# NII Holdings, Inc.
# Q2 2015
# Earnings Presentation

August 7, 2015

# Use of Non-GAAP Financial Measures

This presentation includes certain financial information that is calculated and presented on the basis of methodologies that are not in accordance with U.S. Generally Accepted Accounting Principles, or GAAP. Management, as well as certain investors, use these non-GAAP financial measures to evaluate NII Holdings' current and future financial performance. The non-GAAP financial measures included in this presentation do not replace the presentation of NII Holdings' GAAP financial results. These measurements provide supplemental information to assist investors in analyzing NII Holdings' financial position and results of operations. NII Holdings has chosen to provide this information to investors to enable them to perform meaningful comparisons of past, present and future operating results and as a means to emphasize the results of core on-going operations. Reconciliations of the non-GAAP financial measures provided in this presentation to the most directly comparable GAAP measures can be found in the appendix of this presentation and on NII Holdings' Investor Relations link, at nii.com.

**Information regarding Q2 Financial Statements**

Sale of Nextel Mexico. On April 30, 2015, NII Holdings, Inc., or NII Holdings, together with our wholly-owned subsidiary NIU Holdings LLC, completed the sale of our Mexican operations to New Cingular Wireless, Inc., an indirect subsidiary of AT&T, Inc. In connection with this sale, we have reported Nextel Mexico's results for all periods presented as discontinued operations in this quarterly report on Form 10-Q.

Reorganization Accounting. In accordance with the requirements of reorganization accounting, NII Holdings adopted the provisions of fresh start accounting as of June 30, 2015 and became a new entity for financial reporting purposes. All reported income statement amounts reflect the "Predecessor Company".

# Safe harbor statement under the Private Securities Litigation Reform Act of 1995

This presentation includes “forward-looking statements” within the meaning of the securities laws. That is, they are not historical facts but future estimates and projections reflecting managements’ judgment based on currently available information. Forward looking statements involve risks and uncertainties that could cause actual results to differ materially from those suggested by the statements we make today. Forward looking statements should be taken in the context of the risks and uncertainties that are described in NII Holdings' Quarterly Report on Form 10-Q for the quarter ended June 30th, 2015, as well as in other reports filed from time to time by NII Holdings with the Securities and Exchange Commission.

# Contents


**Earnings Overview**

Subscriber Overview

Business Review

# Q2'15 Earnings Overview

We reported weak operational results highlighted by a net subscriber loss resulting from continued deterioration in our iDEN business in both Brazil and Argentina that more than offset net additions on our 3G network in Brazil.

The macroeconomic environment in both of our markets continues to deteriorate, including weaker local currency exchange rates, which we expect will continue to put pressure on our results in 2015.

Revenue declined primarily as a result of weaker local market currency exchange rates, lower local currency ARPU and the loss of subscribers during the quarter.

Adjusted OIBDA loss increased relative to Q1'15 due to lower revenue, an increase in bad debt expense tied to the weakening macroeconomic environments in our markets and a one-time $25M non-cash reserve for non-income based taxes in Brazil.

As a result of our performance to date and expectation of a negative economic outlook, we are well behind the goals that we outlined in the business plan developed during the Chapter 11 restructuring process.

**Q2'15 earmarked by a significant deterioration in macroeconomic indicators across both Brazil and Argentina**

# Q2'15 Results (vs. Q1'15)

| $m | Q2'15 | Q1'15 | % Change B/(W) | Q2'15 % Rev |
|---|---|---|---|---|
| Operating revenue | 421 | 462 | (9%) | 100% |
| Cost of revenue | 230 | 230 | 0% | 55% |
| General and administrative expenses | 199 | 174 | (14%) | 47% |
| Selling and marketing expenses | 67 | 58 | (15%) | 16% |
| **Consolidated Adjusted OIBDA Loss** | **(75)** | 0 | **nm** | **(18%)** |

nm = Not Meaningful

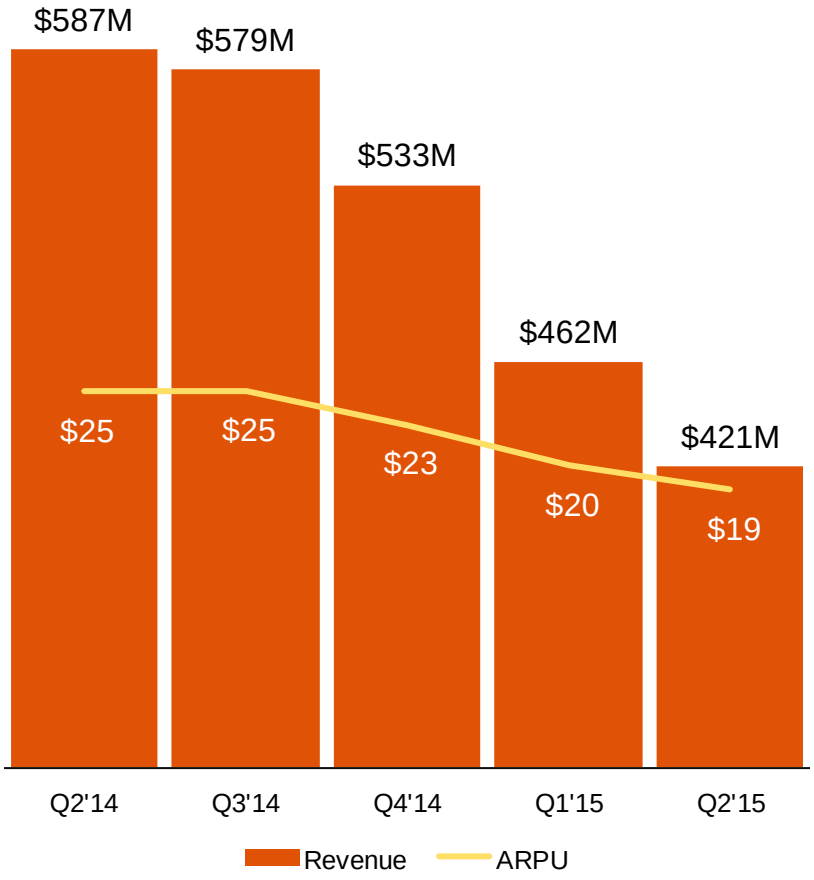
## Key points

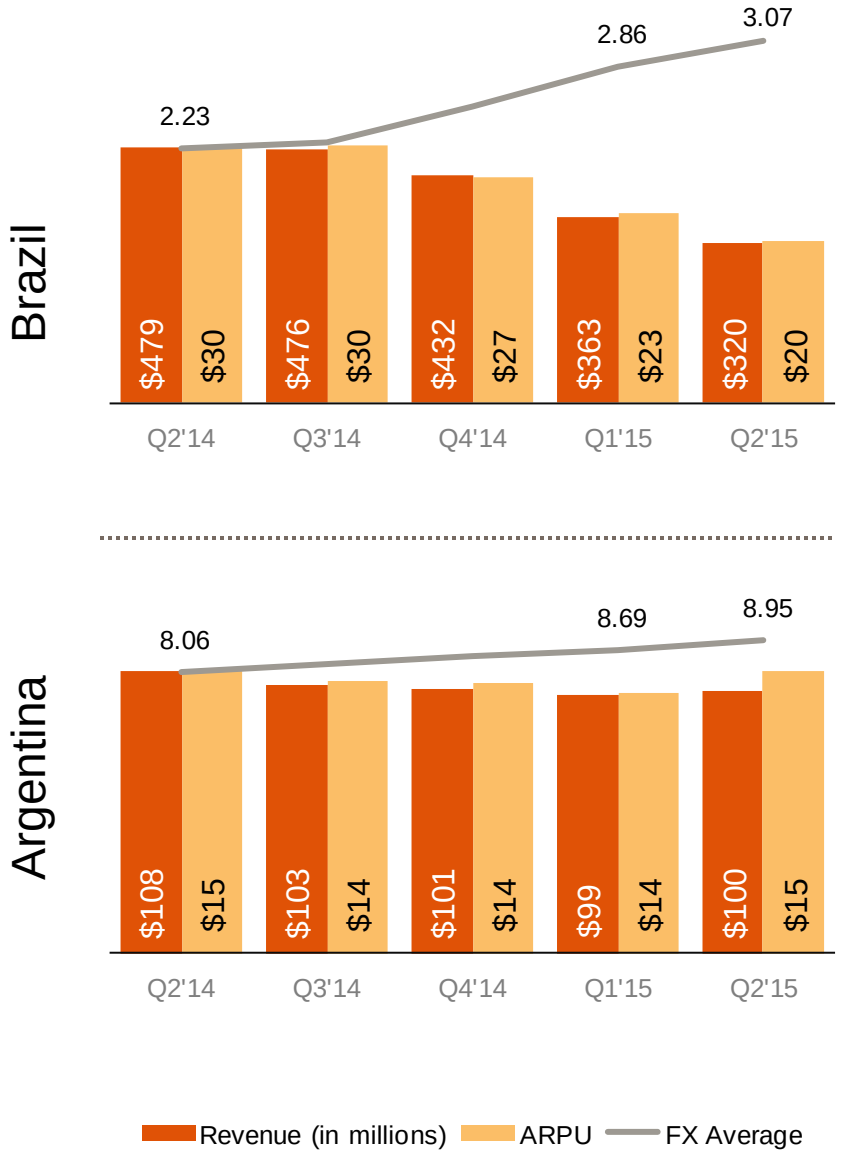
Operating revenue declined by 9%, driven primarily by lower local currency rates in Brazil and Argentina and lower local currency ARPU

G&A was impacted by an increase in energy costs, higher customer care costs, an increase in bad debt expense and a one-time $25M non-cash reserve for non-income based taxes in Brazil

# Q2'15 Segment Operating Revenues

## Consolidated

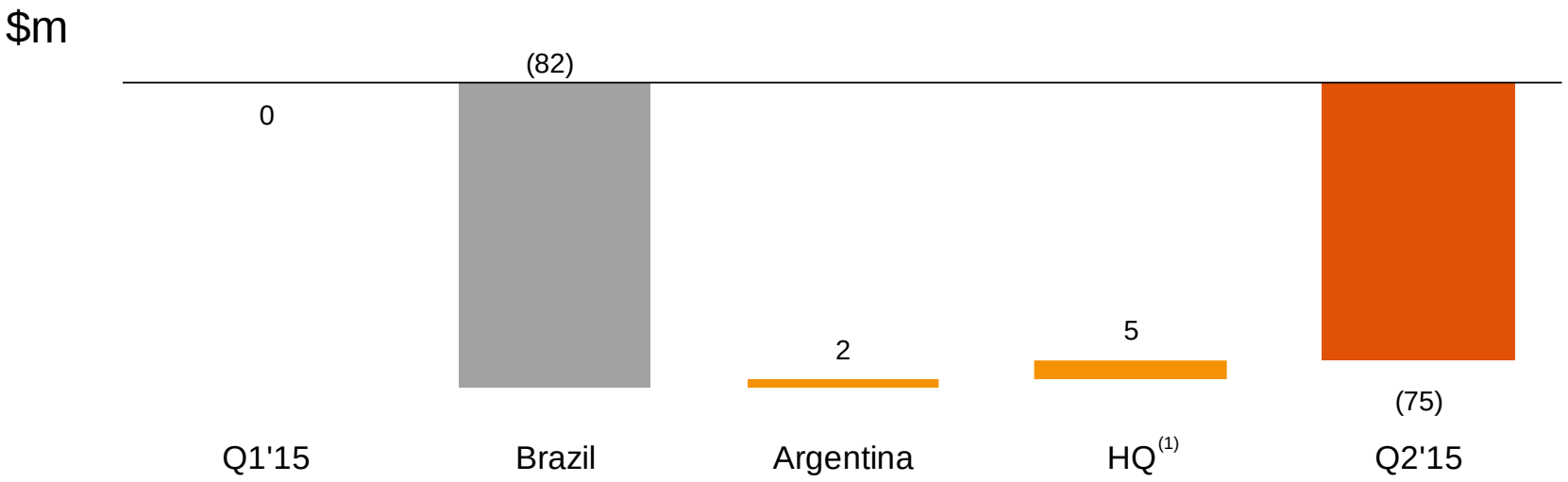


# Q2'15 Segment Adjusted OIBDA (vs. Q1'15)

| $m | Q2'15 | Q1'15 | $ Change | % Change |
|---|---|---|---|---|
| Brazil | (79) | 4 | (82) | nm |
| Argentina | 20 | 18 | 2 | 13% |
| HQ[(1)] | (17) | (22) | 5 | 25% |
| **Consolidated** | **(75)** | **0** | **(75)** | **nm** |

nm = Not Meaningful
(1) Includes the impact of intercompany eliminations and Mexico discontinued operations



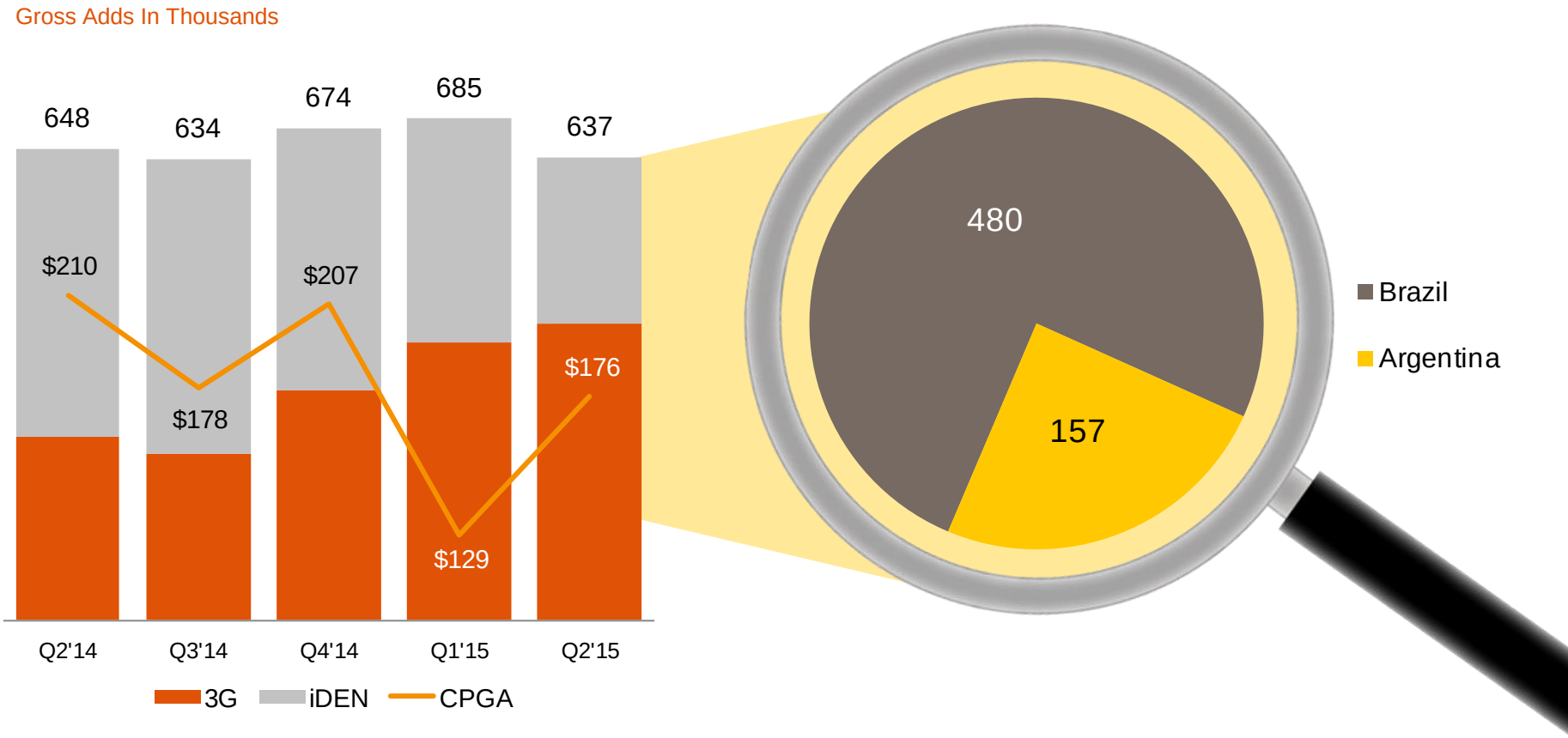
# Contents


Earnings Overview

**Subscriber Overview**

Business Review

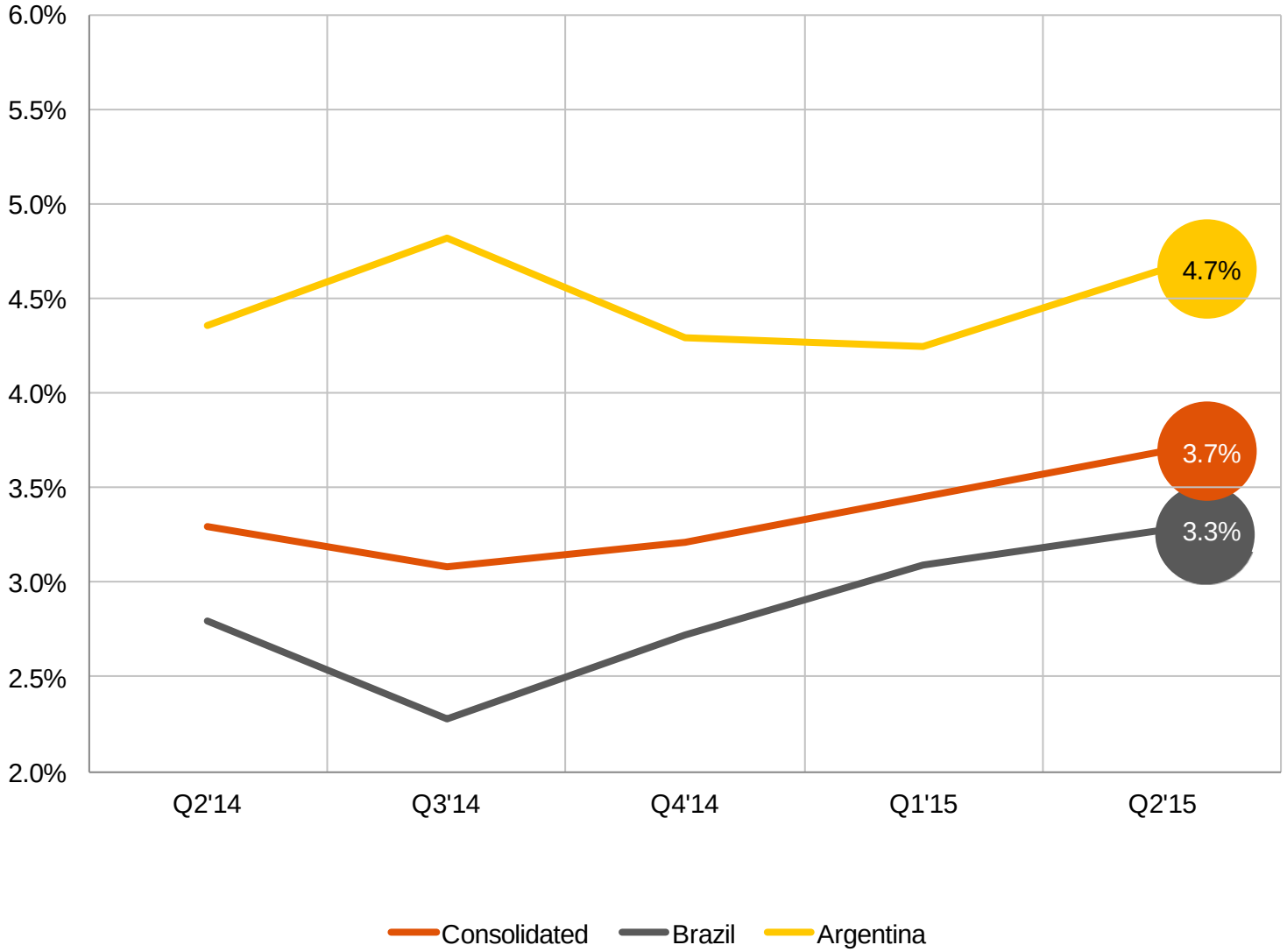
# Gross Adds Overview




## Key points

- Total gross adds declined for the first time in three quarters due to weak iDEN growth
- 3G gross adds continued to be strong up 6% sequentially in a tough macro environment
- CPGA took a significant jump as a result of the launch of a new marketing campaign in Brazil during the quarter

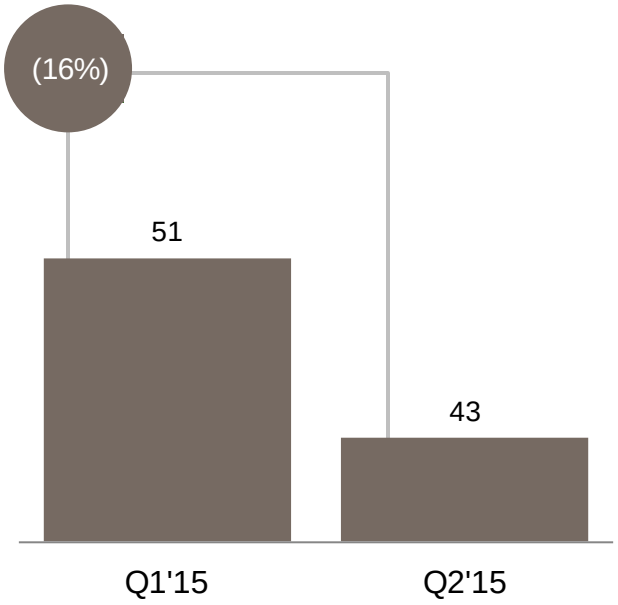
# Churn Overview



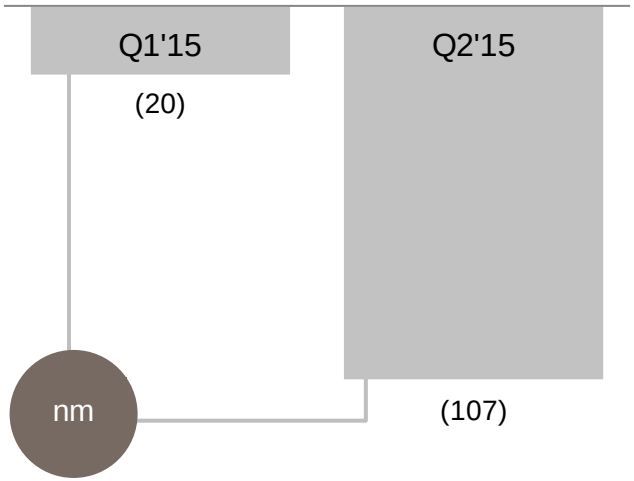
# Net Adds Overview

| In Thousands | Consolidated Q2'15 | Consolidated Q1'15 | % Change B/(W) |
|---|---|---|---|
| Gross Adds | 637 | 685 | (7%) |
| Net Adds | (64) | 32 | (303%) |
| Churn % | 3.69% | 3.45% | (24 bps) |
| Ending Subscribers | 6,263 | 6,327 | (1%) |

## Brazil Net Adds




## Argentina Net Losses




nm = Not Meaningful

# Q2'15 Segment Net Adds

| Net Adds (Losses) (In Thousands) | Q2'15 Total | 3G | iDEN | Migrations To 3G[1] |
|---|---|---|---|---|
| Brazil | 43 | 227 | (184) | 59 |
| Argentina | (107) | - | (107) | - |
| **Consolidated** | **(64)** | **227** | **(151)** | **59** |

Key points

- iDEN subscriber losses continued during the quarter
- Brazil continued to generate strong net additions on its 3G platform despite a challenging macroeconomic environment

[1] Migrations not included in the calculation of net adds

# Contents

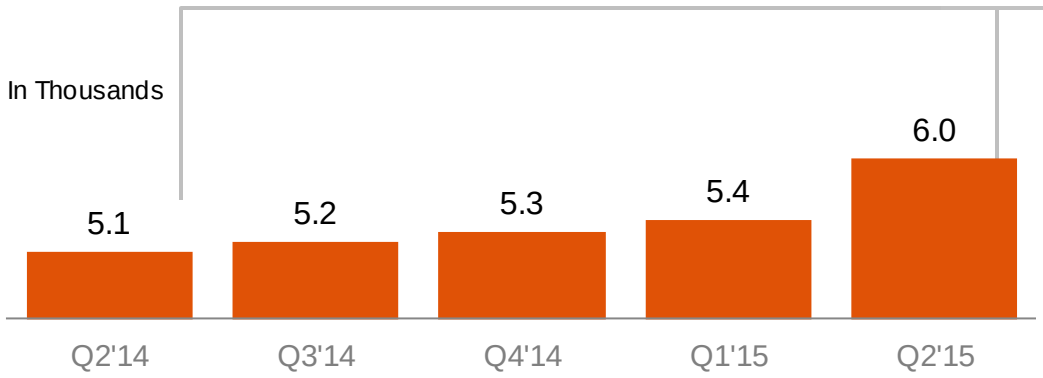

Earnings Overview

Subscriber Overview

**Business Review**

# Consolidated 3G Overview

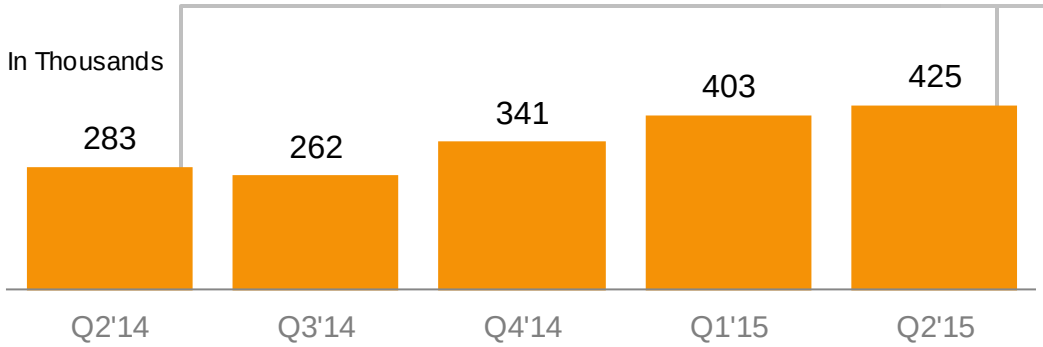
3G Cell Sites[1]




17%

Q2'14 to Q2'15 Change

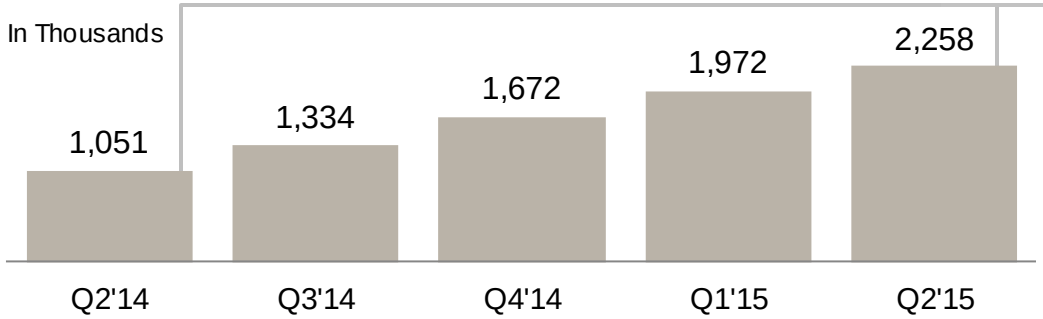
3G Gross Adds




50%

Q2'14 to Q2'15 Change

3G Subscribers




115%

Q2'14 to Q2'15 Change

[1] Excludes 3G indoor sites

# Non-GAAP Reconciliations

**NII Holdings, Inc.**
**Reconciliations of Non-GAAP Financial Measures for 2015**

The tables below include financial information prepared in accordance with accounting principles generally accepted in the United States, or GAAP, as well as other financial measures referred to as non-GAAP financial measures. These non-GAAP financial measures should be considered in addition to, but not as a substitute for, the information prepared in accordance with GAAP.

***"Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995.*** These reconciliations include "forward-looking statements" within the meaning of the securities laws. The statements regarding the business and economic outlook, future performance and forward-looking guidance, as well as other statements that are not historical facts, are 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, the Company's ability to meet its business plans, customer growth and retention, pricing, network usage, operating costs, the timing of various events, the economic and regulatory environment and the foreign currency exchange rates that will prevail during 2015. Future performance cannot be assured and actual results may differ materially from those in the forward-looking statements. Some factors that could cause actual results to differ include the risks and uncertainties relating to: the impact of liquidity constraints, the impact of more intense competitive conditions and changes in economic conditions in the markets we serve, the performance of the Company's networks, the Company's ability to provide services that customers want or need, the ability of the Company to continue as a going concern, the Company's ability to execute its business plan, and the additional risks and uncertainties that are described in NII Holdings' Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2015, as well as in other reports filed from time to time by NII Holdings with the Securities and Exchange Commission. The tables below speak only as of their date, and NII Holdings disclaims any duty to update the information herein.

**(1)** Consolidated operating income before depreciation and amortization, or OIBDA, represents operating income before depreciation and amortization expense. Consolidated adjusted operating income before depreciation and amortization, or adjusted OIBDA, represents consolidated operating income before depreciation expense, amortization expense, material non-cash asset impairments, severance costs associated with publicly announced restructuring plans and other material non-recurring or unusual charges. Consolidated adjusted OIBDA margin represents adjusted OIBDA divided by total operating revenues and consolidated OIBDA margin represents OIBDA divided by total operating revenues. Consolidated OIBDA, consolidated adjusted OIBDA, consolidated OIBDA margin and consolidated adjusted OIBDA margin are not measurements under accounting principles generally accepted in the United States, may not be similar to consolidated OIBDA, consolidated adjusted OIBDA, consolidated OIBDA margin and consolidated adjusted OIBDA margin measures of other companies and should be considered in addition to, but not as substitutes for, the information contained in our statements of operations. We believe that consolidated OIBDA, consolidated adjusted OIBDA, consolidated OIBDA margin and consolidated adjusted OIBDA margin provide useful information to investors because they are indicators of our operating performance, especially in a capital intensive industry such as ours, since they exclude items that are not directly attributable to ongoing business operations. Consolidated OIBDA, consolidated adjusted OIBDA, consolidated OIBDA margin and consolidated adjusted OIBDA margin can be reconciled to our consolidated statements of operations as follows (in thousands, except for margins):

| | For the Three Months Ended March 31, 2015 | For the Three Months Ended June 30, 2015 |
|---|---|---|
| Consolidated operating loss | $ (88,527) | $ (179,028) |
| Consolidated depreciation | 66,667 | 61,468 |
| Consolidated amortization | 14,286 | 13,204 |
| Consolidated operating loss before depreciation and amortization | (7,574) | (104,356) |
| Asset impairment charges | 5,780 | 25,293 |
| Restructuring charges | 1,516 | 4,203 |
| Consolidated adjusted operating loss before depreciation and amortization | $ (278) | $ (74,860) |
| Consolidated adjusted operating loss before depreciation and amortization margin | -% | (18)% |
| Consolidated operating loss before depreciation and amortization margin | (2)% | (25)% |
| Consolidated operating loss margin | (19)% | (43)% |

**(2)** Average monthly revenue per subscriber unit in service, or ARPU, is an industry term that measures service revenues, which we refer to as subscriber revenues, per period from our customers divided by the weighted average number of subscriber units in commercial service during that period. ARPU is not a measurement under accounting principles generally accepted in the United States, may not be similar to ARPU measures of other companies and should be considered in addition, but not as a substitute for, the information contained in our statements 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, handset maintenance, cancellation fees, analog and other. ARPU can be calculated and reconciled to our consolidated statement of operations as follows (in thousands, except ARPU):

a. Consolidated

| | For the Three Months Ended March 31, 2015 | For the Three Months Ended June 30, 2015 |
|---|---|---|
| Digital service and other revenues | $ 428,065 | $ 394,182 |
| Less: other revenues | (46,905) | (42,313) |
| Total subscriber revenues | $ 381,160 | $ 351,869 |
| **ARPU** calculated with subscriber revenues | $ 20 | $ 19 |
| **ARPU** calculated with digital service and other revenues | $ 23 | $ 21 |

b. Nextel Brazil

| | For the Three Months Ended March 31, 2015 | For the Three Months Ended June 30, 2015 |
|---|---|---|
| Digital service and other revenues | $ 340,630 | $ 303,174 |
| Less: other revenues | (38,528) | (34,309) |
| Total subscriber revenues | $ 302,102 | $ 268,865 |
| **ARPU** calculated with subscriber revenues | $ 23 | $ 20 |
| **ARPU** calculated with digital service and other revenues | $ 26 | $ 23 |

c. Nextel Argentina

| | For the Three Months Ended March 31, 2015 | For the Three Months Ended June 30, 2015 |
|---|---|---|
| Digital service and other revenues | $ 87,383 | $ 90,960 |
| Less: other revenues | (8,416) | (8,033) |
| Total subscriber revenues | $ 78,967 | $ 82,927 |
| **ARPU** calculated with subscriber revenues | $ 14 | $ 15 |
| **ARPU** calculated with digital service and other revenues | $ 15 | $ 16 |

(3) Cost per gross add, or CPGA, is an industry term 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. CPGA is not a measurement under accounting principles generally accepted in the United States, may not be similar to CPGA measures of other companies and should be considered in addition, but not as a substitute for, the information contained in our statements 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 (in thousands, except CPGA):

a. Consolidated

| | For the Three Months Ended March 31, 2015 | For the Three Months Ended June 30, 2015 |
|---|---|---|
| Handset and accessory revenues | $ 34,389 | $ 26,583 |
| Uninsured handset replacement revenue | (449) | (89) |
| Handset and accessory revenues, net | 33,940 | 26,494 |
| Less: cost of handsets and accessories | 75,035 | 78,140 |
| Handset subsidy costs | 41,095 | 51,646 |
| Selling and marketing | 58,074 | 66,997 |
| Costs per statement of operations | 99,169 | 118,643 |
| Less: costs unrelated to initial customer acquisition | (10,445) | (6,729) |
| Customer acquisition costs | $ 88,724 | $ 111,914 |
| **Cost per Gross Add** | $ 129 | $ 176 |

b. Nextel Brazil

| | For the Three Months Ended March 31, 2015 | For the Three Months Ended June 30, 2015 |
|---|---|---|
| Handset and accessory revenues | $ 22,726 | $ 17,081 |
| Uninsured handset replacement revenue | (448) | (89) |
| Handset and accessory revenues, net | 22,278 | 16,992 |
| Less: cost of handsets and accessories | 55,774 | 65,367 |
| Handset subsidy costs | 33,496 | 48,375 |
| Selling and marketing | 48,896 | 56,461 |
| Costs per statement of operations | 82,392 | 104,836 |
| Less: costs unrelated to initial customer acquisition | (7,250) | (5,767) |
| Customer acquisition costs | $ 75,142 | $ 99,069 |
| **Cost per Gross Add** | $ 164 | $ 207 |

. Nextel Argentina

| | For the Three Months Ended March 31, 2015 | For the Three Months Ended June 30, 2015 |
|---|---|---|
| Handset and accessory revenues | $ 11,663 | $ 9,502 |
| Uninsured handset replacement revenue | - | - |
| Handset and accessory revenues, net | 11,663 | 9,502 |
| Less: cost of handsets and accessories | 19,260 | 12,773 |
| Handset subsidy costs | 7,597 | 3,271 |
| Selling and marketing | 9,192 | 10,415 |
| Costs per statement of operations | 16,789 | 13,686 |
| Less: costs unrelated to initial customer acquisition | (3,195) | (962) |
| Customer acquisition costs | $ 13,594 | $ 12,724 |
| **Cost per Gross Add** | $ 60 | $ 81 |

(4) The following table shows the impact of changes in foreign currency exchange rates on certain financial measures for the three and six months ended June 30, 2014 compared to the same period in 2015 by (i) adjusting the relevant measures for the three and six months ended June 30, 2014 to levels that would have resulted if the average foreign currency exchange rates for the three and six months ended June 30, 2014 were the same as the average foreign currency exchange rates that were in effect for the three and six months ended June 30, 2015; and (ii) comparing the actual and adjusted financial measures for the three and six months ended June 30, 2014 to the similar financial measures for the three and six months ended June 30, 2015 to show the percentage change in those measures before and after taking those adjustments into account. The amounts reflected in the following table for operating income before depreciation and amortization on a consolidated basis and segment earnings for Nextel Brazil and Nextel Argentina, before the adjustments for changes in foreign currency exchange rates, are based on the calculations contained elsewhere in these non-GAAP reconciliations for the three and six months ended June 30, 2015 and 2014. The average foreign currency exchange rates for each of the relevant currencies during each of the three and six months ended June 30, 2015 and 2014 are included in the notes to the table below. The information reflected in the following table 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 statements of operations. We believe that these calculations provide useful information concerning our relative performance for the three and six months ended June 30, 2015 compared to the same period in 2014 by removing the impact of the significant difference in the average foreign currency exchange rates in effect for those periods.

| | Three Months Ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2Q 2014 Actual | 2Q 2014 Adjustment (1) | 2Q 2014 Normalized (1) | 2Q 2015 Actual | 2Q 2014 to 2Q 2015 Actual Growth Rate (2) | 2Q 2014 to 2Q 2015 Normalized Growth Rate (3) |
| | (dollars in thousands) | | | | | |
| **Consolidated:** | | | | | | |
| Operating revenues | $586,914 | $(142,169) | $444,745 | $420,765 | (28)% | (5)% |
| Adjusted operating income before depreciation and amortization | (72,634) | 13,276 | (59,358) | (74,860) | 3% | 26% |
| **Nextel Brazil:** | | | | | | |
| Operating revenues | $479,373 | $(131,164) | $348,209 | $320,255 | (33)% | (8)% |
| Segment earnings | (56,151) | 15,364 | (40,787) | (78,755) | 40% | 93% |
| **Nextel Argentina:** | | | | | | |
| Operating revenues | $108,109 | $(10,751) | $97,358 | $100,462 | (7)% | 3% |
| Segment earnings | 21,307 | (2,119) | 19,188 | 20,468 | (4)% | 7% |

| | Six Months Ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | YTD 2014 Actual | YTD 2014 Adjustment (1) | YTD 2014 Normalized (1) | YTD 2015 Actual | YTD 2014 to YTD 2015 Actual Growth Rate (2) | YTD 2014 to YTD 2015 Normalized Growth Rate (3) |
| | (dollars in thousands) | | | | | |
| **Consolidated:** | | | | | | |
| Operating revenues | $1,161,474 | $(236,769) | $924,705 | $883,219 | (24)% | (4)% |
| Adjusted operating income before depreciation and amortization | (103,821) | 13,967 | (89,854) | (75,138) | (28)% | (16)% |
| **Nextel Brazil:** | | | | | | |
| Operating revenues | $940,597 | $(212,189) | $728,408 | $683,611 | (27)% | (6)% |
| Segment earnings | (85,296) | 19,242 | (66,054) | (75,234) | (12)% | 14% |
| **Nextel Argentina:** | | | | | | |
| Operating revenues | $220,789 | $(24,282) | $196,507 | $199,508 | (10)% | 2% |
| Segment earnings | 48,285 | (5,310) | 42,975 | 38,659 | (20)% | (10)% |

(1) The "2Q 2014 Normalized" and "YTD 2014 Normalized" amounts reflect the impact of applying the average foreign currency exchange rates for the three and six months ended June 30, 2015 to the operating revenues earned in foreign currencies and to the other components of each of the actual financial measures shown above for the three and six months ended June 30, 2014, other than certain components of those measures consisting of U.S. dollar-based operating expenses, which were not adjusted. The amounts included under the columns "2Q 2014 Adjustment" and "YTD 2014 Adjustment" reflect the amount determined by subtracting the "2Q 2014 Normalized" and "YTD 2014 Normalized" amounts calculated as described in the preceding sentence from the "2Q 2014 Actual" and "YTD 2014 Actual" amounts and reflect the impact of the year-over-year change in the average foreign currency exchange rates on each of the financial measures for the three and six months ended June 30, 2015. The average foreign currency exchange rates for each of the relevant currencies during the three and six months ended June 30, 2015 and 2014 for purposes of these calculations were as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Brazilian real | 3.07 | 2.23 | 2.97 | 2.30 |
| Argentine peso | 8.95 | 8.06 | 8.82 | 7.85 |

(2) The percentage amounts in these columns reflect the growth rates for each of the financial measures comparing the amounts in the "2Q 2015 Actual" and "YTD 2015 Actual" columns with those in the "2Q 2014 Actual" and "YTD 2014 Actual" columns.

(3) The percentage amounts in these columns reflect the growth rates for each of the financial measures comparing the amounts in the "2Q 2015 Actual" and "YTD 2015 Actual" columns with those in the "2Q 2014 Normalized" and "YTD 2014 Normalized" columns.