

NEXTEL COMMUNICATIONS, INC. AND SUBSIDIARIES
Reconciliations of Non-GAAP Financial Measures for 2005

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. Amounts below labeled as Actual represent historical results. Amounts below labeled as Guidance represent forward-looking statements based on estimates as of July 21, 2005.

“Safe Harbor” Statement under the Private Securities Litigation Reform Act of 1995. A number of the statements made in this report are not historical or current facts, but deal with potential future circumstances and developments. 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. We caution you that these forward-looking statements are only predictions, which are subject to risks and uncertainties including technological uncertainty, financial variations, changes in the regulatory environment, industry growth and trend predictions. The operation and results of our wireless communications business may be subject to the effect of other risks and uncertainties including, but not limited to:

- the uncertainties related to our proposed merger with Sprint;
- the success of efforts to improve, and satisfactorily address any issues relating to, our network performance, including any performance issues resulting from the reconfiguration of the 800MHz band as contemplated by the FCC’s Report and Order;
- the timely development and availability of new handsets with expanded applications and features;
- market acceptance of our data service offerings, including our Nextel Online services;
- the timely delivery and successful implementation of new technologies deployed in connection with any future enhanced iDEN or next generation or other advanced services we may offer;
- the absence of any significant adverse change in Motorola’s ability or willingness to provide handsets and related equipment and software applications or to develop new technologies or features for us;
- the ability to achieve market penetration and average subscriber revenue levels sufficient to provide financial viability to our network business;
- our ability to successfully scale our business and support operations in order to meet our goals for subscriber and revenue growth, in some circumstances in conjunction with third parties under our outsourcing arrangements, our billing, collection, customer care and similar back-office operations to keep pace with customer growth, increased system usage rates and growth in levels of accounts receivables being generated by our customers;
- the quality and price of similar or comparable wireless communications services offered or to be offered by our competitors, including providers of cellular and personal communication services including, for example, two-way walkie-talkie features that have been introduced by several of our competitors;
- future legislation or regulatory actions relating to specialized mobile radio services, other wireless communications services or telecommunications generally;
- the costs of compliance with regulatory mandates, particularly requirements related to the FCC’s Report and Order and to deploy location-based E911 capabilities;
- access to sufficient debt or equity capital to meet any operating and financing needs; and
- other risks and uncertainties described from time to time in our reports filed with the Securities and Exchange Commission, including our annual report on Form 10-K for the year ended December 31, 2004.

- (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. OIBDA margin represents OIBDA divided by service revenues. Our 2005 OIBDA guidance excludes operating expenses related to the Report and Order and the completion of and planning for the proposed Sprint Nextel merger. OIBDA, OIBDA per sub per month and OIBDA 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, OIBDA per sub per month and OIBDA margin provide useful information to investors because they are indicators 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, OIBDA per sub per month and OIBDA margin calculations are commonly used as some 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		Guidance
	<u>March 31, 2005</u>	<u>June 30, 2005</u>	<u>For the year ended December 31, 2005</u>
	(dollars in millions, except per sub amounts)		
Operating income	\$ 817	\$ 890	\$3,650 or more
Depreciation and amortization	<u>507</u>	<u>519</u>	<u>2,100 or less</u>
OIBDA	\$ 1,324	\$ 1,409	
Merger-related costs	<u>10</u>	<u>35</u>	
OIBDA excluding merger-related costs	<u>\$ 1,334</u>	<u>\$ 1,444</u>	<u>\$5,750 or more</u>
 OIBDA per sub per month	 <u>\$ 29</u>	 <u>\$ 30</u>	
Operating income per sub per month	<u>\$ 18</u>	<u>\$ 19</u>	
 OIBDA margin	 <u>41%</u>	 <u>41%</u>	
OIBDA margin, excluding merger-related costs	<u>41%</u>	<u>42%</u>	
Operating income margin	<u>25%</u>	<u>26%</u>	

- (2) Average monthly revenue per handset/unit in service, or ARPU, is an industry metric that measures service revenues per period divided by the weighted average number of handsets in commercial service during that period. 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. Nextel branded service ARPU excludes the impact of Boost Mobile. Other revenue includes revenues from Boost Mobile, roaming, analog and other. ARPU can be calculated and reconciled to our consolidated statements of operations as follows:

	For the three months ended	
	<u>March 31, 2005</u>	<u>June 30, 2005</u>
	(in millions, except for ARPU)	
Nextel branded service		
Service revenues	\$ 3,256	\$ 3,439
Less: Other revenue	<u>192</u>	<u>217</u>
Subscriber revenues	<u>\$ 3,064</u>	<u>\$ 3,222</u>
 ARPU calculated with Subscriber revenues	 <u>\$ 67</u>	 <u>\$ 68</u>
 ARPU calculated with Service revenues	 <u>\$ 71</u>	 <u>\$ 73</u>
 Boost Mobile branded prepaid service		
Service revenues	<u>\$ 161</u>	<u>\$ 181</u>
ARPU calculated with Service revenues	<u>\$ 41</u>	<u>\$ 39</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:

	<u>For the three months ended</u>	
	<u>March 31, 2005</u>	<u>June 30, 2005</u>
Nextel branded service		
ARPU calculated with Subscriber revenues	\$ 67	\$ 68
Divided by: Churn	1.5%	1.4%
Subscriber revenue LRS	<u>\$ 4,467</u>	<u>\$ 4,857</u>
ARPU calculated with Service revenues	\$ 71	\$ 73
Divided by: Churn	1.5%	1.4%
Service revenue LRS	<u>\$ 4,733</u>	<u>\$ 5,214</u>

- (4) 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 increases or decreases in working capital and other. Our 2005 free cash flow guidance excludes operating expenses related to the Report and Order and the completion of and planning for the proposed Sprint Nextel merger. 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 and the purchase or sale of investments. Free cash flow can be reconciled to our consolidated statements of cash flows as follows:

	<u>For the three months ended</u>		<u>Guidance</u>
	<u>March 31, 2005</u>	<u>June 30, 2005</u>	<u>For the year ended</u>
		(in millions)	<u>December 31, 2005</u>
Net cash provided by operating activities	\$ 1,205	\$ 1,146	\$4,600 or more
Change in accrued interest on short-term investments	—	1	*
Rebating costs	86	149	—
Net cash used in investing activities	(574)	(1,170)	Approx (2,600)
Net changes in short-term investments	(69)	221	*
Free cash flow before rebating	<u>\$ 648</u>	<u>\$ 347</u>	<u>\$2,000 or more</u>
Rebating	<u>(86)</u>	<u>(149)</u>	
Free cash flow after rebating	<u>\$ 562</u>	<u>\$ 198</u>	

* For guidance purposes, we do not distinguish between short-term investments and cash and cash equivalents.

- (5) Adjusted income available to common stockholders represents our income available to common stockholders excluding certain gains, losses and other charges that do not relate to the ongoing operations of our wireless business. 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:

	<u>For the three months ended</u>			
	<u>March 31, 2005</u>		<u>June 30, 2005</u>	
	<u>Basic EPS</u>		<u>Basic EPS</u>	
	(in millions, except per share amounts)			
Income available to common stockholders	\$ 589	\$ 0.53	\$ 524	\$ 0.46
Merger-related costs, net of income tax	6	0.01	21	0.02
Loss on retirement of debt, net of income tax	23	0.02	—	—
Net tax benefit from the release of valuation allowance	(178)	(0.16)	(25)	(0.02)
Consent fee and special dividend paid to mandatorily redeemable preferred stockholders	<u>4</u>	<u>—</u>	<u>8</u>	<u>0.01</u>
Adjusted income available to common stockholders	\$ 444	\$ 0.40	\$ 528	\$ 0.47

- (6) The ratio of long-term debt to OIBDA (see note 1) is calculated by dividing our long-term debt 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 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 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 to OIBDA can be reconciled to our financial statements as follows:

	For the three months ended	
	March 31, 2005	June 30, 2005
	(dollars in millions)	
Long-term debt	\$ 8,574	\$ 8,576
Divided by quarterly OIBDA (note 1) annualized	\$ 5,296	\$ 5,636
Ratio of long-term debt to OIBDA	1.6x	1.5x
Long-term debt	\$ 8,574	\$ 8,576
Divided by quarterly operating income annualized	\$ 3,268	\$ 3,560
Ratio of long-term debt to operating income	2.6x	2.4x

- (7) The ratio of net debt to OIBDA (see note 1) is calculated by dividing our long-term debt less cash, cash equivalents and short-term investments (net debt) 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 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 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 to OIBDA can be reconciled to our financial statements as follows:

	For the three months ended	
	<u>March 31, 2005</u>	<u>June 30, 2005</u>
	(dollars in millions)	
Long-term debt	\$ 8,574	\$ 8,576
Less: cash, cash equivalents and short-term investments	<u>(2,461)</u>	<u>(2,774)</u>
Net debt	<u>6,113</u>	<u>5,802</u>
Divided by quarterly OIBDA (note 1) annualized	\$ 5,296	\$ 5,636
Ratio of net debt to OIBDA	1.2x	1.0x
Long-term debt	\$ 8,574	\$ 8,576
Less: cash, cash equivalents and short-term investments	<u>(2,461)</u>	<u>(2,774)</u>
Net debt	<u>6,113</u>	<u>5,802</u>
Divided by quarterly operating income annualized	\$ 3,268	\$ 3,560
Ratio of net debt to operating income	1.9x	1.6x

- (8) 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:

	For the three months ended	
	<u>March 31, 2005</u>	<u>June 30, 2005</u>
	(dollars in millions)	
OIBDA	\$ 1,324	\$ 1,409
Divided by interest expense	\$ 128	\$ 128
Ratio of OIBDA to interest expense	10.4x	11.0x
Operating income	\$ 817	\$ 890
Divided by interest expense	\$ 128	\$ 128
Ratio of Operating income to interest expense	6.4x	7.0x

- (9) 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:

	For the three months ended	
	<u>March 31, 2005</u>	<u>June 30, 2005</u>
	(dollars in millions)	
Quarterly OIBDA (note 1) annualized	\$ 5,296	\$ 5,636
Divided by:		
Property, plant and equipment, gross	\$ 17,725	\$ 18,593
Intangible assets, net	<u>7,670</u>	<u>7,728</u>
	\$ 25,395	\$ 26,321
ROIC with OIBDA	20.9%	21.4%
Quarterly operating income annualized	\$ 3,268	\$ 3,560
Divided by:		
Property, plant and equipment, gross	\$ 17,725	\$ 18,593
Intangible assets, net	<u>7,670</u>	<u>7,728</u>
	\$ 25,395	\$ 26,321
ROIC with operating income	12.9%	13.5%