

NEXTEL COMMUNICATIONS, INC. AND SUBSIDIARIES
Reconciliations of Non-GAAP Financial Measures for 2003

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 17, 2003.

"Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995: The following reconciliations of non-GAAP financial measures to GAAP measures include forward-looking statements with respect to the information identified as Guidance. Nextel has made a number of assumptions, which may or may not prove to be correct, in preparing this Guidance. 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:

- general economic conditions in the geographic areas and occupational market segments that we are targeting for our digital mobile network service;
- the availability of adequate quantities of system infrastructure and handset equipment and components to meet service deployment and marketing plans and customer demand;
- the availability and cost of acquiring additional spectrum;
- the timely development and availability of new handsets with expanded applications and features;
- the success of efforts to improve, and satisfactorily address any issues relating to, our digital mobile network performance;
- the successful implementation and performance of the technology being deployed or to be deployed in our various market areas, including the expected 6:1 voice coder software upgrade being developed by Motorola, Inc. and technologies to be implemented in connection with the launch of our nationwide Direct Connect® service;
- market acceptance of our new line of Java™ embedded handsets and 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 ability to achieve market penetration and average subscriber revenue levels sufficient to provide financial viability to our digital mobile network business;
- the impact on our cost structure or service levels of the general downturn in the telecommunications sector, including the adverse effect of any bankruptcy of any of our tower providers or telecommunications suppliers;
- our ability to successfully scale, 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;
- access to sufficient debt or equity capital to meet operating and financing needs;
- 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 radio services;
- the impact of legislation or regulatory actions relating to specialized mobile radio services, wireless communications services or telecommunications generally including, for example, the impact of number portability on our business;
- the costs of compliance with regulatory mandates, particularly the requirement to deploy location-based 911 capabilities; 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, 2002 and our quarterly reports on Form 10-Q.

- (1) OIBDA represents operating income before depreciation and amortization. OIBDA as defined above may not be similar to OIBDA 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 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:

	Actual		Guidance
	For the three months ended		For the year ended
	March 31, 2003	June 30, 2003	December 31, 2003
	(in millions)		
Operating income	\$ 493	\$ 582	\$ 2,100 or higher
Depreciation and amortization	<u>413</u>	<u>422</u>	<u>1,800 or lower</u>
OIBDA	<u>\$ 906</u>	<u>\$ 1,004</u>	<u>\$ 3,900 or higher</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, analog and other. ARPU can be calculated and reconciled to our consolidated statements of operations as follows:

	Actual		Guidance
	For the three months ended		For the year ended
	March 31, 2003	June 30, 2003	December 31, 2003
	(in millions, except for ARPU)		
Service revenues	\$ 2,210	\$ 2,385	\$ 9,450 or higher
Less: Other revenue	<u>24</u>	<u>33</u>	<u>100 or higher</u>
Subscriber revenues	<u>\$ 2,186</u>	<u>\$ 2,352</u>	<u>\$ 9,350 or higher</u>
 ARPU calculated with Subscriber revenues	 <u>\$ 67</u>	 <u>\$ 69</u>	 <u>\$ 67 or higher</u>
 ARPU calculated with Service revenues	 <u>\$ 68</u>	 <u>\$ 70</u>	 <u>\$ 68 or higher</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:

	Actual	
	For the three months ended	
	March 31, 2003	June 30, 2003
	(dollars in millions, except for LRS)	
ARPU calculated with Subscriber revenues	\$ 67	\$ 69
Divided by: Churn	1.9%	1.6%
Subscriber revenue LRS	<u>\$ 3,526</u>	<u>\$ 4,313</u>
 ARPU calculated with Service revenues	 \$ 68	 \$ 70
Divided by: Churn	1.9%	1.6%
Service revenue LRS	<u>\$ 3,579</u>	<u>\$ 4,375</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:

	Actual	
	For the three months ended	
	March 31, 2003	June 30, 2003
	(in millions)	
Net cash provided by operating activities	\$ 813	\$ 703
Change in accrued interest on short-term investments	3	3
Net cash used in investing activities	(678)	(421)
Net changes in short-term investments and other	78	56
Net interest paid, including capitalized interest	<u>156</u>	<u>216</u>
Unlevered free cash flow	<u>\$ 372</u>	<u>\$ 557</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:

	Actual		Guidance
	For the three months ended		For the year ended
	March 31, 2003	June 30, 2003	December 31, 2003
	(in millions)		
Net cash provided by operating activities	\$ 813	\$ 703	\$ 3,000 or higher
Change in accrued interest on short-term investments	3	3	*
Net cash used in investing activities	(678)	(421)	(2,300) or lower
Net changes in short-term investments and other	78	56	*
Mandatorily redeemable preferred stock dividends	<u>(15)</u>	<u>(27)</u>	<u>(100) or lower</u>
Free cash flow	<u>\$ 201</u>	<u>\$ 314</u>	<u>\$ 600 or higher</u>

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

- (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	
	March 31, 2003	June 30, 2003
	(in millions, except for CPGA)	
Handset and accessory revenues	\$ 161	\$ 171
Less: Cost of handset and accessory revenues	<u>310</u>	<u>315</u>
Handset and accessory subsidy costs	149	144
Plus: Selling and marketing	<u>411</u>	<u>444</u>
Costs per statement of operations	560	588
Less: Costs unrelated to initial customer acquisition	<u>60</u>	<u>68</u>
Customer acquisition costs	<u>\$ 500</u>	<u>\$ 520</u>
Cost per Gross Add	<u>\$ 450</u>	<u>\$ 460</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, 2003		June 30, 2003	
	Basic EPS		Basic EPS	
	(in millions, except per share amounts)			
Income available to common stockholders	\$ 208	\$ 0.21	\$ 281	\$ 0.27
Loss on retirement of debt, net	5	—	2	—
Reduction in fair value of investment	—	—	2	—
Loss on retirement of mandatorily redeemable preferred stock	2	—	5	0.01
Adjusted income available to common stockholders	\$ 215	\$ 0.21	\$ 290	\$ 0.28

- (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	
	March 31, 2003	June 30, 2003
	(in millions, except for CCPU)	
Cost of service	\$ 369	\$ 408
General and administrative	375	385
	<u>\$ 744</u>	<u>\$ 793</u>
 CCPU	 <u>\$ 23</u>	 <u>\$ 23</u>