interest rate equal to LIBOR plus 300 basis points.

PRWireless Term Loan

During the three-month period ended December 31, 2017, Sprint and PRWireless PR, Inc. completed a transaction to combine their operations in Puerto Rico and the U.S. Virgin Islands into a new entity. Prior to the formation of the new entity, PRWireless PR, Inc. had incurred debt under a secured term loan, which became debt of the new entity upon the transaction close. The secured term loan bears interest at 5.25% plus LIBOR and expires in June 2020. Any amounts repaid early may not be drawn again. During the nine-month period ended December 31, 2018, the joint venture borrowed $6 million and made principal repayments totaling $1 million, resulting in a total principal amount outstanding of $187 million as of December 31, 2018, with an additional $14 million remaining available. Sprint has provided an unsecured guarantee of repayment of the secured term loan obligations. The secured portion of the facility is limited to assets of the new entity as the borrower.

Export Development Canada (EDC) Agreement

As of December 31, 2018, the EDC agreement provided for security and covenant terms similar to our secured term loan and revolving bank credit facility. However, under the terms of the EDC agreement, repayments of outstanding amounts cannot be redrawn. As of December 31, 2018, the total principal amount of our borrowings under the EDC facility was $300 million.

Secured Equipment Credit Facilities

Finnvera plc (Finnvera)

The Finnvera secured equipment credit facility provided for the ability to borrow up to $800 million to finance network equipment-related purchases from Nokia Solutions and Networks US LLC, USA. The facility's availability for borrowing expired in October 2017. Such borrowings were contingent upon the amount and timing of network equipment-related purchases made by Sprint. During the nine-month period ended December 31, 2018, we made principal repayments totaling $54 million on the facility, resulting in a total principal amount of $120 million outstanding as of December 31, 2018.

K-sure

The K-sure secured equipment credit facility provides for the ability to borrow up to $750 million to finance network equipment-related purchases from Samsung Telecommunications America, LLC. The facility can be divided into three consecutive tranches of varying size. In October 2018, we amended the secured equipment credit facility to extend the borrowing availability through September 2019. Such borrowings are contingent upon the amount and timing of network equipment-related purchases made by Sprint. During the nine-month period ended December 31, 2018, we drew $156 million and made principal repayments totaling $75 million on the facility, resulting in a total principal amount of $275 million outstanding as of December 31, 2018.

Delcredere | Ducroire (D/D)

The D/D secured equipment credit facility provided for the ability to borrow up to $250 million to finance network equipment-related purchases from Alcatel-Lucent USA Inc. In September 2017, we amended the secured equipment credit facility to restore previously expired commitments of $150 million. During the nine-month period ended December 31, 2018, we made principal repayments totaling $40 million on the facility, resulting in a total principal amount of $119 million outstanding as of December 31, 2018.

Borrowings under the Finnvera, K-sure and D/D secured equipment credit facilities are each secured by liens on the respective network equipment purchased pursuant to each facility's credit agreement. In addition, repayments of outstanding amounts borrowed under the secured equipment credit facilities cannot be redrawn. Each of these facilities is fully and unconditionally guaranteed by both Sprint Communications and Sprint Corporation.

As of December 31, 2018, our Leverage Ratio, as defined by our secured revolving bank credit facility was 3.1 to 1.0. Because our Leverage Ratio exceeded 2.5 to 1.0 at period end, we were restricted from paying cash dividends.

Liquidity and Capital Resources

As of December 31, 2018, our liquidity, including cash and cash equivalents, short-term investments, available borrowing capacity under our secured revolving bank credit facility and availability under our Receivables Facility, was $8.8 billion. Our cash, cash equivalents and short-term investments totaled $6.8 billion as of December 31, 2018 compared to $9.0 billion as of March 31, 2018. As of December 31, 2018, we had availability of $1.9 billion under the secured revolving bank credit facility. Amounts available under our Receivables Facility as of December 31, 2018 totaled $131 million.

In addition, as of December 31, 2018, we had available borrowing capacity of $271 million under our K-sure secured equipment credit facility. However, utilization of this facility is dependent upon the amount and timing of network equipment-related purchases from the applicable supplier as well as the period of time remaining to complete any further borrowings available under each facility.

As of December 31, 2018, we offered two device financing programs that allow subscribers to forgo traditional service contracts and pay less upfront for devices in exchange for lower monthly service fees, early upgrade options, or both. While a majority of the revenue associated with the installment sales program is recognized at the time of sale along with the related cost of equipment sales, lease revenue associated with our leasing program is recorded monthly over the term of the lease and the cost of the device is depreciated to its estimated residual value generally over the lease term, which creates a positive impact to Wireless segment earnings. If the mix of leased devices continues to increase, we expect this positive impact on the financial results of Wireless segment earnings to continue and depreciation expense to increase. The leasing and installment billing programs will continue to require a greater use of cash flows in the earlier part of the contracts as the subscriber will generally pay less upfront than through our traditional subsidy program because they are financing the device. The Receivables Facility was established as a mechanism to mitigate the use of cash from purchasing devices from OEMs to fulfill our leasing and installment billing programs.

To meet our liquidity requirements, we look to a variety of sources. In addition to our existing cash and cash equivalents, short-term investments, and cash generated from operating activities, we raise funds as necessary from external sources. We rely on our ability to issue debt and equity securities, the ability to access other forms of financing, including debt financing, some of which is secured by our assets, proceeds from the sale of certain accounts receivable and future lease receivables, proceeds from future financing transactions, such as spectrum, and the borrowing capacity available under our credit facilities to support our short- and long-term liquidity requirements. We believe our existing available liquidity and cash flows from operations will be sufficient to meet our funding requirements over the next twelve months, including debt service requirements and other significant future contractual obligations.

To maintain an adequate amount of available liquidity and execute our current business plan, which includes, among other things, network deployment and maintenance, subscriber growth, data usage capacity needs and the expected achievement of a cost structure intended to improve profitability and to meet our long-term debt service requirements and other significant future contractual obligations, we will need to continue to raise additional funds from external sources. In addition, we are pursuing extended payment terms. If we are unable to obtain external funding, execute on our cost reduction initiatives, or are not successful in attracting valuable subscribers such as postpaid handset subscribers, our operations could be adversely affected, which may lead to defaults under certain of our borrowings. Depending on the amount of any difference in actual results versus what we currently expect, it may make it difficult for us to generate sufficient earnings before interest, taxes, depreciation and amortization and other non-recurring items (adjusted EBITDA) to remain in compliance with our financial covenants or be able to meet our debt service obligations, which could result in acceleration of our indebtedness, or adversely impact our ability to raise additional funding through the sources described above, or both. If such events occur, we may engage with our lenders to obtain appropriate waivers or amendments of our credit facilities or refinance borrowings, or seek funding from other external sources, although there is no assurance we would be successful in any of these actions.

A default under certain of our borrowings could trigger defaults under certain of our other financing obligations, which in turn could result in the maturities being accelerated. Certain indentures and other agreements governing our financing obligations require compliance with various covenants, including covenants that limit the Company's ability to sell certain of its assets, limit the Company and its subsidiaries' ability to incur indebtedness and liens, and require that we maintain certain financial ratios, each as defined by the terms of the indentures, related supplemental indentures and other agreements. Our ability to obtain additional financing, including monetizing certain of our assets or to modify the terms of our existing financing, on terms acceptable to us, or at all, may require T-Mobile’s consent under the contractual restrictions contained in the Business Combination Agreement.

In determining our expectation of future funding needs in the next twelve months and beyond, we have made several assumptions regarding:

- projected revenues and expenses relating to our operations, including those related to our installment billing and leasing programs, along with the success of initiatives such as our expectations of achieving a more competitive cost structure through cost reduction initiatives and increasing our postpaid handset subscriber base;
- cash needs related to our installment billing and device leasing programs;
- availability under the Receivables Facility, which terminates in June 2020;
- availability of our $2.0 billion secured revolving bank credit facility, which expires in February 2021, less outstanding letters of credit;
- remaining availability of $271 million of our secured equipment credit facility for eligible capital expenditures, and any corresponding principal, interest, and fee payments;
- scheduled principal payments on debt, credit facilities and financing obligations, including $22.8 billion coming due over the next five years;

- raising additional funds from external sources;
- the expected use of cash and cash equivalents in the near-term;

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- anticipated levels and timing of capital expenditures, including assumptions regarding lower unit costs, network capacity additions and upgrades, and the deployment of new technologies in our networks, FCC license acquisitions, and purchases of leased devices;
- any additional contributions we may make to our pension plan;
- estimated residual values of devices related to our device leasing program; and
- other future contractual obligations and general corporate expenditures.

Our ability to fund our needs from external sources is ultimately affected by the overall capacity of, and financing terms available in the banking and securities markets, and the availability of other financing alternatives, as well as our performance and our credit ratings. Given our recent financial performance as well as the volatility in these markets, we continue to monitor them closely and to take steps to maintain financial flexibility at a reasonable cost of capital.

The outlooks and credit ratings from Moody's Investor Service, Standard & Poor's Ratings Services, and Fitch Ratings for certain of Sprint Corporation's outstanding obligations were:

Rating Agency	Rating Issuer Rating	Unsecured Notes	Guaranteed Notes	Secured Bank Credit Facility	Spectrum Notes	Outlook
Moody's	B2	B3	B1	Ba2	Baa2	Watch Positive
Standard and Poor's	B	B	B+	BB-	N/A	Watch Positive
Fitch	B+	B+	BB	BB+	BBB	Watch Positive

FUTURE CONTRACTUAL OBLIGATIONS

There have been no significant changes to our future contractual obligations as disclosed in our Annual Report on Form 10-K for the year ended March 31, 2018. Below is a graph depicting our future principal maturities of debt as of December 31, 2018.

* This table excludes (i) our $2.0 billion secured revolving bank credit facility, which will expire in 2021 and has no outstanding balance, (ii) $105 million in letters of credit outstanding under the secured revolving bank credit facility, (iii) $470 million of capital leases and other obligations, and (iv) net premiums and debt financing costs.

OFF-BALANCE SHEET FINANCING

As of December 31, 2018, we did not participate in, or secure, financings for any unconsolidated special purpose entities.

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CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Sprint applies those accounting policies that management believes best reflect the underlying business and economic events, consistent with U.S. GAAP. Inherent in such policies are certain key assumptions and estimates made by management. Management regularly updates its estimates used in the preparation of the consolidated financial statements based on its latest assessment of the current and projected business and general economic environment. See Note 8. Revenues from Contracts with Customers in Notes to the Consolidated Financial Statements in Part I, Item 1. of this Quarterly Report on Form 10-Q for a full discussion of critical accounting policies related to the adoption of Topic 606. Additional information regarding the Company's Critical Accounting Policies and Estimates is included in Item 7. of the Company's Annual Report on Form 10-K for the year ended March 31, 2018.

Evaluation of Goodwill and Indefinite-lived Intangible Assets for Impairment

As a result of the SoftBank Merger in July 2013, we recognized indefinite-lived assets at their acquisition-date estimates of fair value, including FCC licenses, goodwill, and trade names. All of the indefinite-lived assets, including goodwill, were allocated to our Wireless segment. As of March 31, 2018, the carrying values of these assets were $37.3 billion, $6.6 billion and $4.0 billion, respectively.

Sprint evaluates the carrying value of our indefinite-lived assets, including goodwill, at least annually or more frequently whenever events or changes in circumstances indicate that the asset may be impaired, or in the case of goodwill, that the fair value of the reporting unit is below its carrying amount.

During the three-month period ended June 30, 2018, our stock price and our related market capitalization decreased subsequent to the announcement of the merger with T-Mobile. We also updated our long-term forecasted cash flows for the Company, including those for the Wireless reporting unit. This update considered current economic conditions and trends, estimated future operating results, our views of growth rates, anticipated future economic and regulatory conditions, future cost savings initiatives and the availability of the necessary network infrastructure, handsets and other devices. Based on these events, we determined that recoverability of the carrying amount of goodwill should be evaluated for impairment at June 30, 2018. The key inputs to the valuation model included, but were not limited to, discount rates, terminal growth rates, control premiums, market multiple data from selected guideline public companies, management’s internal forecasts which include numerous assumptions such as share of industry gross additions, churn, mix of plans, rate changes, operating and capital expenditures and EBITDA margins, among others. Changes in certain assumptions, management’s failure to execute on the current plan, or negative developments associated with the proposed merger with T-Mobile could have a significant impact to the estimated fair value of the Wireless reporting unit. We note that our fair value cushion was in excess of 10% of the carrying value of equity as of June 30, 2018. No events or change in circumstances have occurred in the current quarter that indicate the fair value of the Wireless reporting unit may be below its carrying amount at December 31, 2018.

The determination of fair value requires considerable judgment and is highly sensitive to changes in underlying assumptions and execution of management’s plan. Consequently, there can be no assurance that the estimates and assumptions made for the purposes of the goodwill, spectrum and trade name impairment tests will prove to be an accurate prediction of the future. Sustained declines in the Company’s operating results, number of wireless subscribers, future forecasted cash flows, growth rates and other assumptions, as well as significant, sustained declines in the Company’s stock price and related market capitalization could impact the underlying key assumptions and our estimated fair values, potentially leading to a future material impairment of goodwill or other indefinite-lived intangible assets.

FINANCIAL STRATEGIES

General Risk Management Policies

Our board of directors has adopted a financial risk management policy that authorizes us to enter into derivative transactions, and all transactions comply with the policy. We do not purchase or hold any derivative financial instruments for speculative purposes with the exception of equity rights obtained in connection with commercial agreements or strategic investments, usually in the form of warrants to purchase common shares.

Derivative instruments are primarily used for hedging and risk management purposes. Hedging activities may be done for various purposes, including, but not limited to, mitigating the risks associated with an asset, liability, committed transaction or probable forecasted transaction. We seek to minimize counterparty credit risk through credit approval and review processes, credit support agreements, continual review and monitoring of all counterparties, and thorough legal

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review of contracts. Exposure to market risk is controlled by regularly monitoring changes in hedge positions under normal and stress conditions to ensure they do not exceed established limits.

OTHER INFORMATION
We routinely post important information on our website at www.sprint.com/investors. Information contained on or accessible through our website is not part of this report.

FORWARD-LOOKING STATEMENTS
We include certain estimates, projections and other forward-looking statements in our annual, quarterly and current reports, and in other publicly available material. Statements regarding expectations, including performance assumptions and estimates relating to capital requirements, as well as other statements that are not historical facts, are forward-looking statements.
These statements reflect management's judgments based on currently available information and involve a number of risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. With respect to these forward-looking statements, management has made assumptions regarding, among other things, subscriber and network usage, subscriber growth and retention, technologies, products and services, pricing, operating costs, the timing of various events, and the economic and regulatory environment.
Future performance cannot be assured. Actual results may differ materially from those in the forward-looking statements. Some factors that could cause actual results to differ include:

- the failure to obtain, or delays in obtaining, required regulatory approvals for the merger, and the risk that such approvals may result in the imposition of conditions that could adversely affect the combined company or the expected benefits of the merger, or the failure to satisfy any of the other conditions to the merger on a timely basis or at all;
- the occurrence of events that may give rise to a right of one or both of the parties to terminate the Business Combination Agreement;
- the diversion of management and financial resources toward the completion of the merger;
- adverse effects on the market price of our common stock or on our or T-Mobile’s operating results because of a failure to complete the merger in the anticipated timeframe or at all;
- inability to obtain the financing contemplated to be obtained in connection with the merger on the expected terms or timing or at all;
- the ability of us, T-Mobile and the combined company to make payments on debt, repay existing or future indebtedness when due, comply with the covenants contained therein or retain sufficient business flexibility;
- adverse changes in the ratings of our or T-Mobile’s debt securities or adverse conditions in the credit markets;
- negative effects of the announcement, pendency or consummation of the merger on the market price of our common stock and on our or T-Mobile’s operating results, including as a result of changes in key customer, supplier, employee or other business relationships;
- potential conflicts of interests between our directors and executive officers and our stockholders;
- significant costs related to the merger, including financing costs, and unknown liabilities;
- failure to realize the expected benefits and synergies of the merger in the expected timeframes or at all;
- costs or difficulties related to the integration of our and T-Mobile’s networks and operations;
- the risk of litigation or regulatory actions related to the merger;
- the inability of us, T-Mobile or the combined company to retain and hire key personnel;
- the risk that certain contractual restrictions contained in the Business Combination Agreement during the pendency of the merger could adversely affect our or T-Mobile’s ability to pursue business opportunities or strategic transactions;
- our ability to obtain additional financing, including monetizing certain of our assets, including those under our existing or future programs to monetize a portion of our network or spectrum holdings, or to modify the

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terms of our existing financing, on terms acceptable to us, or at all, or to obtain T-Mobile’s consent under the contractual restrictions contained in the Business Combination Agreement;

- our ability to continue to receive the expected benefits of our existing financings such as receivable financings;
- our ability to retain and attract subscribers and to manage credit risks associated with our subscribers;
- the effective implementation of our plans to improve the quality of our network, including timing, execution, technologies, costs, and performance of our network;
- failure to improve subscriber churn, bad debt expense, accelerated cash use, costs and write-offs, including with respect to changes in expected residual values related to any of our service plans, including installment billing and leasing programs;
- the ability to generate sufficient cash flow to fully implement our plans to improve and enhance the quality of our network and service plans, improve our operating margins, implement our business strategies, and provide competitive new technologies;
- the effects of vigorous competition on a highly penetrated market, including the impact of competition on the prices we are able to charge subscribers for services and devices we provide and on the geographic areas served by our network;
- the impact of installment sales and leasing of handsets;
- the impact of increased purchase commitments;
- the overall demand for our service plans, including the impact of decisions of new or existing subscribers between our service offerings; and the impact of new, emerging, and competing technologies on our business;
- our ability to provide the desired mix of integrated services to our subscribers;
- our ability to continue to access our spectrum and acquire additional spectrum capacity;
- changes in available technology and the effects of such changes, including product substitutions and deployment costs and performance;
- volatility in the trading price of our common stock, including as a result of the merger, current economic conditions and our ability to access capital, including debt or equity;
- the impact of various parties not meeting our business requirements, including a significant adverse change in the ability or willingness of such parties to provide service and products, including distribution, or infrastructure equipment for our network;
- the costs and business risks associated with providing new services and entering new geographic markets;
- the effects of the merger or any other future merger or acquisition involving us, as well as the effect of mergers, acquisitions, and consolidations, and new entrants in the communications industry, and unexpected announcements or developments from others in our industry;
- our ability to comply with restrictions imposed by the U.S. Government as a condition to our merger with SoftBank;
- the effects of any material impairment of our goodwill or other indefinite-lived intangible assets;
- the impacts of new accounting standards or changes to existing standards that the Financial Accounting Standards Board or other regulatory agencies issue, including the Securities and Exchange Commission (SEC);
- unexpected results of litigation filed against us or our suppliers or vendors;
- the costs or potential customer impact of compliance with regulatory mandates including, but not limited to, compliance with the FCC's Report and Order to reconfigure the 800 MHz band and any government regulation regarding "net neutrality";
- equipment failure, natural disasters, terrorist acts or breaches of network or information technology security;
- one or more of the markets in which we compete being impacted by changes in political, economic or other factors such as monetary policy, legal and regulatory changes, or other external factors over which we have no control;
- the impact of being a "controlled company" exempt from many corporate governance requirements of the NYSE; and

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- other risks referenced from time to time in this report and other filings of ours with the SEC, including Part I, Item 1A. "Risk Factors" of our Annual Report on Form 10-K for the year ended March 31, 2018.

The words "may," "could," "should," "estimate," "project," "forecast," "intend," "expect," "anticipate," "believe," "target," "plan" and similar expressions are intended to identify forward-looking statements. Forward-looking statements are found throughout this Management's Discussion and Analysis of Financial Condition and Results of Operations, and elsewhere in this report. Readers are cautioned that other factors, although not listed above, could also materially affect our future performance and operating results. The reader should not place undue reliance on forward-looking statements, which speak only as of the date of this report. We are not obligated to publicly release any revisions to forward-looking statements to reflect events after the date of this report, including unforeseen events.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are primarily exposed to the market risk associated with unfavorable movements in interest rates, foreign currencies, and equity prices. The risk inherent in our market risk sensitive instruments and positions is the potential loss arising from adverse changes in those factors. There have been no material changes to our market risk policies or our market risk sensitive instruments and positions as described in our Annual Report on Form 10-K for the year ended March 31, 2018.

Item 4. Controls and Procedures

Disclosure controls are procedures that are designed with the objective of ensuring that information required to be disclosed in our reports under the Securities Exchange Act of 1934 (Exchange Act), such as this Quarterly Report on Form 10-Q, is reported in accordance with the SEC's rules. Disclosure controls are also designed with the objective of ensuring that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

In connection with the preparation of this Quarterly Report on Form 10-Q as of December 31, 2018, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of the disclosure controls and procedures were effective as of December 31, 2018 in providing reasonable assurance that information required to be disclosed in reports we file or submit under the Exchange Act is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure and in providing reasonable assurance that the information is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms.

Internal controls over our financial reporting continue to be updated as necessary to accommodate modifications to our business processes and accounting procedures. There have been no changes in our internal control over financial reporting that occurred during the three-month period ended December 31, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. However, during the three-month period ended June 30, 2018 we completed the implementation of internal controls designed to address the impact of the new revenue recognition standard, which we adopted on a modified retrospective basis effective April 1, 2018.

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PART II — OTHER INFORMATION

Item 1. Legal Proceedings

In March 2009, a stockholder brought suit, Bennett v. Sprint Nextel Corp., in the U.S. District Court for the District of Kansas, alleging that Sprint Communications and three of its former officers violated Section 10(b) of the Exchange Act and Rule 10b-5 by failing adequately to disclose certain alleged operational difficulties subsequent to the Sprint-Nextel merger, and by purportedly issuing false and misleading statements regarding the write-down of goodwill. The district court granted final approval of a settlement in August 2015, which did not have a material impact to our financial statements. Five stockholder derivative suits related to this 2009 stockholder suit were filed against Sprint Communications and certain of its present and/or former officers and directors. The first, Murphy v. Forsee, was filed in state court in Kansas on April 8, 2009, was removed to federal court, and was stayed by the court pending resolution of the motion to dismiss the Bennett case; the second, Randolph v. Forsee, was filed on July 15, 2010 in state court in Kansas, was removed to federal court, and was remanded back to state court; the third, Ross-Williams v. Bennett, et al., was filed in state court in Kansas on February 1, 2011; the fourth, Price v. Forsee, et al., was filed in state court in Kansas on April 15, 2011; and the fifth, Hartleib v. Forsee, et al., was filed in federal court in Kansas on July 14, 2011. These cases were essentially stayed while the Bennett case was pending, and we have reached an agreement in principle to settle the matters, by agreeing to some governance provisions and by paying plaintiffs' attorneys fees in an immaterial amount. The court approved the settlement but reduced the plaintiffs' attorneys fees. On April 27, 2018, the court of appeals for the state of Kansas affirmed the settlement ruling. On May 30, 2018, plaintiffs filed a Petition for Review with the Supreme Court of Kansas. On November 21, 2018, the Supreme Court of Kansas denied the Petition for Review, which concluded the case.

On April 19, 2012, the New York Attorney General filed a complaint alleging that Sprint Communications had fraudulently failed to collect and pay more than $100 million in New York sales taxes on receipts from its sale of wireless telephone services since July 2005. The complaint also sought recovery of triple damages under the State False Claims Act, as well as penalties and interest. Sprint Communications moved to dismiss the complaint on June 14, 2012. On July 1, 2013, the court entered an order denying the motion to dismiss in large part, although it did dismiss certain counts or parts of certain counts. Sprint Communications appealed that order and the intermediate appellate court affirmed the order of the trial court. On October 20, 2015, the Court of Appeals of New York affirmed the decision of the appellate court that the tax statute required us to collect and remit the disputed taxes. Our petition for certiorari to the U.S. Supreme Court on grounds of federal preemption was denied. We previously paid the principal amount of tax at issue, under protest, while the suit was pending. On December 21, 2018, Sprint Communications and the State of New York settled the dispute, as well as an unrelated tax matter. As a result, the Company recognized an additional $50 million of litigation expense during the three-month period ended December 31, 2018.

On October 9, 2018, October 18, 2018, and October 24, 2018, three purported stockholders of Sprint commenced actions, captioned Klein v. Sprint Corporation et al., Muehlgay v. Sprint Corporation et al., and Binns Blount v. Sprint Corporation et al., in the United States District Court for the District of Delaware. The complaints name Sprint and the members of the Sprint board of directors as defendants. The complaints asserted claims under Section 14(a) and Section 20(a) of the Exchange Act challenging the adequacy of the disclosures relating to the proposed merger transactions with T-Mobile made in the associated joint consent solicitation statement/prospectus. The complaints sought, among other relief, an injunction preventing the parties from consummating the merger transactions, damages in the event the merger transactions are consummated, and the award of attorneys' fees. On October 29, 2018, the plaintiff in the Binns Blount action filed a notice voluntarily dismissing their complaint without prejudice. On December 27, 2018, the Klein case was dismissed. On January 4, 2019, the Muehlgay case was dismissed.

Various other suits, inquiries, proceedings and claims, either asserted or unasserted, including purported class actions typical for a large business enterprise and intellectual property matters, are possible or pending against us or our subsidiaries. If our interpretation of certain laws or regulations, including those related to various federal or state matters such as sales, use or property taxes, or other charges were found to be mistaken, it could result in payments by us. While it is not possible to determine the ultimate disposition of each of these proceedings and whether they will be resolved consistent with our beliefs, we expect that the outcome of such proceedings, individually or in the aggregate, will not have a material adverse effect on our financial position or results of operations. During the nine-month period ended December 31, 2018, there were no material developments in the status of these legal proceedings.

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Item 1A. Risk Factors

"Item 1A. Risk Factors" of our Annual Report on Form 10-K for the year ended March 31, 2018 includes a discussion of our risk factors. The information presented below updates, and should be read in conjunction with, the risk factors and information disclosed in our Annual Report on Form 10-K. Except as presented below, there have been no material changes from the risk factors described in our Annual Report on Form 10-K.

The success of our network improvements and 5G deployment will depend on the timing, extent, and cost of implementation; availability of financial resources; access to spectrum; the performance of third-parties and related parties; upgrade requirements; and the availability and reliability of the various technologies required to provide such modernization.

We must continually invest in our wireless network, including expanding our network capacity and coverage through macro sites and small cells, in order to improve our wireless services and remain competitive by providing 5G capabilities. The development and deployment of new technologies and services requires us to anticipate the changing demands of our customers and to respond accordingly, which we may not be able to do in a timely or efficient manner.

Improvements in our service depend on many factors, including our ability to predict and adapt to future changes in technologies, changes in consumer demands, changes in pricing and service offerings by our competitors, and continued access to and deployment of adequate spectrum, including any leased spectrum. If we are unable to access spectrum to increase capacity or to deploy the services subscribers desire on a timely basis or at acceptable costs while maintaining network quality levels, our ability to attract and retain subscribers could be adversely affected, which would negatively impact our operating results.

If we fail to provide a competitive network, our ability to provide wireless services to our subscribers, to attract and retain subscribers, and to maintain and grow our subscriber revenues could be adversely affected. For example, achieving optimal broadband network speeds, capacity, and coverage using 2.5 GHz spectrum relies in significant part on operationalizing a complex mixture of BRS and EBS spectrum licenses and leases in the desired service areas. We primarily access EBS spectrum through long-term leasing arrangements with EBS license holders. The EBS is subject to licensing limitations and the technical limitations of the frequencies in the 2.5 GHz range. See "Item 1. Business-Legislative and Regulatory Developments-Regulation and Wireless Operations-2.5 GHz License Conditions" in our Annual report on Form 10-K for the year ended March 31, 2018. If we are unable to operationalize this mixture of licenses and leases, our targeted network modernization goals could be adversely affected.

Using new and sophisticated technologies on a very large scale entails risks. For example, deployment of new technologies from time to time has adversely affected, and in the future may adversely affect, the performance of existing services on our network and result in increased churn or failure to attract wireless subscribers. Should implementation of our network upgrades, which also includes expanding our network through densification using both macro sites and small cells, fail, be delayed or result in incurring costs in excess of expected amounts, our margins could be adversely affected, and such effects could be material. Should the delivery of services expected to be deployed on our network be delayed due to technological constraints or changes, performance of third-party suppliers, regulatory restrictions, including zoning and leasing restrictions, or permit issues, subscriber dissatisfaction, or other reasons, the cost of providing such services could become higher than expected, ultimately increasing our cost to subscribers and resulting in decreases in net subscribers or our margins, or both, which would adversely affect our revenues, profitability, and cash flow from operations.

In addition, as a standalone company, we may lack the financial resources necessary to provide a robust, nationwide 5G network capable of competing effectively with current market share leaders in the wireless industry and other companies that have more recently begun providing wireless services, many of which have greater financial resources than we do. Accordingly, if the proposed merger with T-Mobile is not completed, it is expected that we will not be able to deploy a nationwide 5G network on the same scale and on the same timeline as the combined company, and therefore will continue to be limited in our ability to compete effectively in the 5G era. Further, it is expected that if the merger is not completed, we will continue to lack the network, scale and financial resources of the current market share leaders in, and other companies that have more recently begun providing, wireless services.

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Item 2. Unregistered Sales of Equity Securities and Use of Proceeds
None

Item 3. Defaults Upon Senior Securities
None

Item 4. Mine Safety Disclosures
None

Item 5. Other Information
Disclosure of Iranian Activities under Section 13(r) of the Securities Exchange Act of 1934
Section 219 of the Iran Threat Reduction and Syria Human Rights Act of 2012 added Section 13(r) to the Securities Exchange Act of 1934. Section 13(r) requires an issuer to disclose in its annual or quarterly reports, as applicable, whether it or any of its affiliates knowingly engaged in certain activities, including, among other matters, transactions or dealings relating to the government of Iran. Disclosure is required even where the activities, transactions or dealings are conducted outside the U.S. by non-U.S. affiliates in compliance with applicable law, and whether or not the activities are sanctionable under U.S. law.
After the merger with SoftBank, SoftBank acquired control of Sprint. During the three-month period ended December 31, 2018, SoftBank, through one of its non-U.S. subsidiaries, provided roaming services in Iran through Telecommunications Services Company (MTN Irancell), which is or may be a government-controlled entity. During such period, SoftBank had no gross revenues from such services and no net profit was generated. This subsidiary also provided telecommunications services in the ordinary course of business to accounts affiliated with the Embassy of Iran in Japan. During the three-month period ended December 31, 2018, SoftBank estimates that gross revenues and net profit generated by such services were both under $13,000. Sprint was not involved in, and did not receive any revenue from, any of these activities. These activities have been conducted in accordance with applicable laws and regulations, and they are not sanctionable under U.S. or Japanese law. Accordingly, with respect to Telecommunications Services Company (MTN Irancell), the relevant SoftBank subsidiary intends to continue such activities. With respect to services provided to accounts affiliated with the Embassy of Iran in Japan, the relevant SoftBank subsidiary is obligated under contract to continue such services.
In addition, during the three-month period ended December 31, 2018, SoftBank, through one of its non-U.S. indirect subsidiaries, provided office supplies to the Embassy of Iran in Japan. SoftBank estimates that gross revenue and net profit generated by such services were under $6,500 and $1,500, respectively. Sprint was not involved in and did not receive any revenue from any of these activities. Accordingly, the relevant SoftBank subsidiary intends to continue such activities.

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Item 6. Exhibits

Exhibit No.	Exhibit Description	Incorporated by Reference Form	SEC File No.	Exhibit	Filing Date	Filed/Furnished Herewith
(2) Plan of Acquisition, Reorganization, Arrangement, Liquidation or Succession						
2.1**	Business Combination Agreement, dated as of April 29, 2018, by and among T-Mobile US, Inc., Huron Merger Sub LLC, Superior Merger Sub Corp., Sprint Corporation, Starburst I, Inc., Galaxy Investment Holdings, Inc., and for the limited purposes set forth therein, Deutsche Telekom AG, Deutsche Telekom Holding B.V. and SoftBank Group. Corp.	8-K	001-04721	2.1	4/30/2018	
(3) Articles of Incorporation and Bylaws						
3.1	Amended and Restated Certificate of Incorporation	8-K	001-04721	3.1	7/11/2013	
3.2	Amended and Restated Bylaws	8-K	001-04721	3.2	8/7/2013	
(4) Instruments Defining the Rights of Security Holders, including Indentures						
4.1	Third Supplemental Indenture, dated as of December 10, 2018, by and among Sprint Spectrum Co LLC, Sprint Spectrum Co II LLC, Sprint Spectrum Co III LLC and Deutsche Bank Trust Company Americas, as trustee and securities intermediary					*
(10) Material Contracts						
10.1	Incremental Facility Amendment, dated as of November 26, 2018, by and among Sprint Communications, Inc., as Borrower, JPMorgan Chase Bank, N.A., as Administrative Agent, the guarantors party thereto and the lenders party thereto, to the Credit Agreement dated as of February 3, 2017	8-K	001-04721	10.1	11/27/2018	
10.2	First Amendment to Third Amended and Restated Receivables Sale and Contribution Agreement, dated as of December 20, 2018, by and among Sprint Spectrum L.P., as servicer, certain Sprint Corporation subsidiaries, as					*

	originators and sellers, and certain special purchase entities, as purchasers, certain commercial paper conduits and financial institutions from time to time party thereto, and Mizuho Bank, Ltd.	
10.3	First Amendment to Third Amended and Restated Receivables Purchase Agreement, dated as of December 20, 2018, by and among Sprint Spectrum L.P., as servicer, certain Sprint Corporation special purpose entities, as sellers, certain commercial paper conduits and financial institutions from time to time party thereto, as purchaser agents, The Bank of Tokyo-Mitsubishi UFJ, Ltd., New York Branch, as administrative agent, SMBC Nikko Securities America, Inc., as administrative agent, and Mizuho Bank, Ltd., as administrative agent and collateral agent	*
(31) and (32) Officer Certifications		
31.1	Certification of Chief Executive Officer Pursuant to Securities Exchange Act of 1934 Rule 13a-14(a)	*
31.2	Certification of Chief Financial Officer Pursuant to Securities Exchange Act of 1934 Rule 13a-14(a)	*
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes Oxley Act of 2002	*

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Exhibit No.	Exhibit Description	Form	Incorporated by Reference SEC File No.	Exhibit	Filing Date	Filed/Furnished Herewith
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes Oxley Act of 2002					*
(101) Formatted in XBRL (Extensible Business Reporting Language)						
101.INS	XBRL Instance Document					*
101.SCH	XBRL Taxonomy Extension Schema Document					*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document					*
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document					*
101.LAB	XBRL Taxonomy Extension Label Linkbase Document					*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document					*

* Filed or furnished, as required.

** Filing excludes certain schedules and exhibits pursuant to Item 601(b)(2) of Regulation S-K, which the registrant agrees to furnish supplementally to the SEC upon request by the SEC; provided, however, that the registrant may request confidential treatment pursuant to Rule 24b-2 of the Exchange Act, for any schedules or exhibits so furnished.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SPRINT CORPORATION
(Registrant)

By: /s/ PAUL W. SCHIEBER, JR.
Paul W. Schieber, Jr.
Vice President and Controller
(Principal Accounting Officer)
Date: January 31, 2019