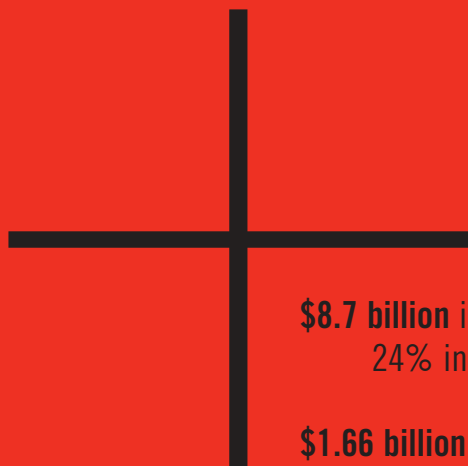


Nextel Communications, Inc. 2002 Annual Report

POSITIVELY DIFFERENT



\$8.7 billion in domestic revenue
24% increase over 2001

\$1.66 billion net income
Earnings per share: \$1.88
First full year of net income in company history

\$122 million free cash flow
First full year of free cash flow

\$3.2 billion debt retirement
\$5.4 billion avoided in future payments of principal,
interest and dividends

10.61 million subscribers
22% increase over 2001
1.96 million new subscribers in 2002

10% market share among top six national wireless carriers
18% share of new wireless subscribers garnered

72.9 billion minutes of use
41% increase over 2001

Nextel Communications is the premier provider of highly differentiated, seamlessly integrated, wireless communications products, services and solutions. Nextel Digital Cellular, Direct Connect™ long range digital walkie-talkie, Nextel Mobile Messaging and Nextel Online® Wireless Web services are delivered to corporate and government users and individual decision-makers on the largest guaranteed, all-digital, wireless voice and data network in the country. In association with Nextel Partners, Inc., we serve all of the top 100 Metropolitan Statistical Areas in the U.S. and 197 of the top 200 U.S. markets, where approximately 240 million people live or work. Customers subscribe to Nextel services and obtain innovative wireless phones through our direct and indirect channels, Nextel TeleSales, nextel.com Web Sales and more than 400 conveniently located Nextel Stores. Nextel is traded on the NASDAQ National Market under the symbol NXTL. Our affiliate, Nextel Partners, is a separate company traded on the NASDAQ National Market.

During a very tough year for the telecommunications industry, Nextel excelled. We outperformed other national wireless carriers in profitability, growth, customer satisfaction and delivery of value.

In 2002, our performance, products and services established Nextel as positively different in every way that matters.

March 17, 2003

DEAR FELLOW SHAREHOLDER,

In 2002, the Nextel team delivered on every one of our commitments and reached two of our most important financial goals well ahead of schedule. We achieved our first-ever annual net earnings and free cash flow. During a very tough year for the telecommunications industry, Nextel excelled. We outperformed other national wireless carriers in profitability, growth, customer satisfaction and delivery of value. In 2002, our performance, products and services established Nextel as positively different in every way that matters to those with a stake in our success.

First, let me address the issue on all of our minds: financial performance. Nextel reported our first-ever annual net earnings of \$1.66 billion of income on \$8.7 billion of revenue, for earnings per share of \$1.88. After posting three consecutive quarters of positive earnings per share, we achieved positive free cash flow more than a year ahead of our 2004 target. We gained market share, attracting an estimated 18 percent of all new national customers. Our nearly two million new subscribers increased our total customer base to 10.61 million at year-end, a 22 percent increase over 2001.

We also delivered on another financial promise. We slashed \$3.2 billion of debt and preferred stock from our balance sheet, which eliminates \$5.4 billion in future cash obligations.

And the market took note. By December 31, the value of our stock quadrupled from its mid-year low. For the year, Nextel shares were up almost 10 percent while shares of other wireless companies declined more than 44 percent.

We achieved these remarkable results by adhering to Nextel's fundamental principle of focusing on People, Service and Value. Each year we set company-wide "PSV" goals. Once again, Nextel's people are to be commended for their stellar performance and unfailing dedication. We have the best team in the industry and building on this strength is a priority. Our 2002 annual employee opinion survey recorded the highest employee morale in Nextel's history, indicating that we are on the right track.

The Service and Value components of the PSV goals are addressed through Smart Growth, Nextel's strategic planning process, which drives value from every facet of our business through rigorous financial and operational planning.

In 2002, Smart Growth helped us balance top line growth with disciplined cost management. By outsourcing certain customer care and IT functions, reducing capital expenditures, increasing sales through low-cost channels and realizing company-wide process efficiencies, we drove hundreds of millions of dollars in costs out of the business. And, we still turned in impressive performance in sales growth and network service. With the launch of sleek, feature-rich new wireless devices and ROI-centric data applications, we continue to provide truly differentiated products and services that deliver great value to our customers.

These are among the reasons Nextel continues to lead all national carriers in monthly revenue per unit, lifetime customer revenue and customer loyalty.

In another positive development, NII Holdings, Inc., our former subsidiary, successfully completed its debt restructuring in 2002 with the support of all involved parties. Our ownership is now 36 percent, and NII Holdings operates as a separate business, delivering Nextel value to wireless customers in key Latin American markets.

For 2003, we have our sights set even higher. We expect to further outpace the competition by offering services no company can match on a network no one can duplicate. We've begun the rollout of Nationwide Direct Connect;[™] the first and only nationwide digital walkie-talkie. This service will be fully available in the third quarter of 2003, with service stretching from Honolulu to Boston. We'll continue to offer exclusive and innovative new voice and data solutions for business. And we'll take advantage of our ability to nearly double our network capacity with a software upgrade from Motorola—saving us billions of dollars on infrastructure.

Above all else, 2003 will be the year that Nextel becomes positively different in the area of customer service. We have made the right investments in the systems, tools, processes and outsourcing relationships necessary to make the Nextel brand synonymous with the best customer service in the wireless industry in 2003 and beyond.

Nextel's culture has always been one of professionalism, credibility and accountability. We will continue to adhere to the highest ethical standards. Independent directors chair and comprise the majority of our Board of Directors' committees. And Nextel's company-wide Extreme Integrity compliance program was part of our fabric well before the high-profile misdeeds of others captured public attention.

I am proud of the accomplishments of Nextel's 15,000 employees and our strong management team. I am honored to be the standard-bearer for the company that is setting the pace for excellence in the wireless industry. Your continued confidence in Nextel has helped us build a brand that stands for what is truly good in business—superior service, growing shareholder value and talented, energized people. The future is bright and Nextel is ready.

Thank you for helping Nextel continue to be positively different.

Sincerely,



Timothy M. Donahue
President and Chief Executive Officer



Nextel's senior management team (left to right): Timothy M. Donahue, Thomas N. Kelly, Jr., Paul N. Saleh, Elizabeth R. Brooks, Barry J. West, Randall C. Harris, Robert S. Foosaner, Leonard J. Kennedy, Morgan E. O'Brien and Christie A. Hill.



“Our wireless solution integrates voice, data and Direct Connect.SM We’re able to send jobs, use AGPS, scan barcodes, and print receipts all through one device. Plus, we centrally manage all our wireless phones with Mobile Account Manager. It’s a huge cost advantage.”

Stephen R. Poppe
Chief Information Officer
**Roto-Rooter Services
Company**



POSITIVELY DIFFERENT SOLUTIONS INCREASE BUSINESS PRODUCTIVITY

Businesses today need maximum productivity and real returns on their investments. That's what wireless data is all about. And Nextel holds an unequaled advantage in providing wireless solutions that help businesses run more efficiently.

In 2002, we leveraged this advantage with the launch of our Wireless Business Solutions initiative. Our enterprise-strength all digital packet data wireless platform helps customers become more productive with "always-on" nationwide access to their strategic information and applications.

Airborne Express, for example, is saving millions of dollars a year in cost reductions and productivity improvements by tracking 1.4 million daily shipments—with barcode data wirelessly transmitted from 6,000 integrated driver devices operating on the Nextel nationwide network.

Nextel customer Atlantic Contracting and Specialties, a New England industrial insulation company, reduced the time foremen spend on payroll tasks, from nearly one day each week to less than one hour, by enabling wireless entry and transfer of workers' timesheet data directly from job sites to the back office.

Working with industry-leading partners such as EDS, Sun Microsystems, IBM, Accenture and Unisys, we have created wireless data solutions for companies in

transportation, utilities, financial services, manufacturing, healthcare, field services, government and public safety. These applications include real-time location status, remote IT trouble shooting, inventory look-up, and internal database access and management.

In 2002, we constructed the Center of Excellence, a state of the art facility at Nextel headquarters, to provide a test environment for future wireless solutions. Meanwhile, we benefit from a community of 7,000 freelance developers creating market-specific mobile data applications.

It takes industry know-how to bring relevant, value-added solutions to Nextel customers, who already include more than 80 percent of the FORTUNE 500. So we have assembled the most experienced data sales team in the wireless industry, staffed and led by seasoned professionals from our target markets.

Of course, companies aren't alone in gaining value from wireless data. Services such as Nextel Online,[®] Address Book, Two-Way Messaging, wireless email and AOL[®] Instant Messenger[™] also appeal to Nextel's government customers and high value individual subscribers. This helped Nextel achieve one of the highest adoption rates in the industry for wireless data services, with nearly 20 percent of Nextel customers subscribing to wireless data plans.

Streamlining the Business of Government

Government agencies continually need to do more with less, and Nextel solutions are uniquely tailored to meet that need. This is one reason government is one of Nextel's fastest growing markets. Governments at all levels spent \$2.1 billion on wireless service in 2002, and their spending is projected to grow 14 percent a year. We have significant momentum in this segment and ample opportunity to press our advantage in 2003. As 2002 ended, we extended a major contract with the U.S. General Services Administration, representing a potential \$1 billion in revenue over five years.

Our partners at Motorola help strengthen our position by providing us with the product features and functionality that government customers demand. For example, Nextel Direct Connect® provides law enforcement and fire and rescue organizations with secure, interoperable communications and priority access for coordinated

emergency response. With other partners, we're providing solutions that give police officers mobile wireless access to criminal and civil databases, for information that can help them save lives, prevent crime and manage potentially dangerous situations.

Taking leadership in seeking to eliminate interference with public safety uses at 800 MHz, Nextel has offered to exchange some of our valuable spectrum holdings to create contiguous blocks for both public safety and Nextel. We have committed up to \$850 million to relocate affected users, 90 percent of whom support our consensus plan. We are hopeful the Federal Communications Commission will also agree ours is the only reasonable proposal for solving this important issue.



An all-digital nationwide network optimized for wireless data applications, 100-percent data-capable handsets and an industry-leading business focus—that's what gives Nextel unequaled advantage in creating solutions that deliver real and measurable return on investment.

For Nextel, public safety is more than a market to pursue, it's an opportunity to serve. Time and again throughout 2002, large-scale emergency situations demonstrated the

ERT deployments translated into more than just good citizenship. In addition to serving the community, Nextel was able to demonstrate the value of its services to public

Serving the Community, Building the Nextel Brand

urgent need for secure, interoperable communications. Nextel answered the call by creating a dedicated Emergency Response Team (ERT). We deployed ERT eight times in 2002, providing phones, personnel, technical support and temporary cell sites to the hard working people at the front lines of natural disasters, criminal investigations and major public events.

Hundreds of firefighters and support agencies from across the country responded to the devastating Arizona and Oregon wildfires, and the dangerous rescue mission on Mt. Hood, Oregon. Before Nextel arrived on the scenes, rescue teams could not communicate with each other because each operated its own proprietary radio system. Nextel provided hundreds of phones and set up temporary mobile cell sites to provide the critical interoperability of Direct Connect.SM

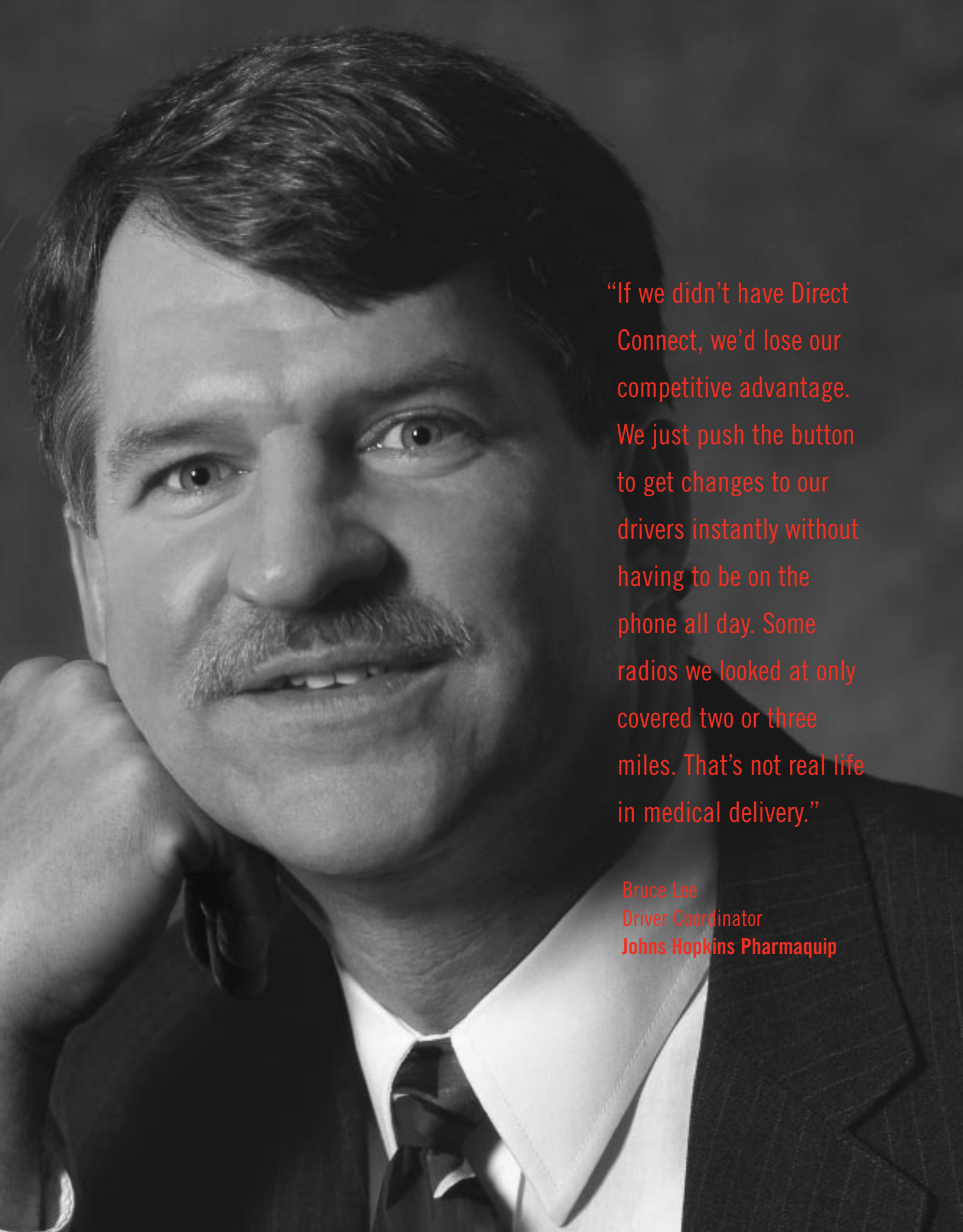
safety agencies, build awareness of the Nextel brand and transform this into sales.

Under our nationwide agreement with the American Red Cross,

Nextel also provided hundreds of phones to assure communication among the relief workers responding to Hurricanes Lili and Isadore and the Mississippi tornados.

But it doesn't take an emergency to engage Nextel's community spirit. Hundreds of times a year, Nextel provides wireless phones and service for programs such as Habitat for Humanity construction events, charity walk-a-thons, marathons and community cleanup days.

Together with the National Football League, Nextel ran Donate-a-Phone events to support Call to Protect, a program to provide wireless phones to protect victims of domestic violence. A similar Nextel Donate-a-Phone program in conjunction with 10 National Hockey League teams raised money for the Hockey Fights Cancer Program.



“If we didn’t have Direct Connect, we’d lose our competitive advantage. We just push the button to get changes to our drivers instantly without having to be on the phone all day. Some radios we looked at only covered two or three miles. That’s not real life in medical delivery.”

Bruce Lee
Driver Coordinator
Johns Hopkins Pharmaquip



POSITIVELY DIFFERENT PRODUCTS

Nextel leads the wireless industry in providing differentiated wireless products, services and solutions that business customers depend on for their success.

One of our greatest differentiators is Direct Connect, the unique long-range digital walkie-talkie feature that provides instant one-to-one or one-to-many communication. Every device we sell includes Direct Connect. More than 90 percent of our customers use it. And the rollout of Nationwide Direct Connect, initiated in 2002 and scheduled for completion in 2003, will strengthen our competitive advantage.

Another differentiator introduced in 2002 is the BlackBerry 6510™ for Nextel. It combines a wireless phone, PDA, Direct Connect, wireless email and Nextel Online® services into a single device attuned to the voice and data needs of business customers. Its December launch marked one of the most successful introductions of a Research in Motion BlackBerry.

In 2002, we expanded our handset line with ten new wireless phones offering Nextel customers more choices than ever in terms of form factors, functionality and price points.

Together with Motorola and Sun Microsystems, we introduced the first Java™ technology-enabled phone with a color display in the U.S. The Motorola i95cl is the ideal choice for running robust business data applications.

The GPS-enabled i58sr is designed for industrial-strength environments. Also GPS-capable, the i88s provides access to exciting new location-based data services such as voice-enabled turn-by-turn driving directions. Customers seeking high value features at moderate cost were attracted to the compact i60c, the customizable i30sx, and the stylish limited edition Swiss Army version of the i90c phone.

International travelers can transfer the identity card from their current Nextel phone into a v60 or p280 and— with Nextel Worldwide™ Service—use their same phone number and many of their favorite features in more than 80 countries around the world.

Business customers use Web-based tools to manage their wireless phones and data applications and get help from our dedicated customer support center for data.

Besides being smaller and lighter, many new phones arriving in 2003 will offer AGPS capability, extended battery life, improved color screens, and increased processing power to support business applications such as remote claims adjustment, accounting programs and vehicle tracking.



A black and white portrait of a man with short, dark hair, wearing a suit and tie. He is smiling slightly and looking towards the camera. His hands are clasped in front of him, near his chest.

“Nextel had a stellar
2002 and continues
to lead the wireless
industry on a number
of key metrics. The
company continues to
show strong forward
momentum and is well
positioned to increase
brand penetration into
additional markets.”

Scott A. Ellison
Program Director
Wireless & Mobile
Communications
IDC



REACHING THE MOST VALUABLE CUSTOMERS IN POSITIVELY DIFFERENT WAYS

Unique among the national wireless carriers, Nextel competes on value rather than price. We've built one of the most recognized and respected brands in telecom and in business. We reach, attain and serve the most valuable customers in wireless and we're doing it through progressive, cost-effective means.

An important contributor to Nextel's top-line growth and bottom-line profit in 2002 was the performance of our lower cost sales channels: TeleSales, Web Sales and Nextel Stores. Two years ago, these customer accessible channels were primarily in the planning phase. By the end of 2002, they contributed 22 percent of all Nextel sales.

By making it easier and more convenient for high-value customers to do business with Nextel, these lower cost channels are producing the same high quality, high revenue-generating customers as our other sales channels. So we continue to lead the industry with an average monthly revenue per unit (ARPU) of \$70.


In 2002, we doubled the number of Nextel Stores, bringing the total to more than 400. Sales volume from the stores also doubled, reducing our cost per sale.

Web and TeleSales channels increased more than 120 percent over 2001, at a 30 percent lower cost per unit. Reduced subsidies on new phones in 2002 also helped lower subscriber acquisition costs. An additional 200 Nextel Stores are slated to open in 2003.

Our highly skilled Enterprise Sales Team and the 1,800 Nextel Authorized Representatives in our Indirect Distribution Channel continue to be our primary drivers of new corporate and government business. Demand from these important customers will drive the growth of our integrated voice and data solutions.

Generating about half of all sales in 2002, our indirect channel has never been more productive. We expect significant contributions from our dealers again in 2003. And we'll be providing high-level training and resources to help us meet our ambitious revenue goals.

We are committed to serving our customers through the channels they find most valuable—and that's positively driving value for Nextel.

A black and white portrait of Stephanie Nelson, a woman with dark hair, smiling slightly. She is wearing a dark button-down shirt and a pearl necklace. The background is dark and out of focus.

“We succeeded in 2002 thanks to the shared persistence and determination of Nextel management and employees to get the job done—even in an incredibly challenging economic environment. Some industry watchers said we couldn’t do it, but we knew we could—and did.”

Stephanie Nelson
Senior Manager
Corporate Finance, **Nextel**
Nextel Circle Of Excellence and
Inner Circle Award Winner



STRIVING TO KEEP CUSTOMERS POSITIVELY HAPPY

We made great strides in improving the customer experience in 2002. We're determined to be better still in 2003.

Our industry-leading customer retention rates and #1 rankings in major analyst firms' customer satisfaction surveys demonstrate our progress. This, coupled with the fact that 38 percent of our new customers come from existing accounts, speaks to our growing customer satisfaction.

Now, our new customer life cycle service approach turns every contact with a customer into an opportunity to enhance satisfaction, increase retention and generate higher lifetime revenue. And we've invested in the systems and tools to make that happen. From sales through service to billing, our newly integrated database system helps us capture, track and leverage every customer transaction. Nextel reduced 14 customer database systems into one, giving customer care representatives an entire customer history at their fingertips. These system enhancements resulted in

a single nationwide billing platform that allows us to bill and collect more efficiently than ever.

To realize even more significant efficiencies, we outsourced the majority of our call center operations to the real experts, IBM and TeleTech, and our IT infrastructure to EDS. Besides improving customer service, these moves and the new billing system are expected to generate \$1 billion in savings over eight years.

We also launched a new technology-driven ordering process that enables Motorola to ship products from its warehouse directly to customers and dealers. This increases the speed and accuracy of order fulfillment, drives down costs and provides one more way to satisfy the needs of Nextel's valuable customers.

Customer satisfaction is an area in which there's great opportunity for enhancement. We're unwavering in our determination to meet and exceed our customers' expectations in 2003 and beyond.



“iDEN® technology and what Nextel has been able to do with it to build their wireless business is one of Motorola’s greatest achievements. Together, we continue to evolve the unique technology to maintain Nextel’s competitiveness.”

C. Fred Wright
Senior Vice President and
General Manager
Worldwide iDEN
Infrastructure Business
Motorola, Inc.

+ THE NETWORK OF THE FUTURE, HERE TODAY

Available nationwide in 197 of the top 200 U.S. markets, Nextel's iDEN digital voice and all digital packet data network has never been more robust, more efficient or more reliable.

Not only did we increase capacity of the network some 20 percent in 2002, but we did it while decreasing capital expenditures 22 percent. We added 800 new cell sites—bringing our nationwide total to 16,300. We achieved significant increases with a new automated frequency-planning tool that uses spectrum more efficiently and automatically relieves traffic congestion at cell sites. In addition, we offered inter-carrier text messaging and prepared our network for Nationwide Direct Connect, our coast-to-coast digital walkie-talkie feature that we plan to launch in 2003.

We improved in every measure of network performance, delivering higher call quality and greater than 98 percent call completion during peak periods. Customers responded by giving us high marks in subscriber surveys. They should know—they logged 73 billion minutes of use in 2002, a 41 percent increase over 2001. And it costs us less than ever to provide this high quality service. Cost of service per minute of use in 2002 was nearly half of what it was as recently as 1999. And we're on target to reduce it further still.

In 2003, we will begin the process to nearly double our network's cellular capacity with Motorola's 6:1 voice coder technology. This innovative software enables six

concurrent cellular calls over a single iDEN radio channel by digitizing voice more efficiently while also delivering higher voice quality. Nextel expects to realize great increases in voice capacity at a fraction of the cost of a new technology platform. By increasing the efficiency, differentiation and longevity of our iDEN network, we provide our customers with an excellent wireless experience while increasing the return on our existing network investment.



" Nextel has successfully identified the major challenges, drivers and restraints in the mobile communications environment, and addressed market dynamics with sound strategic solutions. By utilizing these strategies for success, Nextel has established itself as a clear leader in the wireless space."

— Frost & Sullivan

Strategic Global Market and Growth Consultants

CONSOLIDATED FINANCIAL HIGHLIGHTS

Year Ended December 31,	2002 ⁽¹⁾	2001	2000
(in millions, except per share and per handset data)			
Operating revenues	\$ 8,721	\$ 7,689	\$ 5,714
Operating expenses:			
Cost of revenues	2,516	2,869	2,172
Selling, general and administrative	3,039	3,020	2,278
Restructuring and impairment charges	35	1,769	—
Depreciation and amortization	1,595	1,746	1,265
Operating income (loss)	1,536	(1,715)	(1)
Interest expense, net	(990)	(1,196)	(849)
Gain (loss) on retirement of debt, net of debt conversion costs	354	469	(127)
Gain on deconsolidation of NII Holdings	1,218	—	—
Equity in losses of unconsolidated affiliates	(302)	(95)	(152)
Other (expense) income, net	(39)	(223)	281
Income tax (provision) benefit	(391)	135	33
Net income (loss)	1,386	(2,625)	(815)
Gain on retirement of mandatorily redeemable preferred stock	485	—	—
Mandatorily redeemable preferred stock dividends and accretion	(211)	(233)	(209)
Income (loss) available to common stockholders	\$ 1,660	\$ (2,858)	\$ (1,024)
Earnings (loss) per common share			
Basic	\$ 1.88	\$ (3.67)	\$ (1.35)
Diluted	\$ 1.78	\$ (3.67)	\$ (1.35)
Weighted average number of common shares outstanding			
Basic	884	778	756
Diluted	966	778	756

Selected Balance Sheet and Other Data

Cash, cash equivalents and short-term investments, including restricted portion	\$ 2,686	\$ 3,801	\$ 4,674
Total assets	\$ 21,484	\$ 22,064	\$ 22,686
Long-term debt, capital lease and finance obligations, including current portion	\$ 12,550	\$ 16,730	\$ 14,731
Mandatorily redeemable preferred stock	\$ 1,015	\$ 2,114	\$ 1,881
Stockholders' equity (deficit)	\$ 2,846	\$ (582)	\$ 2,028
Capital expenditures, including capitalized interest	\$ 1,904	\$ 3,136	\$ 3,631
Domestic average monthly billable minutes of use per handset	630	565	470

(1) In May 2002, NII Holdings, Inc. filed a voluntary case to restructure its obligations under Chapter 11 of the U.S. Bankruptcy Code. As a result of its bankruptcy filing, we began accounting for our investment in NII Holdings using the equity method. In November 2002, NII Holdings successfully emerged from bankruptcy. All previously outstanding equity interests in NII Holdings were cancelled in the reorganization. As of December 31, 2002, we owned about 36% of the outstanding common stock of NII Holdings and accounted for our new investment in NII Holdings using the equity method. In accordance with generally accepted accounting principles, our 2002 results include (a) the pre-emergence results of NII Holdings through May 2002, (b) a non-cash gain recorded when NII Holdings emerged from bankruptcy consisting primarily of the reversal of equity in losses in excess of our investment in NII Holdings, and (c) our share of the post-emergence results of NII Holdings from November through December.

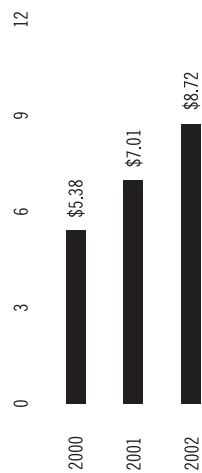
SUMMARY

2002 was a breakthrough year for Nextel as we met and surpassed our operating and financial goals. We added nearly two million customers and grew our domestic revenue 24%. We reported the company's first-ever net earnings—in fact, three consecutive quarters of earnings. Domestic EBITDA (earnings before interest, taxes, depreciation and amortization) grew an impressive 67%.

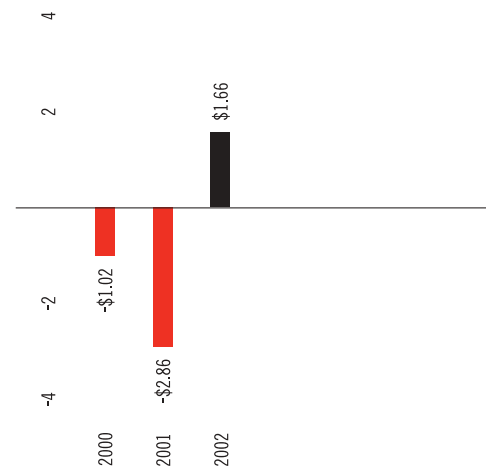
We delivered on our plans to increase operating efficiencies.

Technology advancements and better management tools enabled us to significantly lower our capital expenditures. And we improved our credit profile, opportunistically slashing \$3.2 billion in debt and preferred stock from our balance sheet.

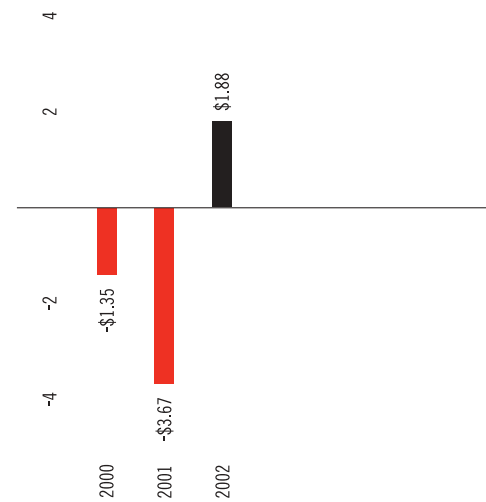
A. Domestic Revenue (\$ in billions)



B. Income Available to Common Stockholders (\$ in billions)



C. Earnings Per Share



INCREASED REVENUE, EARNINGS AND CASH FLOW

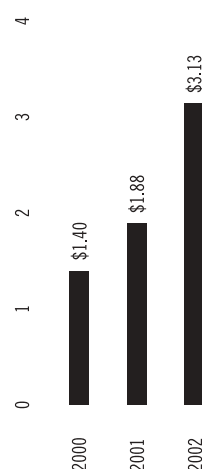
Our intense focus on attracting and retaining the right customers paid off in record-setting **DOMESTIC REVENUE (CHART A)** of \$8.7 billion in 2002. That was an increase of 24% over 2001. We achieved positive net income for the first time in our history in the second quarter, then each quarter after that and ultimately for the full year. **INCOME AVAILABLE TO COMMON STOCKHOLDERS (CHART B)** for all of 2002 was \$1.66 billion, for **EARNINGS PER SHARE (CHART C)** of \$1.88, compared with a net loss of \$2.86 billion or \$3.67 per share in 2001.

We delivered \$122 million of free cash flow for the entire year of 2002, beating both our own 2004 goal and others' expectations. **DOMESTIC EBITDA (CHART D)** increased to a record \$3.13 billion, 67% higher than in 2001. We posted impressive **DOMESTIC EBITDA MARGINS (CHART E)** of 38% for the year—and 40% or better in the second, third and fourth quarters.

We achieved these results by executing on five key elements of our Smart Growth strategy:

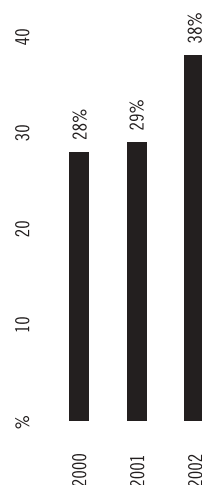
- **Gaining share from national competitors.** Based on reports from the six national wireless carriers, we estimate that Nextel captured 18% of all new national subscribers in 2002, nearly double our 10% total market share.
- **Expanding value of existing customers.** In the fourth quarter alone, approximately 38% of Nextel's gross additions came from existing accounts, testimony to our customers' satisfaction with the value of Nextel's differentiated wireless products and services.
- **Increasing use of services.** Customers are using their wireless phones instead of their landline phones. That's one reason our customers' total minutes of use increased 41% to 73 billion minutes in 2002. Approximately 33% of minutes used are Direct Connect, our highest margin voice product.
- **Relying on scalable distribution strategies.** Lower cost channels—TeleSales, Web Sales and Nextel Stores—generated 22% of sales in 2002 compared to only 10% a year ago, at a lower cost per unit.

D. Domestic EBITDA (\$ in billions)



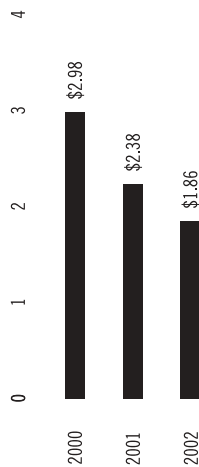
(EBITDA defined as earnings before interest, taxes, depreciation and amortization)

E. Domestic EBITDA Margins



(defined as EBITDA divided by Service Revenues)

F. Domestic Capital Expenditures,
excluding capitalized interest (\$ in billions)

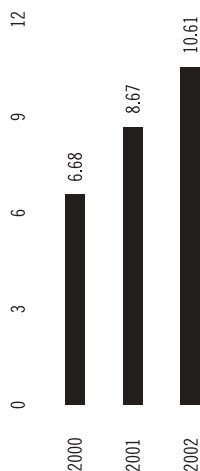


- **Driving efficiencies.** Even as subscribers and minutes of use increased, and our network capacity expanded, we saved \$80 million through back-office improvements and slashed annual **DOMESTIC CAPITAL EXPENDITURES (CHART F)** by 22%, from \$2.38 billion in 2001 to \$1.86 billion in 2002.

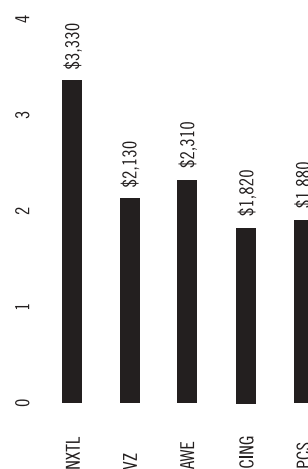
STRONG SUBSCRIBER GROWTH AND HIGHEST QUALITY

We said last year that Nextel would take an increasing share of wireless subscribers. We followed through by capturing 1.96 million new customers, growing our **TOTAL DOMESTIC SUBSCRIBERS (CHART G)** by 22% to 10.61 million, while continuing to attract the highest quality customers. Our average monthly revenue per unit (ARPU) of \$70 is still the industry's highest—far greater than the \$50 industry average. And by improving our industry-leading customer retention, our **AVERAGE SUBSCRIBER LIFETIME REVENUE (CHART H)** increased to \$3,330—again, highest in the industry and 44% greater than our nearest competitor.

G. Total Domestic Subscribers (millions)



H. Average Subscriber Lifetime Revenue



LOWER OPERATING AND ACQUISITION COSTS

Nextel's cost of service as a percentage of revenue improved two points in 2002 and our **INDUSTRY-LEADING DOMESTIC OPERATING COST PER USER (CHART I)** declined 10% to \$26. More important is the continued rapid reduction in our cost of service per minute of use—which, in 2002, was nearly half of what it had been as recently as 1999.

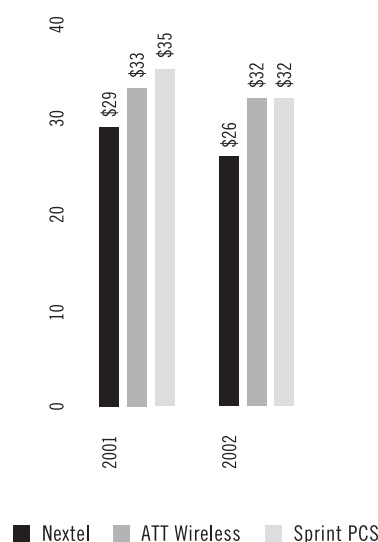
It is also costing us less to acquire new customers. In 2002, our cost per gross add (CPGA) declined, thanks largely to lower subsidies on new phones, greater use of Motorola's value added direct-ship capability and increased share of sales from our lower cost distribution channels. TeleSales, Web Sales and Nextel Stores generated 22% of sales in 2002.

RESURGING STOCK AND BOND PERFORMANCE

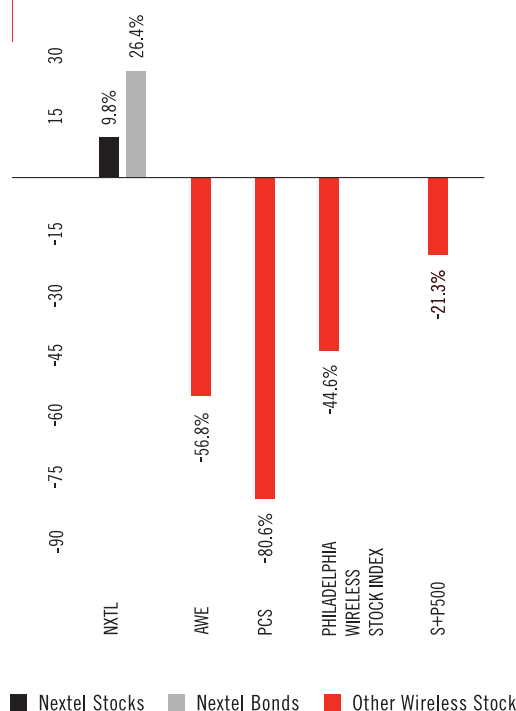
Other welcomed news for Nextel investors was the **MARKET-BEATING PERFORMANCE (CHART J)** of our stocks and bonds. Nextel stock was up almost 10% for the year and more than quadruple its position at mid-year. This compares rather favorably to other carriers' performance and the Philadelphia Wireless Index, which was down more than 44%. The value of Nextel bonds increased 26% for the year and 50% from its mid-year low.

Improvement of our credit profile was a major contributor to our resurging stock price. In 2002, we retired \$3.2 billion in debt and preferred stock obligations. These deleveraging actions will avoid about \$5.4 billion in future principal, interest and dividend payments and save approximately \$294 million per year in interest and dividends. Total debt to annualized EBITDA has been reduced to 3.5 times, compared with 6.4 times at December 31, 2001.

I. Industry-Leading Domestic Operating Cost Per User



J. Market-Beating Performance



" I am proud of the accomplishments of Nextel's
15,000 employees and our strong management team.
I am honored to be the standard-bearer for the
company that is setting the pace for excellence
in the wireless industry."

— Timothy M. Donahue

President and CEO, Nextel Communications, Inc.

BOARD OF DIRECTORS

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Chairman
Nextel Communications, Inc.
and Managing Director
The Carlyle Group

Timothy M. Donahue
President and
Chief Executive Officer
Nextel Communications, Inc.

Morgan E. O'Brien
Vice Chairman
Nextel Communications, Inc.

Keith J. Bane
Executive Vice President
and President (retired)
Global Strategy and
Corporate Development
Motorola, Inc.

J. Timothy Bryan
Chief Financial Officer
Eagle River, Inc.

Frank M. Drendel
Chairman and
Chief Executive Officer
CommScope, Inc.

V. Janet Hill
Vice President
Alexander &
Associates, Inc.

William E. Kennard
Managing Director
Telecommunications
and Media
The Carlyle Group

Craig O. McCaw
Chairman and
Chief Executive Officer
Eagle River, Inc.

Dennis M. Weibling
Vice Chairman
Eagle River, Inc.

OFFICERS

Timothy M. Donahue
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Chief Executive Officer

Morgan E. O'Brien
Vice Chairman

Thomas N. Kelly, Jr.
Executive Vice President
and Chief Operating Officer

Paul N. Saleh
Executive Vice President
and Chief Financial Officer

Barry J. West
Executive Vice President
and Chief Technology Officer

Mark Angelino
Senior Vice President,
Sales and Distribution

Robert S. Foosaner
Senior Vice President and
Chief Regulatory Officer

Limond Grindstaff
Senior Vice President,
Engineering and Operations

Randall C. Harris
Senior Vice President,
Human Resources

Leonard J. Kennedy
Senior Vice President
and General Counsel

Richard LeFave
Senior Vice President and
Chief Information Officer

Richard Orchard
Senior Vice President,
Customer Care Operations

William G. Arendt
Vice President and Controller

Paul H. Blalock
Vice President,
Investor Relations

Elizabeth R. Brooks
Vice President,
Corporate Communications

Christie A. Hill
Vice President and
Corporate Secretary

Richard Lindahl
Vice President and
Treasurer

Gregory Santoro
Vice President, Internet and
Wireless Services



INVESTOR INFORMATION

General inquiries from stockholders concerning Nextel investor communications may be directed to Investor Relations at (703) 433-4300.

Stockholders are also encouraged to use the Nextel World Wide Web site at www.nextel.com to view financial information, an electronic version of the 2002 annual report and the Form 10-K.

SEC Reports

The Company's annual report and other documents filed with the Securities and Exchange Commission on Form 10-K are available free of charge on our Web site and to any Nextel stockholder by writing to Investor Relations at the Corporate Office.

Stock Listed

NASDAQ
Symbol NXTL

Transfer Agents/Registrars

Class A Common Stock, Series D
Preferred Stock, Series E Preferred
Stock and Zero Coupon
Convertible Preferred Stock

EquiServe Trust Company, N.A.
P.O. Box 2500
Jersey City, NJ 07303-2500
(781) 575-2724
www.equiserve.com
Hearing impaired #:
TDD (201) 222-4955

Bonds

BNY Midwest Trust Company
2 North LaSalle Street
Chicago, IL 60602
(312) 827-8547

Independent Auditors

Deloitte & Touche LLP
1750 Tysons Boulevard
McLean, VA 22102

This 2002 annual report contains forward looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These include forward looking statements concerning expected technological improvements, new products and services, operating results, cost savings and liquidity levels that are based on the expectations of our management as of the date of this annual report. They can be identified by the use of forward looking words such as "believes," "expects," "plans," "may," "will," "would," "could," "should," or "anticipates" or other comparable words, or by discussions of strategy that may involve risks and uncertainties. However, these statements concern events in the future that we may not be able accurately to predict or over which we have no control. We caution you that actual results may differ materially from those contained in the forward looking statements as a result of uncertainties and risks, including those relating to economic conditions in our targeted markets, performance of our technologies, timely development and delivery of new technologies, competitive conditions, market acceptance of our services and those set forth under "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2002 annual report on Form 10-K filed with the Securities and Exchange Commission. This 2002 annual report speaks only as of its date, and we disclaim any duty to update the information herein.



AN AWARD WINNING YEAR

Wireless Week Super Carrier for 2002

Frost & Sullivan *2003 Mobile Communications Company of the Year*

Nextel President and CEO Timothy M. Donahue named one of the best managers in 2002 by *BusinessWeek* Magazine

2002 *Billing World* Excellence Award: Integration Project of the Year

Ranked 1st Overall in Online Customer Respect, The Customer Respect Group

#1 in In-Stat MDR Wireless Internet Early Adopters Customer Satisfaction, Third Quarter 2002

2002 Center for Moral Courage Award for underwriting the CBS documentary *9/11*

2002 *Computer World* Magazine Honors Award



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