

NEXTEL COMMUNICATIONS, INC. AND SUBSIDIARIES
Reconciliations of Non-GAAP Financial Measures for 2002

The tables below include financial information prepared in accordance with Generally Accepted Accounting Principles, or GAAP, as well as other financial measures referred to as non-GAAP. The non-GAAP financial measures should be considered in addition to, but not as a substitute for, the information prepared in accordance with GAAP.

- (1) OIBDA represents operating income before depreciation and amortization. OIBDA per sub per month represents OIBDA divided by the weighted average subscriber handset units in commercial service on a per month basis. Service revenue margin represents OIBDA divided by service revenues. OIBDA, OIBDA per sub per month and Service revenue margin as defined above may not be similar to OIBDA measures of other companies, are not measurements under accounting principles generally accepted in the United States and should be considered in addition to, but not as a substitute for, the information contained in our statement of operations. We believe that OIBDA provides useful information to investors because it is an indicator of the strength and performance of our ongoing business operations, including our ability to fund discretionary spending such as capital expenditures, spectrum acquisitions and other investments and our ability to incur and service debt. While depreciation and amortization are considered operating costs under generally accepted accounting principles, these expenses primarily represent the non-cash current period allocation of costs associated with long-lived assets acquired or constructed in prior periods. Our OIBDA calculation is commonly used as one of the bases for investors, analysts and credit rating agencies to evaluate and compare the periodic and future operating performance and value of companies within the wireless telecommunications industry. OIBDA can be reconciled to our consolidated statements of operations as follows:

	For the three months ended				For the year ended
	March 31, 2002	June 30, 2002	September 30, 2002	December 31, 2002	December 31, 2002
	(dollars in millions, except OIBDA per sub)				
Operating income	\$ 169	\$ 411	\$ 466	\$ 490	\$ 1,536
Depreciation and amortization	<u>382</u>	<u>405</u>	<u>412</u>	<u>396</u>	<u>1,595</u>
OIBDA	<u>\$ 551</u>	<u>\$ 816</u>	<u>\$ 878</u>	<u>\$ 886</u>	<u>\$ 3,131</u>
OIBDA per sub per month	<u>\$ 21</u>	<u>\$ 29</u>	<u>\$ 30</u>	<u>\$ 29</u>	<u>\$ 27</u>
Operating income per sub per month	<u>\$ 6</u>	<u>\$ 15</u>	<u>\$ 16</u>	<u>\$ 16</u>	<u>\$ 13</u>
Service revenue margin	<u>30%</u>	<u>40%</u>	<u>41%</u>	<u>41%</u>	<u>38%</u>
Operating income margin	<u>9%</u>	<u>20%</u>	<u>22%</u>	<u>22%</u>	<u>19%</u>

- (2) Average monthly revenue per handset/unit in service, or ARPU, is an industry metric that measures revenues per period from our customers divided by the weighted average number of handsets in commercial service during that period, excluding the impact of test markets such as the Boost Mobile program. ARPU as defined above may not be similar to ARPU measures of other companies, is not a measurement under accounting principles generally accepted in the United States and should be considered in addition to, but not as a substitute for, the information contained in our statement of operations. We believe that ARPU provides useful information concerning the appeal of our rate plans and service offerings and our performance in attracting and retaining high value customers. Other revenue includes revenues for such services as roaming, service and repair, cancellation fees, analog and other. ARPU can be calculated and reconciled to our consolidated statements of operations as follows:

	For the three months ended				For the year ended
	March 31, 2002	June 30, 2002	September 30, 2002	December 31, 2002	December 31, 2002
	(dollars in millions, except for ARPU)				
Service revenues	\$ 1,831	\$ 2,032	\$ 2,139	\$ 2,184	\$ 8,186
Less: Other revenue	<u>24</u>	<u>26</u>	<u>26</u>	<u>46</u>	<u>122</u>
Subscriber revenues	<u>\$ 1,807</u>	<u>\$ 2,006</u>	<u>\$ 2,113</u>	<u>\$ 2,138</u>	<u>\$ 8,064</u>
ARPU calculated with Subscriber revenues	<u>\$ 68</u>	<u>\$ 71</u>	<u>\$ 71</u>	<u>\$ 69</u>	<u>\$ 70</u>
ARPU calculated with Service revenues	<u>\$ 69</u>	<u>\$ 72</u>	<u>\$ 72</u>	<u>\$ 71</u>	<u>\$ 71</u>

- (3) Lifetime Revenue per Subscriber, or LRS, is an industry metric calculated by dividing ARPU (see Note 2) by the customer churn rate. The customer churn rate is an indicator of customer retention and represents the monthly percentage of the customer base that disconnects from service. Customer churn is calculated by dividing the number of handsets disconnected from commercial service during the period by the average number of handsets in commercial service during the period. LRS as defined above may not be similar to LRS measures of other companies, is not a measurement under accounting principles generally accepted in the United States and should be considered in addition to, but not as a substitute for, the information contained in our statement of operations. We believe LRS is an indicator of the expected lifetime revenue of our subscribers, assuming that churn and ARPU remain constant as indicated. LRS is calculated as follows:

	For the three months ended				For the year ended
	March 31, 2002	June 30, 2002	September 30, 2002	December 31, 2002	December 31, 2002
ARPU calculated with Subscriber revenues	\$ 68	\$ 71	\$ 71	\$ 69	\$ 70
Divided by: Churn	2.1%	2.1%	2.0%	2.1%	2.1%
Subscriber revenue LRS	<u>\$ 3,238</u>	<u>\$ 3,381</u>	<u>\$ 3,550</u>	<u>\$ 3,286</u>	<u>\$ 3,333</u>
ARPU calculated with Service revenues	\$ 69	\$ 72	\$ 72	\$ 71	\$ 71
Divided by: Churn	2.1%	2.1%	2.0%	2.1%	2.1%
Service revenue LRS	<u>\$ 3,286</u>	<u>\$ 3,429</u>	<u>\$ 3,600</u>	<u>\$ 3,381</u>	<u>\$ 3,381</u>

- (4) Unlevered free cash flow represents OIBDA (see note 1) less capital expenditures, payments for licenses, acquisitions and other adjusted for changes in working capital and other. Unlevered free cash flow as defined above may not be similar to unlevered free cash flow measures of other companies, is not a measurement under accounting principles generally accepted in the United States and should be considered in addition to, but not as a substitute for, the information contained in our statement of cash flows. We believe that unlevered free cash flow provides useful information to investors, analysts and our management about the cash generated by our core operations and our ability to fund interest payments, preferred stock dividends, scheduled debt maturities and other financing activities, including discretionary refinancing and retirement of debt. Unlevered free cash flow can be reconciled to our consolidated statements of cash flows as follows:

	For the three months ended				For the year ended
	March 31, 2002	June 30, 2002	September 30, 2002	December 31, 2002	December 31, 2002
			(in millions)		
Net cash provided by operating activities	\$ 472	\$ 437	\$ 604	\$ 1,010	\$ 2,523
Change in accrued interest on short-term investments	7	6	6	3	22
Net cash used in investing activities	(1,164)	(583)	(265)	(224)	(2,236)
Net changes in short-term investments and other	313	76	(201)	(356)	(168)
Net interest paid, including capitalized interest	149	220	145	192	706
Unlevered free cash flow	<u>\$ (223)</u>	<u>\$ 156</u>	<u>\$ 289</u>	<u>\$ 625</u>	<u>\$ 847</u>

- (5) Free cash flow represents OIBDA (see note 1) less capital expenditures, payments for licenses, acquisitions and other, net interest paid, preferred stock dividends adjusted for changes in working capital and other. Free cash flow as defined above may not be similar to free cash flow measures of other companies, is not a measurement under accounting principles generally accepted in the United States and should be considered in addition to, but not as a substitute for, the information contained in our statement of cash flows. We believe that free cash flow provides useful information to investors, analysts and our management about the cash generated by our core operations after interest and dividends and our ability to fund scheduled debt maturities and other financing activities, including discretionary refinancing and retirement of debt. Free cash flow can be reconciled to our consolidated statements of cash flows as follows:

	For the three months ended				For the year ended
	March 31, 2002	June 30, 2002	September 30, 2002	December 31, 2002	December 31, 2002
			(in millions)		
Net cash provided by operating activities	\$ 472	\$ 437	\$ 604	\$ 1,010	\$ 2,523
Change in accrued interest on short-term investments	7	6	6	3	22
Net cash used in investing activities	(1,164)	(583)	(265)	(224)	(2,236)
Net changes in short-term investments and other	313	76	(201)	(356)	(168)
Mandatorily redeemable preferred stock dividends	—	—	—	(19)	(19)
Free cash flow	<u>\$ (372)</u>	<u>\$ (64)</u>	<u>\$ 144</u>	<u>\$ 414</u>	<u>\$ 122</u>

- (6) Cost per Gross Add, or CPGA, is an industry metric that is calculated by dividing our selling, marketing and handset and accessory subsidy costs, excluding costs unrelated to initial customer acquisition, by our new subscribers during the period, or gross adds. Costs unrelated to initial customer acquisition include the costs associated with retaining existing customers and costs associated with test markets such as the Boost Mobile program. CPGA as defined above may not be similar to CPGA measures of other companies, is not a measurement under accounting principles generally accepted in the United States and should be considered in addition to, but not as a substitute for, the information contained in our statement of operations. We believe CPGA is a measure of the relative cost of customer acquisition. CPGA can be calculated and reconciled to our consolidated statements of operations as follows:

	For the three months ended				For the year ended
	March 31, 2002	June 30, 2002	September 30, 2002	December 31, 2002	December 31, 2002
	(dollars in millions, except for CPGA)				
Handset and accessory revenues	\$ 126	\$ 122	\$ 140	\$ 147	\$ 535
Less: Cost of handset and accessory revenues	<u>305</u>	<u>219</u>	<u>235</u>	<u>288</u>	<u>1,047</u>
Handset and accessory subsidy costs	179	97	95	141	512
Plus: Selling and marketing	<u>346</u>	<u>380</u>	<u>412</u>	<u>405</u>	<u>1,543</u>
Statement of Operations costs	525	477	507	546	2,055
Less: Costs unrelated to initial customer acquisition	<u>30</u>	<u>21</u>	<u>29</u>	<u>39</u>	<u>119</u>
Customer acquisition costs	<u>\$ 495</u>	<u>\$ 456</u>	<u>\$ 478</u>	<u>\$ 507</u>	<u>\$ 1,936</u>
Cost per Gross Add from customer acquisition costs	<u>\$ 460</u>	<u>\$ 440</u>	<u>\$ 460</u>	<u>\$ 440</u>	<u>\$ 450</u>
Cost per Gross Add from Statement of Operations costs	<u>\$ 485</u>	<u>\$ 455</u>	<u>\$ 485</u>	<u>\$ 475</u>	<u>\$ 475</u>

- (7) Adjusted income available to common stockholders represents our income available to common stockholders excluding the impacts of certain items, which include, among other things, debt and preferred stock retirements and the effect of an adoption of a new accounting standard. Adjusted income available to common stockholders as defined above may not be similar to adjusted income available to common stockholders measures of other companies, is not a measurement under accounting principles generally accepted in the United States and should be considered in addition to, but not as a substitute for, the information contained in our statement of operations. We believe that adjusted income available to common stockholders is useful because it allows investors to evaluate our operating results and related financial performance for different periods on a more comparable basis by excluding items that do not relate to the ongoing operations of our wireless business. Adjusted income available to common stockholders can be reconciled to our consolidated statements of operations as follows:

	For the three months ended			
	March 31, 2002		June 30, 2002	
	Basic EPS		Basic EPS	
	(in millions, except per share amounts)			
Income (loss) available to common stockholders	\$ (654)	\$ (0.82)	\$ 325	\$ 0.39
Restructuring and impairment charges	35	0.04	—	—
Gain on retirement of debt, net	—	—	(139)	(0.17)
Gain on retirement of mandatorily redeemable preferred stock	—	—	(264)	(0.31)
Gain on deconsolidation of NII Holdings	—	—	—	—
Equity in losses of NII Holdings – pre-bankruptcy emergence	127	0.16	99	0.12
SFAS No. 142 income tax provision adjustment	335	0.42	—	—
Change in fair value of investment	—	—	35	0.04
Adjusted income (loss) available to common stockholders	\$ (157)	\$ (0.20)	\$ 56	\$ 0.07

	For the three months ended				For the year ended	
	September 30, 2002		December 31, 2002		December 31, 2002	
	Basic EPS		Basic EPS		Basic EPS	
	(in millions, except per share amounts)					
Income available to common stockholders	\$ 526	\$ 0.58	\$ 1,463	\$ 1.49	\$ 1,660	\$ 1.88
Restructuring and impairment charges	—	—	—	—	35	0.04
Gain on retirement of debt, net	(208)	(0.23)	(7)	(0.01)	(354)	(0.40)
Gain on retirement of mandatorily redeemable preferred stock	(193)	(0.21)	(28)	(0.03)	(485)	(0.55)
Gain on deconsolidation of NII Holdings	—	—	(1,218)	(1.24)	(1,218)	(1.38)
Equity in losses of NII Holdings – pre-bankruptcy emergence	—	—	—	—	226	0.26
SFAS No. 142 income tax provision adjustment	—	—	—	—	335	0.38
Change in fair value of investment	3	—	(1)	—	37	0.04
Adjusted income available to common stockholders	\$ 128	\$ 0.14	\$ 209	\$ 0.21	\$ 236	\$ 0.27

- (8) Cash cost per handset/unit, or CCPU, is calculated by dividing the sum of our cost of service and general and administrative expenses by the weighted average number of handsets in commercial service during the period. CCPU as defined above may not be similar to CCPU measures of other companies, is not a measurement under accounting principles generally accepted in the United States and should be considered in addition to, but not as a substitute for, the information contained in our statement of operations. CCPU is commonly used within our industry as an indicator of the cash expenses associated with ongoing business operations on a per handset basis. Our management uses CCPU as an integral part of internal reporting and believes CCPU is also useful to investors to evaluate our ability to scale costs associated with providing services to customers and managing our core business operations. CCPU can be reconciled to our consolidated statements of operations as follows:

	For the three months ended				For the year ended
	March 31,	June 30,	September 30,	December 31,	December 31,
	2002	2002	2002	2002	2002
	(in millions, except for CCPU)				
Cost of service	\$ 351	\$ 366	\$ 383	\$ 369	\$ 1,469
General and administrative	369	373	371	383	1,496
	<u>\$ 720</u>	<u>\$ 739</u>	<u>\$ 754</u>	<u>\$ 752</u>	<u>\$ 2,965</u>
CCPU	\$ 27	\$ 26	\$ 25	\$ 24	\$ 26

- (9) The ratio of long-term debt and preferred stock to OIBDA (see note 1) is calculated by dividing the total of our long-term debt and preferred stock as of the end of the relevant quarter by the applicable quarter's OIBDA on an annualized basis, which is calculated by multiplying the quarter's OIBDA by four. The ratio of long-term debt and preferred stock to OIBDA as defined above may not be similar to measures of other companies, are not measurements under accounting principles generally accepted in the United States and should be considered in addition to, but not as a substitute for, the information contained in our financial statements. The ratio of long-term debt and preferred stock to OIBDA is a credit metric commonly used by investors and credit agencies as an indicator of financial risk, including our ability to repay or refinance our debt obligations. The ratio of long-term debt and preferred stock to OIBDA can be reconciled to our financial statements as follows:

	<u>March 31,</u> <u>2002</u>	For the three months ended		<u>December 31,</u> <u>2002</u>
		<u>June 30,</u> <u>2002</u>	<u>September 30,</u> <u>2002</u>	
		(in millions, except for ratios)		
Long-term debt	\$ 13,938	\$ 13,397	\$ 12,462	\$ 12,278
Preferred stock	<u>2,177</u>	<u>1,792</u>	<u>1,358</u>	<u>1,015</u>
	<u>\$ 16,115</u>	<u>\$ 15,189</u>	<u>\$ 13,820</u>	<u>\$ 13,293</u>
Divided by OIBDA (note 1) annualized	\$ 2,204	\$ 3,264	\$ 3,512	\$ 3,544
Ratio of long-term debt and preferred stock to OIBDA	7.3x	4.7x	3.9x	3.8x
Long-term debt	\$ 13,938	\$ 13,397	\$ 12,462	\$ 12,278
Preferred stock	<u>2,177</u>	<u>1,792</u>	<u>1,358</u>	<u>1,015</u>
	<u>\$ 16,115</u>	<u>\$ 15,189</u>	<u>\$ 13,820</u>	<u>\$ 13,293</u>
Divided by operating income (note 1) annualized	\$ 676	\$ 1,644	\$ 1,864	\$ 1,960
Ratio of long-term debt and preferred stock to operating income	23.8x	9.2x	7.4x	6.8x

- (10) The ratio of net debt and preferred stock to OIBDA (see note 1) is calculated by dividing the total of our long-term debt less cash, cash equivalents and short-term investments (net debt) plus preferred stock as of the end of the relevant quarter by the applicable quarter's OIBDA on an annualized basis, which is calculated by multiplying the quarter's OIBDA by four. The ratio of net debt and preferred stock to OIBDA as defined above may not be similar to measures of other companies, are not measurements under accounting principles generally accepted in the United States and should be considered in addition to, but not as a substitute for, the information contained in our financial statements. The ratio of net debt and preferred stock to OIBDA is a credit metric commonly used by investors and credit agencies as an indicator of financial risk, including our ability to repay or refinance our debt obligations. The ratio of net debt and preferred stock to OIBDA can be reconciled to our financial statements as follows:

	<u>March 31,</u> <u>2002</u>	For the three months ended		<u>December 31,</u> <u>2002</u>
		<u>June 30,</u> <u>2002</u>	<u>September 30,</u> <u>2002</u>	
		(dollars in millions)		
Long-term debt	\$ 13,938	\$ 13,397	\$ 12,462	\$ 12,278
Less: cash, cash equivalents and short-term investments	<u>(3,068)</u>	<u>(2,687)</u>	<u>(2,414)</u>	<u>(2,686)</u>
Net debt	10,870	10,710	10,048	9,592
Preferred stock	<u>2,177</u>	<u>1,792</u>	<u>1,358</u>	<u>1,015</u>
	<u>\$ 13,047</u>	<u>\$ 12,502</u>	<u>\$ 11,406</u>	<u>\$ 10,607</u>
Divided by quarterly OIBDA (note 1) annualized	\$ 2,204	\$ 3,264	\$ 3,512	\$ 3,544
Ratio of net debt and preferred stock to OIBDA	5.9x	3.8x	3.2x	3.0x
Long-term debt	\$ 13,938	\$ 13,397	\$ 12,462	\$ 12,278
Less: cash, cash equivalents and short-term investments	<u>(3,068)</u>	<u>(2,687)</u>	<u>(2,414)</u>	<u>(2,686)</u>
Net debt	10,870	10,710	10,048	9,592
Preferred stock	<u>2,177</u>	<u>1,792</u>	<u>1,358</u>	<u>1,015</u>
	<u>\$ 13,047</u>	<u>\$ 12,502</u>	<u>\$ 11,406</u>	<u>\$ 10,607</u>
Divided by quarterly operating income (note 1) annualized	\$ 676	\$ 1,644	\$ 1,864	\$ 1,960
Ratio of net debt and preferred stock to operating income	19.3x	7.6x	6.1x	5.4x

(11) The ratio of OIBDA (see note 1) to interest expense is calculated by dividing OIBDA by interest expense. The ratio of OIBDA to interest expense as defined above may not be similar to measures of other companies, are not measurements under accounting principles generally accepted in the United States and should be considered in addition to, but not as a substitute for, the information contained in our financial statements. The ratio of OIBDA to interest expense is a credit metric commonly used by investors and credit agencies as an indicator of a company's ability to cover scheduled interest payments with funds generated from operations. The ratio of OIBDA to interest expense can be reconciled to our financial statements as follows:

	<u>March 31,</u> <u>2002</u>	<u>For the three months ended</u> <u>June 30, September 30,</u> <u>2002</u>			<u>December 31,</u> <u>2002</u>	<u>For the year</u> <u>ended</u> <u>December 31,</u> <u>2002</u>
	(dollars in millions)					
OIBDA	\$ 551	\$ 816	\$ 878	\$ 886	\$ 3,131	
Divided by interest expense	\$ 273	\$ 269	\$ 271	\$ 235	\$ 1,048	
Ratio of OIBDA to interest expense	2.0x	3.0x	3.2x	3.8x	3.0x	
Operating income	\$ 169	\$ 411	\$ 466	\$ 490	\$ 1,536	
Divided by interest expense	\$ 273	\$ 269	\$ 271	\$ 235	\$ 1,048	
Ratio of Operating income to interest expense	0.6x	1.5x	1.7x	2.1x	1.5x	

(12) The return on invested capital (ROIC) is calculated by dividing OIBDA (see note 1) by the total of our gross property, plant and equipment and our net intangible assets. ROIC as defined above may not be similar to measures of other companies, are not measurements under accounting principles generally accepted in the United States and should be considered in addition to, but not as a substitute for, the information contained in our financial statements. ROIC is a metric commonly used by investors and credit agencies as an indicator of whether value is being created in the company. ROIC can be reconciled to our financial statements as follows:

	<u>For the year</u> <u>ended</u> <u>December 31, 2002</u> (dollars in millions)
OIBDA	\$ 3,131
Divided by:	
Property, plant and equipment, gross	\$ 13,925
Intangible assets, net	<u>6,607</u>
	\$ 20,532
ROIC with OIBDA	15.2%
Operating income	\$ 1,536
Divided by:	
Property, plant and equipment, gross	\$ 13,925
Intangible assets, net	<u>6,607</u>
	\$ 20,532
ROIC with operating income	7.5%