# Investor Quarterly Update
1Q07

2 May 2007

Sprint Nextel



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Together with NEXTEL

# Cautionary Statement

This presentation includes "forward-looking statements" within the meaning of the securities laws. The statements in this presentation regarding the business outlook, expected performance, forward looking guidance, continuation of our previously announced share buy-back program, as well as other statements that are not historical facts, are forward-looking statements. The words "estimate," "project," "forecast," "intend," "expect," "believe," "target," "providing guidance" and similar expressions are intended to identify forward-looking statements. Forward-looking statements are estimates and projections reflecting management's judgment based on currently available information and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. With respect to these forward-looking statements, management has made assumptions regarding, among other things, customer and network usage, customer growth and retention, pricing, operating costs, the timing of various events and the economic environment. Future performance cannot be assured. Actual results may differ materially from those in the forward-looking statements. Some factors that could cause actual results to differ include:

•the effects of vigorous competition, including the impact of competition on the price we are able to charge customers for services we provide and our ability to attract new customers and retain existing customers; the overall demand for our service offerings, including the impact of decisions of new subscribers between our post-paid and prepaid services offerings and between our two network platforms; and the impact of new, emerging and competing technologies on our business;

•the impact of overall wireless market penetration on our ability to attract and retain customers with good credit standing and the intensified competition among wireless carriers for those customers;

•the potential impact of difficulties we may encounter in connection with the integration of the pre-merger Sprint and Nextel businesses, and the integration of the businesses and assets of Nextel Partners, Inc. and the PCS Affiliates that we have acquired, including the risk that these difficulties could prevent or delay our realization of the cost savings and other benefits we expect to achieve as a result of these integration efforts and the risk that we will be unable to continue to retain key employees;

•the uncertainties related to the implementation of our business strategies, investments in our networks, our systems, and other businesses, including investments required in connection with our planned deployment of a next generation broadband wireless network;

•the costs and business risks associated with providing new services and entering new geographic markets, including with respect to our development of new services expected to be provided using the next generation broadband wireless network that we plan to deploy;

•the impact of potential adverse changes in the ratings afforded our debt securities by ratings agencies;

•the effects of mergers and consolidations and new entrants in the communications industry and unexpected announcements or developments from others in the communications industry;

•unexpected results of litigation filed against us;

•the inability of third parties to perform to our requirements under agreements related to our business operations, including a significant adverse change in Motorola, Inc.'s ability or willingness to provide handsets and related equipment and software applications, or to develop new technologies or features for our iDEN®, network;

•the impact of adverse network performance;

•the costs of compliance with regulatory mandates, particularly requirements related to the Federal Communications Commission's Report and Order;

•equipment failure, natural disasters, terrorist acts, or other breaches of network or information technology security;

•one or more of the markets in which we compete being impacted by changes in political or other factors such as monetary policy, legal and regulatory changes or other external factors over which we have no control;

•and other risks referenced from time to time in our filings with the Securities and Exchange Commission, including our Form 10-K for the year ended December 31, 2006, in Part I, Item 1A, "Risk Factors."

# Non-GAAP Financial Measures

Sprint Nextel provides financial measures generated using generally accepted accounting principles (GAAP) and using adjustments to GAAP (non-GAAP). The non-GAAP financial measures reflect industry conventions, or standard measures of liquidity, profitability or performance commonly used by the investment community for comparability purposes. These non-GAAP measures are not measurements under accounting principles generally accepted in the United States. These measurements should be considered in addition to, but not as a substitute for, the information contained in our financial statements prepared in accordance with GAAP. We have defined below each of the non-GAAP measures we use, but these measures may not be synonymous to similar measurement terms used by other companies. Sprint Nextel provides reconciliations of these non-GAAP measures in its financial reporting. Because Sprint Nextel does not predict special items that might occur in the future, and our forecasts are developed at a level of detail different than that used to prepare GAAP-based financial measures, Sprint Nextel does not provide reconciliations to GAAP of its forward-looking financial measures.

The measures used in this release include the following:

**Adjusted Earnings per Share (EPS)** is defined as income from continuing operations, before special items, net of tax and the diluted EPS calculated thereon.

**Adjusted EPS before Amortization** is defined as income from continuing operations, before special items and amortization, net of tax, and the diluted EPS calculated thereon. These non-GAAP measures should be used in addition to, but not as a substitute for, the analysis provided in the statement of operations. We believe that these measures are useful because they allow investors to evaluate our performance for different periods on a more comparable basis by excluding items that relate to acquired amortizable intangible assets and not to the ongoing operations of our businesses.

**Adjusted Net Income** is defined as income (loss) from continuing operations before special items. **Adjusted Net Income before Amortization** is defined as income (loss) from continuing operations before special items and amortization, net of tax. These non-GAAP measures should be used in addition to, but not as a substitute for, the analysis provided in the statement of operations. We believe that these measures are useful because they allow investors to evaluate our performance for different periods on a more comparable basis by excluding items that do not relate to the ongoing operations of our businesses.

**Adjusted Operating Income** is defined as operating income before special items. This non-GAAP measure should be used in addition to, but not as a substitute for, the analysis provided in the statement of operations. We believe this measure is useful because it allows investors to evaluate our operating results for different periods on a more comparable basis by excluding special items.

**Adjusted OIBDA** is defined as operating income before depreciation, amortization, restructuring and asset impairments, and special items. **Adjusted OIBDA Margin** represents Adjusted OIBDA divided by non-equipment net operating revenues for Wireless and Adjusted OIBDA divided by net operating revenues for Long Distance. These non-GAAP measures should be used in addition to, but not as a substitute for, the analysis provided in the statement of operations. We believe that Adjusted OIBDA and Adjusted OIBDA Margin provide useful information to investors because they are 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 non-cash current period allocation of costs associated with long-lived assets acquired or constructed in prior periods. Adjusted OIBDA and Adjusted OIBDA Margin are calculations commonly used as a basis for investors, analysts and credit rating agencies to evaluate and compare the periodic and future operating performance and value of companies within the telecommunications industry.

**Free Cash Flow** is defined as the change in cash and cash equivalents less the change in debt, investment in certain securities, proceeds from common stock and other financing activities, net, from continuing operations. This non-GAAP measure should be used in addition to, but not as a substitute for, the analysis provided in the 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 purchase or sale of investments.

**Net Debt** is consolidated debt, including current maturities, less cash and cash equivalents, current marketable securities and restricted cash. This non-GAAP measure should be used in addition to, but not as a substitute for, the analysis provided in the balance sheet and statement of cash flows. We believe that Net Debt provides useful information to investors, analysts and credit rating agencies about the capacity of the company to reduce the debt load and improve its capital structure.

**Net Debt / Annualized Adjusted OIBDA** is the ratio of consolidated debt, including current maturities, less cash and cash equivalents, current marketable securities and restricted cash as of March 31, 2007 to Adjusted OIBDA for the first quarter of 2007 multiplied by four. This non-GAAP measure should be used in addition to, but not as a substitute for, the analysis provided in the statements of financial position and cash flows. We believe that this measure provides useful information to investors, analysts and credit rating agencies about the capacity of the company to reduce the debt loan and improve its capital structure.

# Normalizing EPS

| | 1Q07 | | 1Q06 | |
|---|---|---|---|---|
| | Net Income (millions) | EPS | Net Income (millions) | EPS |
| **Reported - Continuing Operations** | ($211) | ($0.07) | $164 | $0.05 |
| **Special Items** | $192 | $0.07 | $37 | $0.02 |
| **Amortization** | $551 | $0.18 | $565 | $0.19 |
| **Adjusted** | $532 | $0.18 | $766 | $0.26 |

Net income dollars are in millions. Other special items include restructuring, asset impairment costs, premium on early retirement of debt, and net gains on investments. Net Income and Earnings per share (EPS) figures are shown net of taxes.

# Gary Forsee

Chairman and Chief Executive Officer

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# 1Q07 Highlights

- ☑ Wireless initiatives underway
- ☑ Expected pressure on Q1 profitability
- ☑ Increased post paid share of decisions
- ☑ Ramped PowerSource™ devices to 400K
- ☑ Named new ad agency
- ☑ Returned cash to shareholders

# Operational Progress Update

- ☑ Improving customer acquisition mix & share
- ☑ Sequential improvement in post-paid net adds
- ☑ Higher than expected acquisition & retention costs
- ☑ ARPU trends in-line
- ☑ Network improvements and EVDO buildout progressing
- ☑ Launched unlimited local calling plan on Boost brand
- ☑ Solid growth in IP/MPLS and in cable VoIP business
- ☑ Cost initiatives underway and systems integration progressing

# Wireless Data / Wireless Broadband Leadership

**_Wireless Data_**

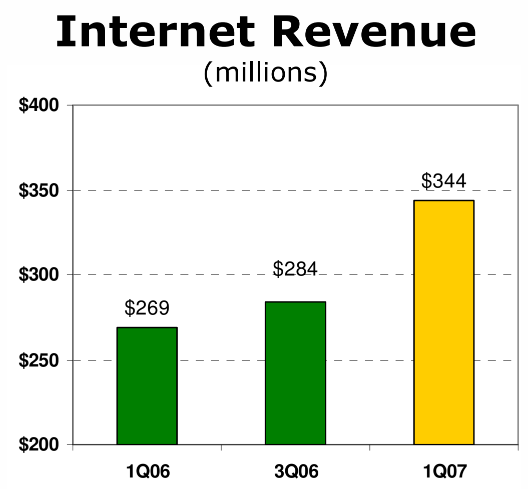
- Data ARPU of ***$9.25***
- CDMA data ARPU $12.25
- $4.6B in annualized data revenue
- Approaching 1M aircards
- Increasing PDA & EVDO sales
- Iconic devices including Samsung "Upstage"

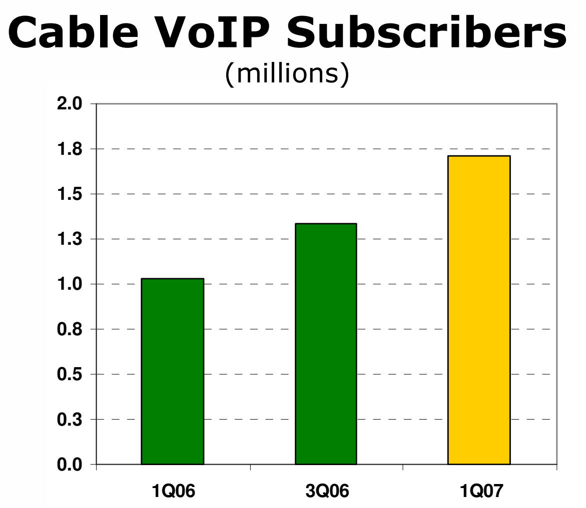
**_Wireless Broadband_**

- Largest wireless broadband network in US
- EV-DO rev A now covers nearly ***200M*** pops
- Initial markets announced for WiMAX deployment

# Wireline Update

- Revenue impacted by voice & legacy data trends
- Investment in IP / MPLS paying off
- Internet revenues grew 8% sequentially and 28% y-o-y
- Annualized cable telephony revenues of nearly $400M



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# Paul Saleh

Chief Financial Officer

Sprint Nextel



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# 1Q07 Financial Highlights

| | 1Q07 | 1Q06 | Δ | 4Q06 | Δ |
|---|---|---|---|---|---|
| **Total Subscribers on Network** | 53.6M | 48.9M | 10% | 53.1M | 1% |
| **Net Operating Revenues** | $10.1B | $10.1B | - | $10.4B | -3% |
| **Adjusted OIBDA** | $2.6B | $2.9B | -12% | $3.2B | -18% |
| **Adjusted EPS before Amort** | $0.18 | $0.26 | -31% | $0.29 | -38% |
| **Capital expenditures** | $1.6B | $1.2B | 29% | $2.6B | -38% |

***Generated free cash flow of approximately $500M***

# Adjusted OIBDA Trends

**4Q06 Adjusted OIBDA $3.2B**

**1Q07 Trends**

| | |
|---|---|
| **Service Revenue** | ▪ Lower post-paid voice ARPU; Data ARPU growth<br>▪ iDEN sub losses masking CDMA growth<br>▪ Boost & wholesale growth<br>▪ Declines in legacy Wireline services |
| **Investments** | ▪ Network coverage<br>▪ PowerSource handset subsidies<br>▪ Incremental media spend<br>▪ 3rd party incentives<br>▪ Customer care enhancements |
| **Handset Subsidies** | ▪ Equipment pricing in-line with market<br>▪ Subscriber retention actions<br>▪ Higher mix of high-end devices<br>▪ Channel fill for 3rd party and Boost |

**1Q07 Adjusted OIBDA $2.6B**

# Adjusted OIBDA Outlook

**1Q07 Adjusted OIBDA $2.6B**

**Expected Benefits and Outlook**

| | |
|---|---|
| **Service Revenue** | + Postpaid subscriber growth<br>+ Stabilizing ARPU trends<br>+ Boost growth |
| **Investments** | – Investments in-line with plan<br>+ Improving customer satisfaction and retention<br>+ Higher mix of prime subscribers<br>+ Improving iDEN quality; CDMA & EVDO coverage<br>+ Higher productivity from 3rd party dealers |
| **Handset Subsidies** | – Continued parity on equipment pricing<br>– Increasing volume of upgrades<br>+ Improving handset costs |
| **Synergies/Cost Savings** | + Savings from workforce reduction<br>+ Billing & IT synergies<br>+ Call center efficiencies<br>+ Streamlining distribution channels |

**Adj OIBDA ramp-up beginning in 2Q07**

# Maintaining 2007 Guidance

- Consolidated revenues of $41 to $42B
- Consolidated Adjusted OIBDA of $11 to $11.5B
- Capital expenditures of approximately $7.2B
- Up to $800M for non-network re-banding

 

# 1Q07 Financing Actions

- Raised $750M from new debt
  - > Proceeds used to retire high cost affiliate debt & other debt
- $1.9B of share buyback completed to date
- Committed to completing share buyback program
- Net Debt of $19.8B
- Solid investment grade credit profile

# Gary Forsee

Chairman and Chief Executive Officer

# Q&A

**Gary Forsee,** Chief Executive Officer

**Paul Saleh,** Chief Financial Officer

**Kurt Fawkes,** Vice President of Investor Relations

# Non-GAAP Reconciliations

**RECONCILIATIONS OF EARNINGS PER SHARE (Unaudited)**

*(millions, except per share data)*

| | Quarter Ended March 31, 2007 | Quarter Ended March 31, 2006 |
|---|---|---|
| **(Loss) Income Available to Common Shareholders** | $ (211) | $ 417 |
| Preferred stock dividends paid | - | 2 |
| **Net (Loss) Income** | (211) | 419 |
| Discontinued operations, net | - | (255) |
| **(Loss) Income from Continuing Operations** | (211) | 164 |
| Special items (net of taxes) [a] | | |
| Severance, lease exit costs and asset impairments | 109 | 23 |
| Merger and integration expense | 60 | 46 |
| Contingencies and Other [a] | 25 | - |
| Net gains on investment activities and equity in earnings | - | (32) |
| (Gain) on early retirement of debt | (2) | - |
| **Adjusted Net (Loss) Income*** | $ (19) | $ 201 |
| Amortization (net of taxes) | 551 | 565 |
| **Adjusted Net Income before Amortization*** | $ 532 | $ 766 |
| **Diluted (Loss) Earnings Per Share** | $ (0.07) | $ 0.14 |
| Discontinued operations | - | (0.09) |
| **(Loss) Earnings Per Share from Continuing Operations** | (0.07) | 0.05 |
| Special items | 0.07 | 0.02 |
| **Adjusted Earnings Per Share*** | 0.00 | $ 0.07 |
| Amortization (net of taxes) [b] | 0.18 | 0.19 |
| **Adjusted Earnings Per Share before Amortization* [b]** | $ 0.18 | $ 0.26 |

[a] See accompanying Notes to Financial Data for more information

[b] Rounding differences are forced to the Amortization (net of taxes) line




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# Non-GAAP Reconciliations

**RECONCILIATIONS OF EARNINGS PER SHARE (Unaudited)**

*(millions, except per share data)*

| | Quarter Ended December 31, 2006 |
|---|---|
| **Income Available to Common Shareholders** | $ 261 |
| Preferred stock dividends paid | - |
| **Net Income (Loss)** | 261 |
| Discontinued operations, net | - |
| Cumulative effect of change in accounting principle | - |
| **Income from Continuing Operations** | 261 |
| Special items (net of taxes) [(a)] | |
| Severance, lease exit costs and asset impairments | 52 |
| Merger and integration expense | 71 |
| Hurricane charges (excluding asset impairments) | - |
| Net gains on investment activities and equity in earnings | (92) |
| (Gain) Loss on early retirement of debt | - |
| Tax audit settlement | (16) |
| Motorola consent fee | - |
| **Adjusted Net Income*** | $ 276 |
| Amortization (net of taxes) | 560 |
| **Adjusted Net Income before Amortization*** | $ 836 |
| **Diluted Earnings Per Share** | $ 0.09 |
| Discontinued operations | - |
| Cumulative effect of change in accounting principle | - |
| **Earnings Per Share from Continuing Operations** | 0.09 |
| Special items | - |
| **Adjusted Earnings Per Share*** [(b)] | $ 0.09 |
| Amortization (net of taxes) [(d)] | 0.20 |
| **Adjusted Earnings Per Share before Amortization*** [(b)] | $ 0.29 |

[(a)] See accompanying Notes to Financial Data for more information on special items.
[(b)] Earnings per share data may not add due to rounding.
[(c)] Pro forma consolidated information has been presented as if the Sprint Nextel merger occurred at the beginning of 2005. The fourth quarter 2005 and all 2006 periods reflect actual results.
[(d)] Rounding difference is pushed to this line.

# Non-GAAP Reconciliations

**NON-GAAP MEASURES AND RECONCILIATIONS (Unaudited)**

*(millions)*

| For the Quarter Ended March 31, 2007 | Consolidated | Wireless | Long Distance | Corporate & Eliminations |
|---|---|---|---|---|
| **Operating Income (Loss)** | $ 1 | $ 94 | $ 23 | $ (116) |
| Special items [(a)] | | | | |
| Severance, lease exit costs and asset impairments | 174 | 141 | 32 | 1 |
| Merger and integration expense | 99 | - | - | 99 |
| Contingencies and Other [(a)] | 41 | 18 | 23 | - |
| **Adjusted Operating Income (Loss)*** | 315 | 253 | 78 | (16) |
| Depreciation and amortization | 2,268 | 2,142 | 127 | (1) |
| **Adjusted OIBDA*** | 2,583 | 2,395 | 205 | (17) |
| Capital expenditures | 1,607 | 1,403 | 144 | 60 |
| **Adjusted OIBDA* less Capex** | $ 976 | $ 992 | $ 61 | $ (77) |

| For the Quarter Ended March 31, 2006 | Consolidated | Wireless | Long Distance | Corporate & Eliminations |
|---|---|---|---|---|
| **Operating Income (Loss)** | $ 484 | $ 433 | $ 107 | $ (56) |
| Special items | | | | |
| Severance, lease exit costs and asset impairments | 38 | 28 | 10 | - |
| Merger and integration expense | 76 | - | - | 76 |
| **Adjusted Operating Income*** | 598 | 461 | 117 | 20 |
| Depreciation and amortization | 2,346 | 2,223 | 122 | 1 |
| **Adjusted OIBDA*** | 2,944 | 2,684 | 239 | 21 |
| Capital expenditures | 1,243 | 1,071 | 92 | 80 |
| **Adjusted OIBDA* less Capex** | $ 1,701 | $ 1,613 | $ 147 | $ (59) |

[(a)] See accompanying Notes to Financial Data for more information




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# Non-GAAP Reconciliations

**NON-GAAP MEASURES AND RECONCILIATIONS (Unaudited)**

*(millions)*

| **For the Quarter Ended December 31, 2006** | | **Consolidated** |
|---|---|---|
| **Operating Income (Loss)** | $ | 569 |
| Special items [a] | | |
| Severance, lease exit costs and asset impairments | | 79 |
| Merger and integration expense | | 117 |
| **Adjusted Operating Income*** | | 765 |
| Depreciation and amortization | | 2,404 |
| **Adjusted OIBDA*** | | 3,169 |
| Capital expenditures | | 2,612 |
| **Adjusted OIBDA* less Capex** | $ | 557 |



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# Non-GAAP Reconciliations

**NON-GAAP MEASURES AND RECONCILIATIONS**

*(millions)*

| | Quarter Ended March 31, 2007 | Quarter Ended March 31, 2006 |
|---|---|---|
| **Adjusted OIBDA*** | $ 2,583 | $ 2,944 |
| Adjust for special items | (314) | (114) |
| Other operating activities, net [(a)] | 195 | (563) |
| **Cash provided by continuing operations (GAAP)** | **2,464** | **2,267** |
| Capital expenditures | (1,813) | (1,518) |
| Dividends paid | (72) | (76) |
| Proceeds from sales of assets | 27 | 119 |
| Payments for FCC Licenses | (107) | (136) |
| Other investing activities, net | (2) | 152 |
| **Free Cash Flow*** | **497** | **808** |
| Increase (decrease) in debt, net | 27 | (868) |
| Retirement of redeemable preferred shares | - | (247) |
| Purchase of common shares | (300) | - |
| Discontinued operations activity, net [(b)] | - | 298 |
| Purchase of PCS Affiliates and Velocita, net of cash acquired | - | (3,399) |
| Change in restricted cash | - | 93 |
| Investments in debt securities, net | 7 | 830 |
| Proceeds from common shares issued | 69 | 185 |
| **Change in cash and cash equivalents - GAAP** | $ 300 | $ (2,300) |

| | March 31, 2007 |
|---|---|
| Total Debt | $ 22,171 |
| Less: Cash on hand | (2,346) |
| Less: Current marketable securities | (8) |
| **Net Debt*** | $ 19,817 |

[(a)] Other operating activities, net includes the change in working capital, change in deferred income taxes, miscellaneous operating activities and non-operating items in net income (loss).




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# Non-GAAP Reconciliations

| | | As of March 31, 2007 |
|---|---|---|
| Total Debt | $ | 22,171 |
| Less: Cash on Hand | | (2,346) |
| Less: Current Marketable Securities | | (8) |
| Net Debt * | $ | 19,817 |
| | | |
| Adjusted OIBDA for the three months ended, March 31, 2007 | $ | 2,583 |
| | | x 4 |
| Annualized Adjusted OIBDA * | **$** | **10,332** |
| | | |
| **Net Debt/Annualized Adjusted OIBDA *** | | **1.92** |



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