

NII HOLDINGS INC
Form 10-Q
August 11, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2014

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number 0-32421

NII HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Delaware

91-1671412

(State or other jurisdiction of

(I.R.S. Employer Identification No.)

incorporation or organization)

1875 Explorer Street, Suite 1000

20190

Reston, Virginia

(Zip Code)

(Address of principal executive offices)

(703) 390-5100

(Registrant's telephone number, including area code)

Not Applicable

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated
filer Smaller reporting company
(Do not check if a
smaller reporting
company)

Edgar Filing: NII HOLDINGS INC - Form 10-Q

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No
Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Title of Class	Number of Shares Outstanding on August 1, 2014
Common Stock, \$0.001 par value per share	172,363,259

NII HOLDINGS, INC. AND SUBSIDIARES
INDEX

	Page
<u>Part I. Financial Information</u>	
<u>Item 1. Financial Statements (Unaudited)</u>	<u>3</u>
<u>Condensed Consolidated Balance Sheets - As of June 30, 2014 and December 31, 2013</u>	<u>3</u>
<u>Condensed Consolidated Statements of Comprehensive Loss - For the Three and Six Months Ended June 30, 2014 and 2013</u>	<u>4</u>
<u>Condensed Consolidated Statement of Changes in Stockholders' (Deficit) Equity - For the Six Months Ended June 30, 2014</u>	<u>5</u>
<u>Condensed Consolidated Statements of Cash Flows - For the Six Months Ended June 30, 2014 and 2013</u>	<u>6</u>
<u>Notes to Condensed Consolidated Financial Statements</u>	<u>7</u>
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>27</u>
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>55</u>
<u>Item 4. Controls and Procedures</u>	<u>55</u>
<u>Part II. Other Information</u>	<u>56</u>
<u>Item 1. Legal Proceedings</u>	<u>56</u>
<u>Item 1A. Risk Factors</u>	<u>56</u>
<u>Item 2. Issuer Purchases of Equity Securities</u>	<u>57</u>
<u>Item 6. Exhibits</u>	<u>57</u>

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

NII HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except par values)

Unaudited

	June 30, 2014	December 31, 2013
ASSETS		
Current assets		
Cash and cash equivalents	\$814,023	\$1,733,783
Short-term investments	132,590	585,760
Accounts receivable, less allowance for doubtful accounts of \$66,200 and \$61,293	485,185	522,563
Handset and accessory inventory	373,565	342,585
Deferred income taxes, net	98,671	127,395
Prepaid expenses and other	668,943	436,100
Total current assets	2,572,977	3,748,186
Property, plant and equipment, net	3,259,529	3,388,060
Intangible assets, net	1,019,548	993,669
Deferred income taxes, net	9,514	26,713
Other assets	577,218	523,326
Total assets	\$7,438,786	\$8,679,954
LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY		
Current liabilities		
Accounts payable	\$264,508	\$369,056
Accrued expenses and other	804,483	972,534
Deferred revenues	111,728	128,148
Current portion of long-term debt	5,555,298	96,839
Deposits related to 2013 sale of towers	725,611	720,013
Total current liabilities	7,461,628	2,286,590
Long-term debt	221,598	5,696,632
Deferred revenues	9,923	11,238
Deferred income tax liabilities	89,285	108,991
Other long-term liabilities	239,899	221,116
Total liabilities	8,022,333	8,324,567
Commitments and contingencies (Note 8)		
Stockholders' (deficit) equity		
Undesignated preferred stock, par value \$0.001, 10,000 shares authorized, no shares issued or outstanding	—	—
Common stock, par value \$0.001, 600,000 shares authorized, 172,362 shares issued and outstanding — 2014, 172,105 shares issued and outstanding — 2013	172	172
Paid-in capital	1,511,845	1,504,258
Accumulated deficit	(1,192,356)	(192,966)
Accumulated other comprehensive loss	(903,208)	(956,077)

Edgar Filing: NII HOLDINGS INC - Form 10-Q

Total stockholders' (deficit) equity	(583,547	) 355,387
Total liabilities and stockholders' (deficit) equity	\$7,438,786	\$8,679,954

The accompanying notes are an integral part of these condensed consolidated financial statements.

3

NII HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(in thousands, except per share amounts)

Unaudited

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Operating revenues				
Service and other revenues	\$893,125	\$1,214,174	\$1,807,030	\$2,497,250
Handset and accessory revenues	75,627	45,386	131,936	93,149
	968,752	1,259,560	1,938,966	2,590,399
Operating expenses				
Cost of service (exclusive of depreciation and amortization included below)	366,909	393,006	704,492	792,099
Cost of handset and accessory sales	274,059	233,866	539,864	440,167
Selling, general and administrative	483,515	531,798	934,272	1,029,330
Impairment and restructuring charges	160,270	1,281	157,743	125,888
Depreciation	170,335	166,072	310,890	333,535
Amortization	18,046	15,542	35,167	30,901
	1,473,134	1,341,565	2,682,428	2,751,920
Operating loss	(504,382)	(82,005)	(743,462)	(161,521)
Other expense				
Interest expense, net	(120,394)	(150,242)	(260,606)	(259,904)
Interest income	12,762	8,987	32,870	15,492
Foreign currency transaction gains (losses), net	9,723	(104,493)	2,537	(81,268)
Other income (expense), net	1,720	(8,333)	(2,970)	(13,087)
	(96,189)	(254,081)	(228,169)	(338,767)
Loss from continuing operations before income tax provision	(600,571)	(336,086)	(971,631)	(500,288)
Income tax provision	(28,671)	(48,770)	(33,711)	(70,388)
Net loss from continuing operations	(629,242)	(384,856)	(1,005,342)	(570,676)
Income (loss) from discontinued operations, net of income taxes	5,931	(11,495)	5,952	(33,179)
Net loss	\$(623,311)	\$(396,351)	\$(999,390)	\$(603,855)
Net loss from continuing operations per common share, basic and diluted	\$(3.65)	\$(2.23)	\$(5.84)	\$(3.32)
Net income (loss) from discontinued operations per common share, basic and diluted	0.03	(0.07)	0.04	(0.19)
Net loss per common share, basic and diluted	\$(3.62)	\$(2.30)	\$(5.80)	\$(3.51)
Weighted average number of common shares outstanding, basic and diluted	172,295	172,246	172,201	171,952
Comprehensive loss, net of income taxes				
Foreign currency translation adjustment	\$44,584	\$(275,632)	\$53,003	\$(198,178)
Other	435	(1,867)	(134)	(3,792)
Other comprehensive income (loss)	45,019	(277,499)	52,869	(201,970)

Edgar Filing: NII HOLDINGS INC - Form 10-Q

Net loss	(623,311	)	(396,351	)	(999,390	)	(603,855)
Total comprehensive loss	\$(578,292	)	\$(673,850	)	\$(946,521	)	\$(805,825)

The accompanying notes are an integral part of these condensed consolidated financial statements.

4

NII HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' (DEFICIT) EQUITY

For the Six Months Ended June 30, 2014

(in thousands)

Unaudited

	Common Stock		Paid-in	Accumulated	Accumulated	Total
	Shares	Amount	Capital	Deficit	Other Comprehensive Loss	Stockholders' (Deficit) Equity
Balance, January 1, 2014	172,105	\$172	\$1,504,258	\$(192,966)	\$ (956,077)	\$ 355,387
Net loss	—	—	—	(999,390)	—	(999,390)
Other comprehensive income	—	—	—	—	52,869	52,869
Share-based compensation activity	257	—	7,587	—	—	7,587
Balance, June 30, 2014	172,362	\$172	\$1,511,845	\$(1,192,356)	\$ (903,208)	\$ (583,547)

The accompanying notes are an integral part of these condensed consolidated financial statements.

5

NII HOLDINGS, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 For the Six Months Ended June 30, 2014 and 2013
 (in thousands)
 Unaudited

	2014	2013	
Cash flows from operating activities:			
Net loss	\$(999,390)	) \$(603,855)
Adjustments to reconcile net loss to net cash used in operating activities:			
(Income) loss from discontinued operations	(5,952	) 33,179	
Amortization of debt discount and financing costs	10,398	28,248	
Depreciation and amortization	346,057	364,436	
Provision for losses on accounts receivable	73,284	50,562	
Foreign currency transaction (gains) losses, net	(2,537	) 81,268	
Impairment charges, restructuring charges and losses on disposals of fixed assets	135,416	129,907	
Deferred income tax provision	21,466	23,811	
Share-based payment expense	9,312	19,031	
Premium on issuance of senior notes	—	10,875	
Other, net	18,117	26,047	
Change in assets and liabilities:			
Accounts receivable	(14,471	) (72,578)
Handset and accessory inventory	(43,230	) (2,035)
Prepaid expenses and other	(163,781	) (13,473)
Other long-term assets	(119,915	) (34,787)
Accounts payable, accrued expenses and other	(67,823	) (71,733)
Total operating cash used in continuing operations	(803,049	) (31,097)
Total operating cash used in discontinued operations	—	(9,209)
Net cash used in operating activities	(803,049	) (40,306)
Cash flows from investing activities:			
Capital expenditures	(385,975	) (408,770)
Purchases of long-term and short-term investments	(929,154	) (1,363,681)
Proceeds from sales of long-term and short-term investments	1,426,983	1,210,003	
Transfers to restricted cash and escrow accounts	(147,841	) (17,314)
Transfers from restricted cash	—	1,951	
Payments for purchases of licenses and other	(20,945	) (28,501)
Total investing cash used in continuing operations	(56,932	) (606,312)
Total investing cash used in discontinued operations	(30	) (41,506)
Net cash used in investing activities	(56,962	) (647,818)
Cash flows from financing activities:			
Gross proceeds from issuance of senior notes	—	1,600,000	
Borrowings under equipment financing facilities	14,691	86,913	
Repayments under bank loans, equipment financing and other	(38,505	) (844,374)
Other, net	(587	) (19,496)
Total financing cash (used in) provided by continuing operations	(24,401	) 823,043	
Total financing cash used in discontinued operations	—	(1,555)
Net cash (used in) provided by financing activities	(24,401	) 821,488	
Effect of exchange rate changes on cash and cash equivalents	(35,348	) (18,156)
Change in cash and cash equivalents held for sale	—	(23,127)

Edgar Filing: NII HOLDINGS INC - Form 10-Q

Net (decrease) increase in cash and cash equivalents	(919,760	) 92,081
Cash and cash equivalents, beginning of period	1,733,783	1,371,173
Cash and cash equivalents, end of period	\$814,023	\$1,463,254

The accompanying notes are an integral part of these condensed consolidated financial statements.

6

respectively, in revenue-based taxes and other excise taxes. For the three and six months ended June 30, 2013, we recognized \$44.7 million and \$93.1 million, respectively, in revenue-based taxes and other excise taxes.

Net Loss Per Common Share, Basic and Diluted. Basic net loss per common share is computed by dividing adjusted net loss attributable to common shares by the weighted average number of common shares outstanding for the period. Diluted net loss

7

NII HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

per common share reflects the potential dilution of securities that could participate in our earnings, but not securities that are antidilutive, including stock options with an exercise price greater than the average market price of our common stock.

Our unvested restricted stock awards, or RSAs, contain non-forfeitable rights to dividends, whether paid or unpaid. As a result, our RSAs are considered participating securities because their holders have the right to participate in earnings with common stockholders. We use the two-class method to allocate net income between common shares and other participating securities.

As presented for the three and six months ended June 30, 2014 and 2013, our calculation of diluted net loss per common share is based on the weighted average number of common shares outstanding during those periods and does not include other potential common shares, including shares issuable upon the potential exercise of stock options under our stock-based employee compensation plans or restricted common shares issued under those plans since their effect would have been antidilutive to our net loss per common share for those periods. For the three and six months ended June 30, 2014, we did not include 10.3 million or 9.7 million stock options, respectively, and 1.7 million in restricted stock for both periods in our calculation of diluted net loss per common share because their effect would have been antidilutive to our net loss per common share for those periods. For the three and six months ended June 30, 2013, we did not include 13.0 million or 12.6 million stock options, respectively, and 3.1 million or 2.3 million in restricted stock, respectively, in our calculation of diluted net loss per common share because their effect would have been antidilutive to our net loss per common share for those periods.

Reclassifications. We have reclassified some prior period amounts in our condensed consolidated financial statements to conform to our current year presentation.

New Accounting Pronouncements. On May 28, 2014, the Financial Accounting Standards Board, or the FASB, issued new authoritative guidance surrounding revenue recognition, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. This new authoritative guidance will replace most existing revenue recognition guidance when it becomes effective. The new standard is effective on January 1, 2017, and early application is not permitted. The standard permits the use of either the retrospective or cumulative effect transition method. We are in the process of evaluating the effect that the new revenue recognition guidance will have on our consolidated financial statements and related disclosures. We have not yet selected a transition method nor have we determined the effect of the standard on our ongoing financial reporting. On April 10, 2014, the FASB issued new authoritative guidance surrounding discontinued operations and disclosures of components of an entity, which updates the definition of discontinued operations. Going forward only those disposals of components of an entity that represent a strategic shift that has or will have a major effect on an entity's operations and financial results will be reported as discontinued operations in a company's financial statements. The new standard is effective for disposals of components of an entity that occur within annual periods beginning on or after December 15, 2014, and early adoption is permitted. We intend to adopt this standard in the first quarter of 2015.

Note 2. Business Update and Going Concern

The accompanying condensed consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. These condensed consolidated financial statements do not include any adjustments that might result from the occurrence of any of the uncertainties described below.

Over the course of the last two years, our results of operations, including our operating revenues and operating cash flows, have been negatively affected by a number of factors, including competitive pressure across all of our markets, the depreciation of local currencies, the impact of delays in the deployment and launch of services on our wideband code division multiple access, or WCDMA, networks, which delayed our ability to generate subscriber growth and

revenues on those networks, and the increased costs to support our networks. These and other factors had a significant negative impact on our results over the course of the last year, and as a result, we ended the second quarter of 2014 with a significantly smaller subscriber and revenue base than existed at the end of the second quarter of 2013. These conditions, and their impact on our liquidity, in combination with the potential impact of our failure to satisfy certain financial covenants under our existing debt obligations, raise substantial doubt about our ability to generate sufficient growth in our operating revenues and operating cash flows to meet our financial obligations beyond early 2015, as well as our ability to continue as a going concern, despite our implementation of measures designed to conserve cash and reduce operating expenses and capital expenditures in 2014. In response to these circumstances, we have:

8

NII HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

retained financial advisers to assist us in evaluating both potential strategic alternatives and the feasibility of recapitalizing our balance sheet;
engaged in discussions with a number of parties interested in acquiring some or all of our assets; and
engaged in discussions with holders of, and representatives of certain holders of, the senior notes issued by NII Capital Corp. and NII International Telecom, S.C.A., or NIIT, regarding the potential terms on which the obligations evidenced by those senior notes could be restructured, including by exchanging all or a portion of the senior notes for common stock or other equity interests.

As a result of the negative impact of the factors discussed above on our results of operations, as of June 30, 2014, we were not in compliance with certain financial covenants in our existing debt obligations. Each of our equipment financing facilities in Brazil and Mexico, as well as our bank loans in Brazil, requires that we meet certain financial covenants semiannually, calculated as of June 30 and December 31 of each year. In June 2014, the lender under our equipment financing facilities in Brazil and Mexico waived the requirement that we comply with the financial covenants under those facilities for the June 30, 2014 measurement date. As of June 30, 2014, we had \$713.0 million principal amount outstanding under these equipment financing facilities. Because we expect that, absent another waiver or amendment, we will be unable to meet the financial covenants in these equipment financing facilities as of the next compliance date at December 31, 2014, we classified the principal amounts outstanding under these facilities as current liabilities in our condensed consolidated balance sheet as of June 30, 2014. There is no guarantee that the lender of our equipment financing facilities will provide additional waivers or agree to amendments to those facilities that would address our failure to comply with the financial covenants. In addition, under the terms of the waivers that we received, we are currently not permitted to borrow the additional amounts that were available under these facilities at the time the waiver was granted, and it is uncertain whether we will be permitted to borrow those amounts in the future.

As of June 30, 2014, we were also not in compliance with the net debt financial covenants included in Nextel Brazil's local bank loans. Compliance certifications are due to the local banks on August 15, 2014. Unless we obtain a waiver of the noncompliance or an amendment to the terms of the related agreements, after the passage of the applicable grace period, the respective lenders under those arrangements will have the right to declare that an event of default has occurred under the terms of the related agreements. As of June 30, 2014, Nextel Brazil had \$443.1 million principal amount outstanding under these local bank loans. As a result of the failure to satisfy the financial covenants, we classified the principal amounts outstanding under these local bank loans as current liabilities in our condensed consolidated balance sheet as of June 30, 2014.

We are engaged in discussions with the lenders under each of our equipment financing facilities in Brazil and Mexico and our local bank loans in Brazil with respect to potential waivers and amendments to the terms of the related agreements that would address the financial covenant compliance issues discussed above, as well as our liquidity issues. There can be no assurance that these discussions will result in waivers or amendments or that the consequences of any of the current or potential defaults or events of default will be avoided. If the debt under any of these agreements were to be accelerated by the lenders, the holders of 25% of each series of senior notes issued by NII Capital Corp. and NIIT would have the right to declare that an event of default has occurred under the related indentures and could then require the immediate repayment of all borrowings represented by the senior notes. As of June 30, 2014, we had approximately \$4.4 billion principal amount of senior notes outstanding. Based on the facts and circumstances discussed above, we classified the balance of our senior notes as a current liability in our condensed consolidated balance sheet as of June 30, 2014.

We believe we are currently in compliance with the indentures governing our senior notes. However, a holder of more than 25% of our 8.875% senior notes, issued by NII Capital Corp. and due December 15, 2019, has provided a notice

of default in connection with these notes. We believe that the allegations contained in the notice are without merit. See Note 6 for more information.

Currently we have not entered into any agreements relating to any potential strategic transactions or any potential restructuring of our obligations. There can be no assurance that these efforts will result in any such agreement. If an agreement is reached and we decide to pursue a restructuring either on a standalone basis or in conjunction with one or more other potential actions, we expect that it will be necessary for us to file a voluntary petition for relief under Chapter 11 of the Bankruptcy Code in order to implement it through the confirmation and consummation of a plan of reorganization approved by the bankruptcy court in the bankruptcy proceedings. We may also conclude that it is necessary to initiate Chapter 11 proceedings to implement a restructuring

NII HOLDINGS, INC. AND SUBSIDIARIES
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 (Unaudited)

of our obligations even if we are unable to reach an agreement with our creditors and other relevant parties regarding the terms of such a restructuring. In either case, such a proceeding could be commenced in the very near future. We currently anticipate that the plan of reorganization implemented in any bankruptcy proceeding would provide that holders of claims and interests with respect to our equity securities, or rights to acquire our equity securities, would be entitled to little or no recovery and that those claims and interests would be canceled for little or no consideration. If that were to occur, we anticipate that all, or substantially all, of the value of all investments in our common stock will be lost and that our equity holders would lose all or substantially all of their investment. See "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations — Business Update."

Note 3. Discontinued Operations

Sale of Nextel Peru. In August 2013, we, together with our wholly-owned subsidiaries NII Mercosur Telecom, S.L. and NII Mercosur Moviles, S.L., completed the sale of all of the outstanding equity interests of our wholly-owned subsidiary, Nextel del Peru, S.A., or Nextel Peru, to Empresa Nacional de Telecomunicaciones S.A. and one of its subsidiaries, Entel Inversiones, S.A., which we refer to collectively as Entel, for \$405.5 million in cash, which included \$50.0 million that was deposited in escrow on our behalf to satisfy potential indemnification claims. In April 2014, we released \$7.5 million of the amounts held in escrow to Entel as a result of the settlement of certain indemnification claims. The remaining funds held in escrow continue to be available to satisfy potential future indemnification claims.

In connection with the sale of Nextel Peru to Entel, we have reported Nextel Peru as a discontinued operation in this quarterly report on Form 10-Q. Accordingly, we reclassified Nextel Peru's results of operations for all periods presented to reflect Nextel Peru as discontinued operations. Unless otherwise noted, amounts included in these notes to our condensed consolidated financial statements exclude amounts attributable to discontinued operations. The major components of income (loss) from discontinued operations related to Nextel Peru were as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Operating revenues	\$—	\$ 82,641	\$—	\$ 165,199
Operating expenses	—	(92,166)	) —	(197,260)
Other expense, net	—	(332)	) —	(218)
Loss before income tax provision	—	(9,857)	) —	(32,279)
Income tax provision	—	(1,638)	) —	(900)
	—	(11,495)	) —	(33,179)
Income on disposal of Nextel Peru	5,931	—	5,952	—
Income (loss) from discontinued operations, net of income taxes	\$ 5,931	\$ (11,495)	) \$ 5,952	\$ (33,179)

Note 4. Impairment and Restructuring Charges

Asset Impairments.

In June 2014, we determined that the remaining carrying value of Nextel Chile's assets was not recoverable. As a result, we recognized a non-cash asset impairment charge of \$127.5 million to impair the carrying amount of Nextel Chile's assets. We estimated the fair value of Nextel Chile's assets using short-term projections of cash flows, as well

as assumed proceeds from a potential disposition of some or all of the assets, both of which are Level 3 inputs within the fair value hierarchy under the FASB's authoritative guidance on fair value measurements. The impairment charge we recognized in the second quarter of 2014 reduced the carrying value of Nextel Chile's net assets to a nominal amount.

In addition, in June 2014, we recognized a \$6.4 million asset impairment charge at the corporate level related to the sale of our corporate aircraft.

In January 2013, we began evaluating the feasibility of discontinuing the broader use of software previously developed for use in multiple markets to support our customer relationship management systems and the possibility of restricting its ongoing

NII HOLDINGS, INC. AND SUBSIDIARIES
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 (Unaudited)

use to one market. As a result of this evaluation, in the first quarter of 2013, we recognized a non-cash asset impairment charge of \$85.3 million related to the discontinuation of this software, of which \$42.8 million was recognized at the corporate level, \$33.5 million was recognized by Nextel Chile and \$9.0 million was recognized by Nextel Mexico.

Restructuring Charges.

During the three and six months ended June 30, 2014, we recognized \$25.3 million and \$22.7 million in total restructuring charges, respectively. These restructuring charges consisted primarily of severance and related costs incurred at our corporate headquarters and at Nextel Mexico as a result of the separation of approximately 800 employees as we streamlined our organizational structure and reduced general and administrative expenses.

In 2009, we entered into an agreement with Nokia Siemens Networks, or NSN, to manage our network operations infrastructure. During the first quarter of 2013, we restructured and amended this agreement, reduced the scope of the services provided by NSN, added terms to facilitate the transition of those services to us and established the terms on which further transitions of services and the termination of the NSN arrangements could be implemented in each of our markets. Under the agreements in effect prior to this restructuring, we classified a portion of the base contractual fees as a prepayment and were recognizing this prepayment over the life of the previous agreement. As a result of the restructuring with NSN, we recognized a non-cash charge of \$38.6 million relating to the write-off of the remainder of the prepayment during the first quarter of 2013. In March 2014, we settled certain refund claims with NSN, which resulted in restructuring benefits of \$3.2 million for the first quarter of 2014.

Total impairment and restructuring charges by operating segment for the three and six months ended June 30, 2014 and 2013 were as follows (in thousands):

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2014	2013	2014	2013
Brazil	\$—	\$—	\$—	\$23,814
Mexico	13,355	1,431	12,793	21,086
Argentina	—	62	—	3,779
Chile	127,515	(212)	) 127,515	33,709
Corporate	19,400	—	17,435	43,500
Total impairment and restructuring charges	\$ 160,270	\$ 1,281	\$ 157,743	\$ 125,888

As of June 30, 2014, total accrued restructuring charges were as follows (in thousands):

Balance, January 1, 2014	\$ 15,410
Restructuring charges	22,703
Cash payments	(23,177)
Balance, June 30, 2014	\$ 14,936

NII HOLDINGS, INC. AND SUBSIDIARIES
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 (Unaudited)

Note 5. Supplemental Balance Sheet Information

Prepaid Expenses and Other.

The components of our prepaid expenses and other current assets are as follows:

	June 30, 2014	December 31, 2013
	(in thousands)	
Value-added taxes	\$264,944	\$237,119
Spectrum fees	68,000	1,109
Income taxes	44,327	59,054
Corporate aircraft held for sale	25,711	—
Other prepaid assets	154,428	96,312
Other current assets	111,533	42,506
	\$668,943	\$436,100

Property, Plant and Equipment, Net.

The components of our property, plant and equipment are as follows:

	June 30, 2014	December 31, 2013
	(in thousands)	
Land	\$7,952	\$9,652
Building and leasehold improvements	192,247	193,376
Digital mobile network equipment, communication towers and network software	5,037,221	4,829,134
Software, office equipment, furniture and fixtures and other	800,552	785,242
Corporate aircraft	—	42,747
Less: Accumulated depreciation and amortization	(3,253,836)	(2,995,667)
	2,784,136	2,864,484
Construction in progress	475,393	523,576
	\$3,259,529	\$3,388,060

Intangible Assets, Net.

Our intangible assets include the following:

	June 30, 2014			December 31, 2013		
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
	(in thousands)					

Amortizable intangible assets:

Licenses	\$1,285,087	\$(283,539)	\$1,001,548	\$1,220,990	\$(245,321)	\$975,669
----------	-------------	--------------	-------------	-------------	--------------	-----------

As of both June 30, 2014 and December 31, 2013, the balance of our indefinite lived intangible assets was \$18.0 million.

NII HOLDINGS, INC. AND SUBSIDIARIES
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 (Unaudited)

Accrued Expenses and Other.

The components of our accrued expenses and other are as follows:

	June 30, 2014	December 31, 2013
	(in thousands)	
Capital expenditures	\$172,200	\$290,484
Accrued interest	132,380	128,509
Payroll related items and commissions	99,953	92,852
Network system and information technology	86,420	92,109
Non-income based taxes	79,625	114,360
Other	233,905	254,220
	\$804,483	\$972,534

Note 6. Debt

	June 30, 2014	December 31, 2013
	(in thousands)	
NII Capital Corp. senior notes, net	\$2,731,482	\$2,729,321
NII International Telecom, S.C.A. senior notes, net	1,609,281	1,609,962
Brazil bank loans	443,887	444,268
Brazil equipment financing	366,937	352,725
Mexico equipment financing	346,064	300,832
Mexico capital lease and tower financing obligations	188,408	194,227
Brazil capital lease and tower financing obligations	54,038	122,499
Corporate aircraft capital lease	34,806	35,736
Other	1,993	3,901
Total debt	5,776,896	5,793,471
Less: current portion	(5,555,298)	(96,839)
	\$221,598	\$5,696,632

NII Capital Corp. Senior Notes.

8.875% Senior Notes due 2019. On March 19, 2014, Wilmington Trust Company, or Wilmington Trust, as trustee under the indenture relating to our 8.875% senior notes due 2019, received a notice on behalf of Aurelius Capital Management, or Aurelius, in its capacity as the purported holder of more than 25% of these senior notes, alleging that certain internal corporate restructuring transactions undertaken in 2009, which resulted in certain subsidiary guarantees being released, violated the terms of, and constitute a default under, the indenture. We refer to these allegations as the alleged defaults. These notes are senior unsecured obligations of NII Capital Corp., our wholly-owned domestic subsidiary, and are guaranteed on a senior unsecured basis by NII Holdings and all of its current and future first tier and domestic restricted subsidiaries, other than NII Capital Corp. We believe that the allegations contained in the notice are without merit.

On June 18, 2014, we entered into a forbearance agreement with certain holders of the senior notes issued by NII Capital Corp. and NIIT, including Aurelius, pursuant to which those holders have agreed during the forbearance period not to take any action with respect to any of our senior notes or indentures, including with respect to any of the alleged defaults, or to take any action with respect to any other indebtedness of our subsidiaries exceeding \$25.0

million. In addition, we have agreed not to commence any action or proceeding during the same forbearance period with respect to any matter concerning any of the alleged

13

NII HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

defaults. The forbearance period ends on the earlier of: August 15, 2014; the occurrence of a default under any of our indentures, other than the alleged defaults; our termination of the agreements to pay the expenses of financial and legal advisers for certain of the holders of the senior notes; our termination of discussions with the holders of the senior notes regarding the terms of a potential restructuring; or the commencement of bankruptcy proceedings in connection with any restructuring, reorganization and/or recapitalization.

NII International Telecom, S.C.A. Senior Notes.

7.875% Senior Notes due 2019 and 11.375% Senior Notes due 2019. In connection with the issuance of our 7.875% senior notes and our 11.375% senior notes, both of which are due in 2019, we entered into registration rights agreements with the initial purchasers of these notes. Under these agreements, we are required to prepare and file with the SEC exchange offer registration statements enabling holders to exchange these notes for notes having identical terms that are freely tradable, cause the exchange offer registration statements to be declared effective as promptly as possible by the SEC, and consummate the exchange offers within 360 days of the date of issue of these notes. We have not yet filed these exchange offer registration statements and are therefore subject to the additional interest provisions under the registration rights agreements and applicable indentures. Additional interest for our failure to register the notes is equal to 0.25% per year on the principal amount of the notes with respect to the first 90-day period immediately following the failure to register. The amount of additional interest will increase by an additional 0.25% per year with respect to each subsequent 90-day period, up to a maximum amount of additional interest of 1.00% per year. As of June 30, 2014, we accrued an immaterial amount of additional interest on the 7.875% and 11.375% notes in connection with this failure to register these notes.

Capital Leases.

Corporate Aircraft Lease. In 2009, we entered into an agreement to lease a corporate aircraft, which we accounted for as a capital lease. In June 2014, we entered into an agreement to sell this corporate aircraft for \$32.5 million, which was paid in full at closing in early July. In addition, in conjunction with the sale in early July, we exercised our pre-existing option to purchase this aircraft from the lessor and immediately terminated the lease. In connection with the sale of the corporate aircraft and the termination of the associated lease, we classified the capital lease liability as a current liability in our condensed consolidated balance sheet as of June 30, 2014 and recognized a \$6.4 million asset impairment charge in the second quarter of 2014.

Note 7. Fair Value Measurements

Financial Instruments.

Available-for-Sale Securities.

As of June 30, 2014 and December 31, 2013, available-for-sale securities included \$132.6 million and \$418.6 million, respectively, in short-term investments made by Nextel Brazil in two investment funds and certificates of deposit with a Brazilian bank. These funds invest primarily in Brazilian government bonds, long-term, low-risk bank certificates of deposit and Brazilian corporate debentures. During the three and six months ended June 30, 2014 and 2013, we did not have any material unrealized gains or losses associated with these investments.

We account for our available-for-sale securities at fair value in accordance with the FASB authoritative guidance surrounding the accounting for investments in debt and equity securities. The fair value of the Brazilian securities is based on the net asset value of the funds. The fair value of the certificates of deposit held at the corporate level is based on quoted market prices for the individual instruments. In our judgment, both of these types of securities trade with sufficient daily observable market activity to support a Level 1 classification within the fair value hierarchy.

NII HOLDINGS, INC. AND SUBSIDIARIES
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 (Unaudited)

Debt Instruments.

The carrying amounts and estimated fair values of our debt instruments are as follows:

	June 30, 2014		December 31, 2013	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
	(in thousands)			
NII Capital Corp. senior notes, net	\$2,731,482	\$865,700	\$2,729,321	\$1,227,950
NII International Telecom, S.C.A. senior notes, net	1,609,281	1,404,100	1,609,962	1,271,370
Bank loans and other	445,880	390,540	448,169	373,796
Equipment financing	713,001	692,130	653,557	620,173
	\$5,499,644	\$3,352,470	\$5,441,009	\$3,493,289

We estimated the fair values of our senior notes using quoted market prices. Because our fair value measurement is based on market prices in an active market, we consider this Level 1 in the fair value hierarchy.

Bank loans and other consists primarily of loans with certain banks in Brazil and Mexico. We estimated the fair value of these bank loans, as well as the fair value of our equipment financing, utilizing inputs such as U.S. Treasury security yield curves, prices of comparable bonds, LIBOR and zero-coupon yield curves, U.S. Treasury bond rates and credit spreads on comparable publicly traded bonds and consider these measurements to be Level 2 in the fair value hierarchy.

Other Financial Instruments.

The carrying values of cash and cash equivalents, accounts receivable and accounts payable contained in our condensed consolidated balance sheets approximate their fair values due to the short-term nature of these instruments. The fair values of our derivative instruments are not material.

Note 8. Commitments and Contingencies

Brazilian Contingencies.

Nextel Brazil has received various assessment notices from state and federal Brazilian authorities asserting deficiencies in payments related primarily to value-added taxes, excise taxes on imported equipment and other non-income based taxes. Nextel Brazil has filed various administrative and legal petitions disputing these assessments. In some cases, Nextel Brazil has received favorable decisions, which are currently being appealed by the respective governmental authority. In other cases, Nextel Brazil's petitions have been denied, and Nextel Brazil is currently appealing those decisions. Nextel Brazil also had contingencies related to certain regulatory, civil and labor-related matters as of June 30, 2014 and December 31, 2013.

As of June 30, 2014 and December 31, 2013, Nextel Brazil had accrued liabilities of \$78.2 million and \$70.9 million, respectively, related to contingencies, all of which were classified in accrued contingencies reported as a component of other long-term liabilities, of which \$10.4 million and \$11.2 million related to unasserted claims, respectively. We currently estimate the reasonably possible losses related to matters for which Nextel Brazil has not accrued liabilities, as they are not deemed probable, to be approximately \$450.0 million as of June 30, 2014. We evaluate the likelihood of probable and reasonably possible losses, if any, related to all known contingencies on an ongoing basis. As a result, future increases or decreases to our accrued liabilities may be necessary and will be recorded in the period when such amounts are determined to be probable and reasonably estimable.

Legal Proceedings.

Securities Litigation. On March 4, 2014, a purported class action lawsuit was filed against the Company, NII Capital Corp. and certain of the Company's current and former directors and executive officers in the United States District Court for the Eastern District of Virginia on behalf of a putative class of persons who purchased or otherwise acquired the securities of the Company or NII Capital Corp. between February 25, 2010 and February 27, 2014. The lawsuit is

captioned In re NII Holdings, Inc. Securities Litigation, Case Number 14-CV-227. On July 18, 2014, the parties that have been designated as the lead plaintiffs in the lawsuit filed a second amended complaint, which generally alleges that the defendants made false or misleading statements or concealed material adverse information about the Company's financial condition and operations in violation of Section 10(b), Rule 10b-5

15

NII HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

and Section 20(a) of the Securities Exchange Act of 1934. The complaint seeks class certification and unspecified damages, fees and injunctive relief. The Company and the named individuals intend to vigorously defend themselves in this matter.

In addition, we are subject to claims and legal actions that may arise in the ordinary course of business. We do not believe that any of these pending claims or legal actions will have a material effect on our business, financial condition, results of operations or cash flows.

Note 9. Income Taxes

The realization of deferred tax assets is dependent on the generation of future taxable income sufficient to realize our tax loss carryforwards and other tax deductions. Valuation allowances are required to be recognized on deferred tax assets unless it is determined that it is "more-likely-than-not" that the asset will be realized. In 2013, except for Argentina and certain subsidiaries in Mexico, we recorded full valuation allowances on the deferred tax assets of our foreign operating companies, our U.S. subsidiaries and our foreign holding companies due to substantial negative evidence such as the recent history of cumulative losses and the projected losses for 2014 and subsequent years. We maintained this same valuation allowance position for the first half of 2014. As a result, the valuation allowance on our deferred tax assets increased by \$248.8 million for the six-month period ended June 30, 2014. Our valuation allowance was \$4.8 billion and \$4.5 billion as of June 30, 2014 and December 31, 2013, respectively.

For the three and six months ended June 30, 2014, we recorded a consolidated income tax provision of \$28.7 million and \$33.7 million, respectively. For the three and six months ended June 30, 2013, we recorded a consolidated income tax provision of \$48.8 million and \$70.4 million. The \$20.1 million and \$36.7 million decreases in the consolidated income tax provision, respectively, are primarily due to decreases in Nextel Mexico's and Nextel Argentina's current income tax expense and reductions in withholding taxes on intercompany charges, partially offset by a \$22.7 million valuation allowance recognized on deferred tax assets related to a local reorganization of one of our Mexican subsidiaries in the second quarter of 2014. Further, for the reasons discussed above, we were not able to recognize a deferred tax benefit for pre-tax losses recognized in Brazil, most of our Mexican subsidiaries, Chile, the U.S. and our foreign holding companies in the first half of 2014.

Note 10. Segment Reporting

We have determined our reportable segments based on our method of internal reporting, which disaggregates our business by geographic location. We evaluate performance of these segments and provide resources to them based on operating income before depreciation, amortization and impairment and restructuring charges, which we refer to as segment earnings. Our reportable segments are: (1) Brazil, (2) Mexico, (3) Argentina, and (4) Chile.

NII HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

	Brazil	Mexico	Argentina	Chile	Corporate and Eliminations	Consolidated
	(in thousands)					
Three Months Ended June 30, 2014						
Operating revenues	\$479,373	\$366,812	\$108,109	\$16,772	\$(2,314)	\$968,752
Segment (losses) earnings	\$(56,151)	\$(49,114)	\$21,307	\$(24,476)	\$(47,297)	\$(155,731)
Less:						
Impairment and restructuring charges						(160,270)
Depreciation and amortization						(188,381)
Foreign currency transaction gains, net						9,723
Interest expense and other, net						(105,912)
Loss from continuing operations before income tax provision						\$(600,571)
Capital expenditures	\$49,679	\$63,274	\$6,187	\$417	\$3,095	\$122,652
Three Months Ended June 30, 2013						
Operating revenues	\$578,644	\$502,697	\$163,961	\$14,648	\$(390)	\$1,259,560
Segment earnings (losses)	\$107,348	\$39,396	\$41,842	\$(39,910)	\$(47,786)	\$100,890
Less:						
Impairment and restructuring charges						(1,281)
Depreciation and amortization						(181,614)
Foreign currency transaction losses, net						(104,493)
Interest expense and other, net						(149,588)
Loss from continuing operations before income tax provision						\$(336,086)
Capital expenditures	\$119,800	\$84,071	\$6,465	\$4,886	\$2,699	\$217,921
Six Months Ended June 30, 2014						
Operating revenues	\$940,597	\$748,656	\$220,789	\$31,204	\$(2,280)	\$1,938,966
Segment (losses) earnings	\$(85,296)	\$(61,654)	\$48,285	\$(49,225)	\$(91,772)	\$(239,662)
Less:						
Impairment and restructuring charges						(157,743)
Depreciation and amortization						(346,057)
Foreign currency transaction gains, net						2,537
Interest expense and other, net						(230,706)

Edgar Filing: NII HOLDINGS INC - Form 10-Q

Loss from continuing operations before income tax provision							\$(971,631)
Capital expenditures	\$ 117,366	\$ 101,796	\$ 11,440	\$ 1,019	\$ 8,844		\$ 240,465
Six Months Ended June 30, 2013							
Operating revenues	\$ 1,214,516	\$ 1,016,711	\$ 330,985	\$ 39,912	\$ (11,725)		\$ 2,590,399
Segment earnings (losses)	\$ 264,991	\$ 140,625	\$ 94,183	\$ (74,405)	\$ (96,591)		\$ 328,803
Less:							
Impairment and restructuring charges							(125,888)
Depreciation and amortization							(364,436)
Foreign currency transaction losses, net							(81,268)
Interest expense and other, net							(257,499)
Loss from continuing operations before income tax provision							\$(500,288)
Capital expenditures	\$ 212,708	\$ 136,536	\$ 7,959	\$ 7,998	\$ 5,451		\$ 370,652
June 30, 2014							
Identifiable assets	\$ 3,832,335	\$ 2,378,266	\$ 370,685	\$ 33,491	\$ 824,009		\$ 7,438,786
December 31, 2013							
Identifiable assets	\$ 3,705,642	\$ 2,695,091	\$ 451,041	\$ 169,062	\$ 1,659,118		\$ 8,679,954

NII HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 11. Condensed Consolidating Financial Statements

In 2011, we issued \$1.45 billion in aggregate principal amount of our 7.625% senior notes due 2021. In addition, during 2009, we issued senior notes totaling \$1.3 billion in aggregate principal amount comprised of our 10.0% senior notes due 2016 and our 8.875% senior notes due 2019. All of these senior notes are senior unsecured obligations of NII Capital Corp., our wholly-owned domestic subsidiary, and are guaranteed on a senior unsecured basis by NII Holdings, Inc. and all of its current and future first tier and domestic restricted subsidiaries, other than NII Capital Corp. No foreign subsidiaries will guarantee the senior notes unless they are first tier subsidiaries of NII Holdings, Inc. These guarantees are full and unconditional, as well as joint and several.

In connection with the issuance of the senior notes and the guarantees thereof, we are required to provide certain condensed consolidating financial information. Included in the tables below are condensed consolidating balance sheets as of June 30, 2014 and December 31, 2013, as well as condensed consolidating statements of comprehensive loss for the three and six months ended June 30, 2014 and 2013 and condensed consolidating statements of cash flows for the six months ended June 30, 2014 and 2013, of: (a) the parent company, NII Holdings, Inc.; (b) the subsidiary issuer, NII Capital Corp.; (c) the guarantor subsidiaries on a combined basis; (d) the non-guarantor subsidiaries on a combined basis; (e) consolidating adjustments; and (f) NII Holdings, Inc. and subsidiaries on a consolidated basis.

NII HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

CONDENSED CONSOLIDATING BALANCE SHEET

As of June 30, 2014

	NII Holdings, Inc. (Parent) (in thousands)	NII Capital Corp. (Issuer)(1)	Guarantor Subsidiaries(2)	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
ASSETS						
Current assets						
Cash and cash equivalents	\$ 156,579	\$ 27,051	\$ 17,405	\$ 612,988	\$—	\$ 814,023
Short-term investments	—	—	—	132,590	—	132,590
Accounts receivable, net	—	—	261	484,924	—	485,185
Short-term intercompany receivables	24,814	54,739	86,116	5,727	(171,396)	—
Handset and accessory inventory	—	—	—	373,565	—	373,565
Deferred income taxes, net	—	—	1,245	98,096	(670)	98,671
Prepaid expenses and other	7,603	29,370	37,618	594,352	—	668,943
Total current assets	188,996	111,160	142,645	2,302,242	(172,066)	2,572,977
Property, plant and equipment, net	—	—	94,653	3,164,876	—	3,259,529
Investments in and advances to affiliates	1,172,048	772,163	822,735	—	(2,766,946)	—
Intangible assets, net	18,000	—	—	1,001,548	—	1,019,548
Deferred income taxes, net	15,789	—	—	9,514	(15,789)	9,514
Long-term intercompany receivables	1,462,845	3,785,824	710,059	1,353	(5,960,081)	—
Other assets	27,205	—	6,476	543,537	—	577,218
Total assets	\$ 2,884,883	\$ 4,669,147	\$ 1,776,568	\$ 7,023,070	\$ (8,914,882)	\$ 7,438,786
LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY						
Current liabilities						
Accounts payable	\$—	\$—	\$ 3,543	\$ 260,965	\$—	\$ 264,508
Short-term intercompany payables	466,336	122,777	1,483,873	212,413	(2,285,399)	—
Accrued expenses and other	200	59,490	27,179	717,721	(107)	804,483
Deferred revenues	—	—	—	111,728	—	111,728
Current portion of long-term debt	23	2,731,482	34,806	2,788,987	—	5,555,298
Deposits related to 2013 sale of towers	—	—	—	725,611	—	725,611
Total current liabilities	466,559	2,913,749	1,549,401	4,817,425	(2,285,506)	7,461,628
Long-term debt	—	—	—	221,598	—	221,598
Deferred revenues	—	—	—	9,923	—	9,923
	—	2,950	15,468	86,656	(15,789)	89,285

Deferred income tax liabilities						
Long-term intercompany payables	2,971,379	—	10,390	865,554	(3,847,323) —
Other long-term liabilities	30,492	—	10,228	199,179	—	239,899
Total liabilities	3,468,430	2,916,699	1,585,487	6,200,335	(6,148,618	) 8,022,333
Total stockholders' (deficit) equity	(583,547	) 1,752,448	191,081	822,735	(2,766,264	) (583,547
Total liabilities and stockholders' (deficit) equity	\$2,884,883	\$4,669,147	\$ 1,776,568	\$7,023,070	\$(8,914,882	) \$7,438,786

(1) NII Capital Corp. is the issuer of our 7.625% senior notes due 2021, our 10.0% senior notes due 2016 and our 8.875% senior notes due 2019.

(2) Represents our subsidiaries that have provided guarantees of the obligations of NII Capital Corp. under our 7.625% senior notes due 2021, our 10.0% senior notes due 2016 and our 8.875% senior notes due 2019.

NII HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

CONDENSED CONSOLIDATING BALANCE SHEET

As of December 31, 2013

	NII Holdings, Inc. (Parent) (in thousands)	NII Capital Corp. (Issuer)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
ASSETS						
Current assets						
Cash and cash equivalents	\$356,314	\$—	\$5,586	\$1,371,883	\$—	\$1,733,783
Short-term investments	—	—	—	585,760	—	585,760
Accounts receivable, net	—	—	627	521,936	—	522,563
Short-term intercompany receivables	31,803	129,810	72,595	4,779	(238,987)	—
Handset and accessory inventory	—	—	—	342,585	—	342,585
Deferred income taxes, net	—	—	1,145	126,250	—	127,395
Prepaid expenses and other	6,832	—	7,914	421,354	—	436,100
Total current assets	394,949	129,810	87,867	3,374,547	(238,987)	3,748,186
Property, plant and equipment, net	—	—	130,729	3,257,618	(287)	3,388,060
Investments in and advances to affiliates	1,867,753	1,503,202	1,562,080	—	(4,933,035)	—
Intangible assets, net	18,000	—	—	975,669	—	993,669
Deferred income taxes, net	16,025	—	—	26,716	(16,028)	26,713
Long-term intercompany receivables	1,474,658	3,714,760	701,680	1,354	(5,892,452)	—
Other assets	29,381	32,556	15,383	446,006	—	523,326
Total assets	\$3,800,766	\$5,380,328	\$2,497,739	\$8,081,910	\$(11,080,789)	\$8,679,954
LIABILITIES AND STOCKHOLDERS' EQUITY						
Current liabilities						
Accounts payable	\$—	\$—	\$727	\$368,329	\$—	\$369,056
Short-term intercompany payables	464,798	132,007	1,485,835	159,322	(2,241,962)	—
Accrued expenses and other	—	59,490	26,089	887,177	(222)	972,534
Deferred revenues	—	—	—	128,148	—	128,148
Current portion of long-term debt	—	—	1,871	94,968	—	96,839
Deposits related to 2013 sale of towers	—	—	—	720,013	—	720,013
Total current liabilities	464,798	191,497	1,514,522	2,357,957	(2,242,184)	2,286,590
Long-term debt	23	2,729,321	33,864	2,933,424	—	5,696,632
Deferred revenues	—	—	—	11,238	—	11,238

Edgar Filing: NII HOLDINGS INC - Form 10-Q

Deferred income tax liabilities 3	2,950	15,384	106,682	(16,028	) 108,991
Long-term intercompany payables	2,950,226	—	10,390	929,990	(3,890,606) —
Other long-term liabilities	30,329	—	10,248	180,539	— 221,116
Total liabilities	3,445,379	2,923,768	1,584,408	6,519,830	(6,148,818) 8,324,567
Total stockholders' equity	355,387	2,456,560	913,331	1,562,080	(4,931,971) 355,387
Total liabilities and stockholders' equity	\$3,800,766	\$5,380,328	\$2,497,739	\$8,081,910	\$(11,080,789) \$8,679,954

NII HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE LOSS
For the Three Months Ended June 30, 2014

	NII Holdings, Inc. (Parent) (in thousands)	NII Capital Corp. (Issuer)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Operating revenues	\$—	\$—	\$864	\$968,656	\$(768)	) \$968,752
Operating expenses						
Cost of revenues (exclusive of depreciation and amortization included below)	—	—	—	640,968	—	) 640,968
Selling, general and administrative	792	672	47,851	436,336	(2,136)	) 483,515
Impairment and restructuring charges	—	—	19,401	140,869	—	) 160,270
Management fee and other	—	—	(14,522)	15,379	(857)) —
Depreciation and amortization	—	—	5,121	183,260	—	) 188,381
	792	672	57,851	1,416,812	(2,993)	) 1,473,134
Operating loss	(792)	(672)	(56,987)	(448,156)	2,225	) (504,382)
Other income (expense)						
Interest expense, net	(141)	(60,713)	(232)	(59,308)	—	) (120,394)
Intercompany interest expense	(58,539)	—	(18)	(12,827)	71,384) —
Interest income	103	—	3	12,656	—	) 12,762
Intercompany interest income	98	70,982	303	1	(71,384)) —
Foreign currency transaction gains, net	—	—	—	9,723	—	) 9,723
Equity in loss of affiliates	(573,130)	(518,368)	(517,486)	—	1,608,984) —
Other income, net	2,225	—	—	1,720	(2,225)	) 1,720
	(629,384)	(508,099)	(517,430)	(48,035)	1,606,759	) (96,189)
Loss from continuing operations before income tax benefit (provision)	(630,176)	(508,771)	(574,417)	(496,191)	1,608,984	) (600,571)
Income tax benefit (provision)	6,865	(3,679)	(3,961)	(27,226)	(670)	) (28,671)
Net loss from continuing operations	(623,311)	(512,450)	(578,378)	(523,417)	1,608,314	) (629,242)
Income from discontinued operations, net of income taxes	—	—	—	5,931	—	) 5,931
Net loss	\$(623,311)	\$(512,450)	\$(578,378)	\$(517,486)	\$1,608,314	) \$(623,311)
Comprehensive loss, net of income taxes						
Foreign currency translation	\$44,584	\$44,448	\$44,448	\$44,448	\$(133,344)	) \$44,584

Edgar Filing: NII HOLDINGS INC - Form 10-Q

adjustment						
Other	435	435	435	435	(1,305	) 435
Other comprehensive income	45,019	44,883	44,883	44,883	(134,649	) 45,019
Net loss	(623,311)	(512,450)	(578,378)	(517,486)	1,608,314	(623,311)
Total comprehensive loss	\$(578,292)	\$(467,567)	\$(533,495)	\$(472,603)	\$1,473,665	\$(578,292)

21

NII HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE LOSS
For the Three Months Ended June 30, 2013

	NII Holdings, Inc. (Parent) (in thousands)	NII Capital Corp. (Issuer)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Operating revenues	\$—	\$—	\$768	\$1,259,560	\$(768)	) \$1,259,560
Operating expenses						
Cost of revenues (exclusive of depreciation and amortization included below)	—	—	—	626,872	—	) 626,872
Selling, general and administrative	806	—	45,859	487,727	(2,594)	) 531,798
Impairment and restructuring charges	—	—	—	1,281	—	) 1,281
Management fee and other	—	—	(25,611)	) 33,892	(8,281)) —
Depreciation and amortization	—	—	5,507	176,107	—	) 181,614
	806	—	25,755	1,325,879	(10,875)	) 1,341,565
Operating loss	(806)	) —	(24,987)	) (66,319)	) 10,107	) (82,005)
Other income (expense)						
Interest expense, net	(139)	) (59,958)	) (367)	) (89,778)	) —	) (150,242)
Intercompany interest expense	(58,539)	) —	) (14)	) (12,553)	) 71,106) —
Interest income	263	—	2	8,722	—	) 8,987
Intercompany interest income	32	70,982	92	—	(71,106)) —
Foreign currency transaction losses, net	—	—	—	(104,493)	) —	) (104,493)
Equity in loss of affiliates	(350,406)	) (338,154)	) (336,617)	) —	1,025,177) —
Other income (expense), net	10,109	—	(52)	(8,283)	(10,107)	) (8,333)
	(398,680)	) (327,130)	) (336,956)	) (206,385)	) 1,015,070	) (254,081)
Loss from continuing operations before income tax benefit (provision)	(399,486)	) (327,130)	) (361,943)	) (272,704)	) 1,025,177	) (336,086)
Income tax benefit (provision)	3,135	(4,546)	(2,988)	(52,418)	8,047	) (48,770)
Net loss from continuing operations	(396,351)	) (331,676)	) (364,931)	) (325,122)	) 1,033,224	) (384,856)
Loss from discontinued operations, net of income taxes	—	—	—	(11,495)	—	) (11,495)
Net loss	\$(396,351)	) \$(331,676)	) \$(364,931)	) \$(336,617)	) \$1,033,224	) \$(396,351)
Comprehensive loss, net of income taxes						
Foreign currency translation	\$(275,632)	) \$(275,711)	) \$(275,711)	) \$(275,711)	) \$827,133	) \$(275,632)

Edgar Filing: NII HOLDINGS INC - Form 10-Q

adjustment						
Other	(1,867)	(1,867)	(1,867)	(1,867)	5,601	(1,867)
Other comprehensive loss	(277,499)	(277,578)	(277,578)	(277,578)	832,734	(277,499)
Net loss	(396,351)	(331,676)	(364,931)	(336,617)	1,033,224	(396,351)
Total comprehensive loss	\$(673,850)	\$(609,254)	\$(642,509)	\$(614,195)	\$1,865,958	\$(673,850)

22

NII HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE LOSS
For the Six Months Ended June 30, 2014

	NII Holdings, Inc. (Parent) (in thousands)	NII Capital Corp. (Issuer)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Operating revenues	\$—	\$—	\$1,688	\$1,938,814	\$(1,536)	\$1,938,966
Operating expenses						
Cost of revenues (exclusive of depreciation and amortization included below)	—	—	—	1,244,356	—	1,244,356
Selling, general and administrative	1,595	672	91,474	845,083	(4,552)	934,272
Impairment and restructuring charges	—	—	17,435	140,308	—	157,743
Management fee and other	—	—	(29,909)	32,046	(2,137)	—
Depreciation and amortization	—	—	11,148	334,909	—	346,057
	1,595	672	90,148	2,596,702	(6,689)	2,682,428
Operating loss	(1,595)	(672)	(88,460)	(657,888)	5,153	(743,462)
Other income (expense)						
Interest expense, net	(282)	(121,338)	(467)	(138,519)	—	(260,606)
Intercompany interest expense	(116,435)	—	(35)	(25,405)	141,875	—
Interest income	205	—	5	32,660	—	32,870
Intercompany interest income	179	141,185	509	2	(141,875)	—
Foreign currency transaction gains, net	—	—	—	2,537	—	2,537
Equity in loss of affiliates	(900,680)	(817,099)	(815,195)	—	2,532,974	—
Other income (expense), net	5,153	—	—	(3,257)	(4,866)	(2,970)
	(1,011,860)	(797,252)	(815,183)	(131,982)	2,528,108	(228,169)
Loss from continuing operations before income tax benefit (provision)	(1,013,455)	(797,924)	(903,643)	(789,870)	2,533,261	(971,631)
Income tax benefit (provision)	14,065	(7,319)	(8,510)	(31,277)	(670)	(33,711)
Net loss from continuing operations	(999,390)	(805,243)	(912,153)	(821,147)	2,532,591	(1,005,342)
Income from discontinued operations, net of income taxes	—	—	—	5,952	—	5,952
Net loss	\$(999,390)	\$(805,243)	\$(912,153)	\$(815,195)	\$2,532,591	\$(999,390)
Comprehensive loss, net of income taxes						
Foreign currency translation	\$53,003	\$52,607	\$52,607	\$52,607	\$(157,821)	\$53,003

Edgar Filing: NII HOLDINGS INC - Form 10-Q

adjustment						
Other	(134)	(134)	(134)	(134)	402	(134)
Other comprehensive income	52,869	52,473	52,473	52,473	(157,419)	52,869
Net loss	(999,390)	(805,243)	(912,153)	(815,195)	2,532,591	(999,390)
Total comprehensive loss	\$(946,521)	\$(752,770)	\$(859,680)	\$(762,722)	\$2,375,172	\$(946,521)

23

NII HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE LOSS
For the Six Months Ended June 30, 2013

	NII Holdings, Inc. (Parent) (in thousands)	NII Capital Corp. (Issuer)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Operating revenues	\$—	\$—	\$1,536	\$2,590,399	\$(1,536)	\$2,590,399
Operating expenses						
Cost of revenues (exclusive of depreciation and amortization included below)	—	—	—	1,232,266	—	1,232,266
Selling, general and administrative	1,597	—	92,259	939,732	(4,258)	1,029,330
Impairment and restructuring charges	—	—	77,001	48,887	—	125,888
Management fee and other	—	—	(54,310)	72,202	(17,892)	—
Depreciation and amortization	—	—	15,904	348,532	—	364,436
	1,597	—	130,854	2,641,619	(22,150)	2,751,920
Operating loss	(1,597)	—	(129,318)	(51,220)	20,614	(161,521)
Other income (expense)						
Interest expense, net	(279)	(119,275)	(777)	(139,573)	—	(259,904)
Intercompany interest expense	(116,435)	—	(26)	(26,001)	142,462	—
Interest income	572	—	6	14,914	—	15,492
Intercompany interest income	1,150	141,185	127	—	(142,462)	—
Foreign currency transaction losses, net	—	—	—	(81,268)	—	(81,268)
Equity in loss of affiliates	(511,452)	(386,891)	(384,064)	—	1,282,407	—
Other income (expense), net	20,615	—	(53)	(13,035)	(20,614)	(13,087)
	(605,829)	(364,981)	(384,787)	(244,963)	1,261,793	(338,767)
Loss from continuing operations before income tax benefit (provision)	(607,426)	(364,981)	(514,105)	(296,183)	1,282,407	(500,288)
Income tax benefit (provision)	3,571	(7,941)	(5,593)	(54,702)	(5,723)	(70,388)
Net loss from continuing operations	(603,855)	(372,922)	(519,698)	(350,885)	1,276,684	(570,676)
Loss from discontinued operations, net of income taxes	—	—	—	(33,179)	—	(33,179)
Net loss	\$(603,855)	\$(372,922)	\$(519,698)	\$(384,064)	\$1,276,684	\$(603,855)
Comprehensive loss, net of income taxes						
Foreign currency translation	\$(198,178)	\$(198,071)	\$(198,071)	\$(198,071)	\$594,213	\$(198,178)

Edgar Filing: NII HOLDINGS INC - Form 10-Q

adjustment						
Other	(3,792)	(3,792)	(3,792)	(3,792)	11,376	(3,792)
Other comprehensive loss	(201,970)	(201,863)	(201,863)	(201,863)	605,589	(201,970)
Net loss	(603,855)	(372,922)	(519,698)	(384,064)	1,276,684	(603,855)
Total comprehensive loss	\$(805,825)	\$(574,785)	\$(721,561)	\$(585,927)	\$1,882,273	\$(805,825)

24

NII HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

For the Six Months Ended June 30, 2014

	NII Holdings, Inc. (Parent) (in thousands)	NII Capital Corp. (Issuer)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Cash flows from operating activities:						
Net loss	\$(999,390)	\$(805,243)	\$(912,153)	\$(815,195)	\$2,532,591	\$(999,390)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities	904,038	832,644	824,784	167,466	(2,532,591)	196,341
Net cash (used in) provided by operating activities	(95,352)	27,401	(87,369)	(647,729)	—	(803,049)
Cash flows from investing activities:						
Capital expenditures	—	—	(4,069)	(381,906)	—	(385,975)
Purchases of long-term and short-term investments	—	—	—	(929,154)	—	(929,154)
Proceeds from sales of long-term and short-term investments	—	—	—	1,426,983	—	1,426,983
Investments in subsidiaries	(104,297)	(370)	—	—	104,667	—
Transfers to restricted cash and escrow accounts	—	—	—	(147,841)	—	(147,841)
Other, net	—	—	—	(20,945)	—	(20,945)
Total investing cash used in continuing operations	(104,297)	(370)	(4,069)	(52,863)	104,667	(56,932)
Total investing cash used in discontinued operations	—	—	—	(30)	—	(30)
Net cash used in investing activities	(104,297)	(370)	(4,069)	(52,893)	104,667	(56,962)
Cash flows from financing activities:						
Borrowings under equipment financing facilities and other	—	—	—	14,691	—	14,691
Repayments under bank loans, equipment financing and other	—	—	(930)	(37,575)	—	(38,505)
Capital contributions	—	20	104,187	460	(104,667)	—
Other, net	(86)	—	—	(501)	—	(587)
Net cash flows (used in) provided by financing activities	(86)	20	103,257	(22,925)	(104,667)	(24,401)

Edgar Filing: NII HOLDINGS INC - Form 10-Q

Effect of exchange rate changes on cash and cash equivalents	—	—	—	(35,348	) —	(35,348)
Net (decrease) increase in cash and cash equivalents	(199,735	) 27,051	11,819	(758,895	) —	(919,760)
Cash and cash equivalents, beginning of period	356,314	—	5,586	1,371,883	—	1,733,783	
Cash and cash equivalents, end of period	\$ 156,579	\$ 27,051	\$ 17,405	\$ 612,988	\$ —	\$ 814,023	

25

NII HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

For the Six Months Ended June 30, 2013

	NII Holdings, Inc. (Parent) (in thousands)	NII Capital Corp. (Issuer)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Cash flows from operating activities:						
Net loss	\$(603,855)	\$(372,922)	\$(519,698)	\$(384,064)	\$1,276,684	\$(603,855)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities	549,048	325,018	486,393	488,983	(1,276,684)	572,758
Total operating cash (used in) provided by continuing operations	(54,807)	(47,904)	(33,305)	104,919	—	(31,097)
Total operating cash used in discontinued operations	—	—	—	(9,209)	—	(9,209)
Net cash (used in) provided by operating activities	(54,807)	(47,904)	(33,305)	95,710	—	(40,306)
Cash flows from investing activities:						
Capital expenditures	—	—	(9,780)	(398,990)	—	(408,770)
Payments for purchases of licenses	—	—	—	(28,667)	—	(28,667)
Purchases of long-term and short-term investments	—	—	—	(1,363,681)	—	(1,363,681)
Proceeds from sales of long-term and short-term investments	—	—	—	1,210,003	—	1,210,003
Investments in subsidiaries	(104,499)	(2,006)	—	—	106,505	—
Intercompany borrowings	—	—	(49,910)	—	49,910	—
Transfers to restricted cash	—	—	—	(15,363)	—	(15,363)
Other, net	—	—	—	166	—	166
Total investing cash used in continuing operations	(104,499)	(2,006)	(59,690)	(596,532)	156,415	(606,312)
Total investing cash used in discontinued operations	—	—	—	(41,506)	—	(41,506)
Net cash used in investing activities	(104,499)	(2,006)	(59,690)	(638,038)	156,415	(647,818)
Cash flows from financing activities:						
Gross proceeds from issuance of senior notes	—	—	—	1,600,000	—	1,600,000
Borrowings under equipment financing facilities	—	—	—	86,913	—	86,913

Edgar Filing: NII HOLDINGS INC - Form 10-Q

Payment of line of credit	—	—	—	(316,538	) —	(316,538)
Repayments under syndicated loan facilities	—	—	—	(473,918	) —	(473,918)
Repayments of import financing loans	—	—	—	(37,422	) —	(37,422)
Repayments under tower financing and other borrowings	—	—	(8,217	) (8,279	) —	(16,496)
Capital contributions	—	10	104,489	2,006	(106,505) —	
Proceeds from intercompany borrowings	—	49,910	—	—	(49,910) —	
Other, net	(934	) (10	) —	(18,552	) —	(19,496)
Total financing cash (used in) provided by continuing operations	(934	) 49,910	96,272	834,210	(156,415	) 823,043	
Total financing cash used in discontinued operations	—	—	—	(1,555	) —	(1,555)
Net cash (used in) provided by financing activities	(934	) 49,910	96,272	832,655	(156,415	) 821,488	
Effect of exchange rate changes on cash and cash equivalents	—	—	—	(18,156	) —	(18,156)
Change in cash and cash equivalents held for sale	—	—	—	(23,127	) —	(23,127)
Net (decrease) increase in cash and cash equivalents	(160,240	) —	3,277	249,044	—	92,081	
Cash and cash equivalents, beginning of period	735,022	—	6,469	629,682	—	1,371,173	
Cash and cash equivalents, end of period	\$574,782	\$—	\$9,746	\$878,726	\$—	\$1,463,254	

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

INDEX TO MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

<u>Introduction</u>	<u>28</u>
<u>Business Update</u>	<u>28</u>
<u>Business Overview</u>	<u>29</u>
<u>Unrestricted Subsidiary</u>	<u>35</u>
<u>Subscriber Units in Commercial Service</u>	<u>35</u>
<u>Critical Accounting Policies and Estimates</u>	<u>36</u>
<u>Results of Operations</u>	<u>36</u>
<u>a. Consolidated</u>	<u>38</u>
<u>b. Nextel Brazil</u>	<u>42</u>
<u>c. Nextel Mexico</u>	<u>45</u>
<u>d. Nextel Argentina</u>	<u>47</u>
<u>e. Chile and Corporate</u>	<u>48</u>
<u>Liquidity and Capital Resources</u>	<u>49</u>
<u>Future Capital Needs and Resources</u>	<u>50</u>
<u>Effect of New Accounting Standards</u>	<u>53</u>
<u>Forward-Looking and Cautionary Statements</u>	<u>53</u>

Introduction

The following is a discussion and analysis of:

our consolidated financial condition as of June 30, 2014 and December 31, 2013 and our consolidated results of operations for the six- and three-month periods ended June 30, 2014 and 2013; and

significant factors which we believe could affect our prospective financial condition and results of operations.

You should read this discussion in conjunction with our annual report on Form 10-K, the amendments to that annual report and our quarterly report on Form 10-Q for the three months ended March 31, 2014, including, but not limited to, the discussion regarding our critical accounting policies and estimates, as described below. Historical results may not indicate future performance. See "Forward-Looking and Cautionary Statements" and "Item 1A. — Risk Factors" in our annual report on Form 10-K for risks and uncertainties that may impact our future performance.

We refer to our operating companies by the countries in which they operate, such as Nextel Brazil, Nextel Mexico, Nextel Argentina and Nextel Chile.

Business Update

Over the course of the last two years, our results of operations, including our operating revenues and operating cash flows, have been negatively affected by a number of factors, including competitive pressure across all of our markets, the depreciation of local currencies, the impact of delays in the deployment and launch of services on our WCDMA networks, which delayed our ability to generate subscriber growth and revenues on those networks, and the increased costs to support both of our networks. These and other factors had a significant negative impact on our results over the course of the last year, and as a result, we ended the second quarter of 2014 with a significantly smaller subscriber and revenue base than existed at the end of the second quarter of 2013.

These conditions, and their impact on our liquidity, in combination with the potential impact of our failure to satisfy certain financial covenants under our existing debt obligations, raise substantial doubt about our ability to generate sufficient growth in our operating revenues and operating cash flows to meet our financial obligations beyond early 2015, as well as our ability to continue as a going concern, despite our implementation of measures designed to conserve cash and reduce operating expenses and capital expenditures in 2014. In response to these circumstances, we have:

retained financial advisers to assist us in evaluating both potential strategic alternatives and the feasibility of recapitalizing our balance sheet;

engaged in discussions with a number of parties interested in acquiring some or all of our assets; and

engaged in discussions with holders of, and representatives of certain holders of, the senior notes issued by NII Capital Corp. and NII International Telecom, S.C.A., or NIIT, regarding the potential terms on which the obligations evidenced by those senior notes could be restructured, including by exchanging all or a portion of the senior notes for common stock or other equity interests.

Currently, we have not entered into any agreements relating to any potential strategic transactions or any potential restructuring of our obligations. There can be no assurance that these efforts will result in any such agreement. If an agreement is reached and we decide to pursue a restructuring either on a standalone basis or in conjunction with one or more other potential actions, we expect that it will be necessary for us to file a voluntary petition for relief under Chapter 11 of the Bankruptcy Code in order to implement it through the confirmation and consummation of a plan of reorganization approved by the bankruptcy court in the bankruptcy proceedings. We may also conclude that it is necessary to initiate Chapter 11 proceedings to implement a restructuring of our obligations even if we are unable to reach an agreement with our creditors and other relevant parties regarding the terms of such a restructuring. In either case, such a proceeding could be commenced in the very near future.

We currently anticipate that the plan of reorganization implemented in any bankruptcy proceeding would provide that holders of claims and interests with respect to our equity securities, or rights to acquire our equity securities, would be entitled to little or no recovery and that those claims and interests would be canceled for little or no consideration. If that were to occur, we anticipate that all, or substantially all, of the value of all investments in our common stock will be lost and that our equity holders would lose all or substantially all of their investment.

28

We are also engaged in discussions with the lenders under each of our equipment financing facilities in Brazil and Mexico and our local bank loans in Brazil with respect to potential waivers and amendments to the terms of the related agreements that would address potential financial covenant compliance issues, as well as our liquidity issues. There can be no assurance that these discussions will result in waivers or amendments or that the consequences of any of the current or potential defaults or events of default will be avoided.

We conduct our operations through direct and indirect subsidiaries. If we determine that it is necessary to implement a restructuring of our obligations, we expect our subsidiaries to continue to operate in the ordinary course of business. In evaluating any restructuring alternatives, we will seek to minimize the impact of the restructuring process on our suppliers, trade creditors and customers of our operating subsidiaries, even if that process involves Chapter 11 bankruptcy proceedings. During our evaluation of potential restructuring alternatives, we have attempted to maintain normal and regular trade terms with our suppliers and customers. There can be no assurance that our suppliers will continue to provide normal trade credit or credit on terms acceptable to us, if at all, or that customers will continue to do business or enter into new business with us.

Business Overview

We provide wireless communication services under the Nextel™ brand, primarily targeted at meeting the needs of subscribers who use our services to improve the productivity of their businesses and subscribers who make the individual decision to use our service for both professional and personal needs. Our subscribers generally value our broad set of value-added services, including our push-to-talk services, which allow subscribers to talk to each other instantly, and our high level of customer service. With the deployment of our wideband code division multiple access, or WCDMA, networks in our markets, we are extending our target market to include additional business subscribers and consumers who exhibit above average usage, revenue and loyalty characteristics and who we believe will be attracted to the services and attractive pricing plans we offer, the quality of and data speeds provided by our WCDMA networks and the quality of our customer service.

We provide our services through operating companies located in Brazil, Mexico, Argentina and Chile, with our principal operations located in major business centers and related transportation corridors of these countries. We provide our services in major urban and suburban centers with high population densities where we believe there is a concentration of the country's business users and economic activity. We believe that the growing economic base, increase in the middle and upper class and lower wireline service penetration encourage the use of the mobile wireless communications services that we offer and plan to offer in the future. Our WCDMA networks in Brazil, Mexico and Chile serve or are expected to serve these major business centers and, in some instances, a broader geographic area in order to meet the requirements of our spectrum licenses.

Our original networks utilize integrated digital enhanced network, or iDEN, technology developed by Motorola, Inc. to provide our mobile services on our 800 MHz spectrum holdings in all of our markets. Our next generation networks utilize WCDMA technology, which is a standards-based technology that is being deployed by carriers throughout the world. These technologies allow us to use our spectrum efficiently and offer multiple wireless services integrated into a variety of handset and data devices.

The services we currently offer include:

- mobile telephone service;
- wireless data services, including text messaging services, mobile internet services, and e-mail services;
- push-to-talk services, including Direct Connect®, Prip and International Direct Connect® services, which allow subscribers to talk to each other instantly;
- other value-added services, including location-based services, which include the use of Global Positioning System, or GPS, technologies; digital media services; and a wide ranging set of applications available via our content management system, as well as the Android™ open application market;
- business solutions, such as security, work force management, logistics support and other applications that help our business subscribers improve their productivity; and
- voice and data roaming services.

The deployment and expansion of our WCDMA networks in Brazil, Mexico and Chile enables us to offer a wider range of products and services that are supported by that technology, including data services provided at substantially higher speeds than can be delivered on our iDEN networks. These WCDMA networks also support our unique push-to-talk services that provide significant differentiation from our competitors' offerings. In the third quarter of 2013, our WCDMA network reached geographic coverage parity with our iDEN network in Mexico, and in Brazil we are currently offering services supported by our WCDMA network in about 260 cities, including cities in and around Sao Paulo and Rio de Janeiro. We plan to continue to expand the coverage and quality of our networks in Brazil and Mexico in the second half of 2014. Our current spectrum holdings are sufficient

29

to enable us to deploy networks that utilize long-term evolution, or LTE, technology in certain areas in Brazil and Mexico. In the second quarter of 2014, we launched LTE services in Rio de Janeiro and expect to expand these services in Brazil later in 2014. We also expect to begin offering similar LTE services in Mexico later this year. We also offer service on our iDEN network in Argentina.

In December 2013, we signed agreements with Telefonica Moviles, or Telefonica, under which Telefonica agreed to provide Nextel Brazil and Nextel Mexico with nationwide roaming voice and data coverage services on Telefonica's networks. In Brazil and Mexico, our arrangements with Telefonica have allowed us to begin enhancing our service offerings in those markets during the first half of 2014 by expanding the areas in which customers using our WCDMA services can access voice and data services.

In light of our financial condition, our goal for the remainder of 2014 is to increase the number of subscriber units operating on our networks, which we refer to as our subscriber base, on our WCDMA network in Brazil while simultaneously increasing the levels of average revenue per subscriber there, stabilize our business in Mexico and achieve a partial reversal of the subscriber loss trends we experienced in 2013 and into the first half of 2014. More broadly, our goal is to generate higher revenues and increase our subscriber base by providing differentiated wireless communications services that are valued by our existing and potential customers while improving our profitability and cash flow over the long term. Our strategy for achieving this goal is based on several core principles, including: focusing on higher value customer segments in our core markets, such as segments that comprise the small, medium and large business markets, as well as certain consumer market segments that value our differentiated wireless communications services;

- offering a broad array of differentiated services and devices that build upon and complement our push-to-talk services, which give our customers the ability to communicate with each other instantly;

- offering new services supported by high quality WCDMA networks;

- offering a superior customer experience; and

- building on the strength of the unique positioning of the Nextel brand.

To enhance our service offerings, we have deployed and are continuing to enhance our networks that utilize WCDMA technology. These networks enable us to offer a wider variety of applications and services, particularly applications and services that are supported by high speed data and internet access; increase our network capacity; and ultimately reduce the costs of supporting the services we offer when compared to our original iDEN networks. We plan to continue to focus on our current high value subscriber base using the differentiated services available on both our networks and to expand our targeted subscriber base using the handsets and devices, service offerings, applications and pricing plans made possible by our WCDMA networks.

Historically, we have focused on postpaid rate plans. With the expansion of our target customer base, we have been offering more prepaid rate plans and hybrid rate plans that combine both postpaid and prepaid features and expect our sales of these types of service plans to increase over time.

We are also utilizing domestic and international roaming agreements, including the roaming arrangements with Telefonica in Brazil and Mexico, to cost effectively expand our service to areas in our markets that we do not currently serve or plan to serve using our own networks and to provide our customers with services when they travel to other countries.

Competitive Environment.

We believe that the wireless communications industry in the markets in which we operate has been and will continue to be highly competitive on the basis of price, the types of services offered, the diversity of handsets offered, speed of data access and the quality of service. In each of our markets, we compete with at least two large, well-capitalized competitors with substantial financial and other resources. Our competitors typically have more extensive distribution channels than ours or are able to use their scale advantages to acquire subscribers at a lower cost than we can, and most of them have implemented network technology upgrades that support high speed internet access and data services, making it more difficult for us to compete effectively using our iDEN networks. Some of these competitors also have the ability to offer bundled telecommunications services that include local, long distance, subscription television and data services, and can offer a larger variety of handsets with a wide range of prices, brands and features. In addition, the financial strength and operating scale of some of these competitors allows them to offer aggressive

pricing plans, including those targeted at attracting our existing subscribers.

We compete with other communications service providers, including other wireless communications companies and wireline telephone companies, based primarily on our high quality customer service and differentiated wireless service offerings and products, including our push-to-talk services that make it easier for our subscribers to communicate quickly and efficiently. We expect to continue to focus on this differentiated approach as we offer services on our WCDMA networks and pursue our plans to extend our target market with an expanded message that focuses on the quality and speed of the data services supported by our new networks. Historically, our largest competitors have focused their marketing efforts on subscribers in the mass market retail

30

and consumer segments who purchase services largely on the basis of price rather than quality of service, but recently those competitors have placed more emphasis on attracting postpaid subscribers within our target segments, which are considered the premium segments in our markets because they typically generate higher average monthly revenue per subscriber. With this shift in focus, some of our largest competitors have recently begun to concentrate on enhancing their network quality and their customer service and customer care functions, which may minimize the value of our network quality and speed (for our new networks) and the quality of our customer service as points of differentiation, enabling those competitors to compete more effectively with us. Since our iDEN network does not support high speed data applications, we are experiencing higher levels of migrations to lower price rate plans both within our iDEN network and from our iDEN network to our WCDMA network. We believe that the users who primarily make up our targeted subscriber base are likely to base their purchase decisions on network quality and quality of customer support, as well as on the availability of differentiated features and services, like our push-to-talk services, that make it easier for them to communicate quickly, efficiently and economically. However, because pricing is one of a number of important factors in potential customers' purchase decisions, increased price competition in the customer segments we target could require us to decrease prices or increase service and product offerings, which would lower our revenues, increase our costs or both.

To address competitive pressures, we have, among other things:

- expanded our distribution channels to make our services more widely accessible to a broader range of customers;
- refreshed and tailored our marketing approach to this broader set of customers, especially consumers, to make them aware of our new services and capabilities, our broader range of available handsets and devices, and the quality and performance of our networks;
- worked with device suppliers to develop new handset models and features supported by our WCDMA networks, including devices and smartphones from suppliers like Samsung, LG, Sony, Alcatel, Huawei, Motorola Mobility and Apple;
- launched commercial campaigns offering handsets at a lower cost and offering service plans with prices and terms that are more competitive, including prepaid and hybrid rate plans that incorporate a combination of postpaid services and prepaid characteristics;
- implemented customer retention programs that are focused on our high value customers that include lower priced plans that better fit our customers' needs and/or provide them with new handsets or other devices at reduced prices in exchange for their commitment to extend the term of their service contracts; and
- developed and launched a high performance push-to-talk service, which we refer to as Prip, which operates on a wide range of standard smartphones on our WCDMA networks.

Strategic Approach.

Over the course of the last two years, we have experienced increased competition and operational challenges in our markets, particularly in Brazil and Mexico, as we have deployed our WCDMA networks. During the second half of 2013, these factors continued to have a negative impact on our results, which was intensified by Sprint's decision to deactivate its iDEN network in the U.S. and our failure to effectively execute our plans to address them. As a result, we experienced deteriorating operational performance, including with respect to subscriber growth, customer retention and average revenue per subscriber. To address these and other difficulties that we continue to face as a result of the delays in our deployment of our WCDMA networks, we are taking actions to improve the quality and coverage of those networks and have also implemented a set of initiatives designed to generate growth, streamline our organization, improve our competitive agility and reduce costs that are not critical to our growth strategy.

We continue to implement a comprehensive strategy that we believe will best position us to achieve our long-term goal of generating profitable growth while concurrently taking steps to reduce our costs. Some of the key components of that strategy are as follows:

Deploying Our Networks. We strive to continue to expand and improve the innovative and differentiated services we offer, which requires that we continue to invest in, evaluate and, if appropriate, deploy new services and enhancements to our existing services. To support this effort, we have acquired additional spectrum rights and have deployed and plan to continue to expand our WCDMA networks that will enable us to offer a wider variety of applications and services, particularly applications and services that are supported by high speed data services. Use of

the WCDMA technology will also increase our network capacity and will reduce the cost of supporting the services we offer when compared to our iDEN technology. Our WCDMA networks will allow us to continue to offer the differentiated services that our current subscribers rely on while expanding our products and services using the new handsets and devices, service offerings, applications and pricing plans made possible by the new networks to target an expanded subscriber base. Consistent with this approach, in the second quarter of 2014, we launched LTE services in Rio de Janeiro and expect to expand these services in Brazil later in 2014. We also expect to begin offering similar LTE services in Mexico later this year.

The following chart details our significant spectrum holdings in each of our markets in spectrum bands that support both the WCDMA and LTE technologies:

31

Country	Spectrum Band	Amount/Coverage
Brazil	1.9 GHz/2.1 GHz	20 MHz in 11 of 13 regions (includes all major metropolitan areas)
Mexico	1.7 GHz/2.1 GHz	30 MHz nationwide
Chile	1.7 GHz/2.1 GHz	60 MHz nationwide

Additionally, we have significant spectrum holdings in the 800 MHz specialized mobile radio, or SMR, spectrum band that support our iDEN networks. Our 800 MHz holdings in each of our markets are as follows:

Country	Amount/Coverage (1) (2)
Brazil	15 MHz nationwide weighted average
Mexico	20 MHz nationwide weighted average
Argentina	20 - 22 MHz nationwide weighted average
Chile	15 MHz nationwide weighted average

(1) Weighted average coverage is a function of the population in each country, as well as the amount of spectrum. Spectrum amounts vary greatly across regions and cities.

(2) This band was recently standardized and is available for use with LTE technology. The implementation of LTE technology on our 800 MHz spectrum holdings would require support from and actions by the regulators in some of our markets.

We also have additional spectrum holdings in some of our markets, including 20 MHz of spectrum in the 1.8 GHz spectrum band in portions of Brazil, which we are using to support our LTE-based networks in Rio de Janeiro, and 10 MHz of spectrum in the 1.9 GHz spectrum band in Monterrey and 50 MHz of spectrum in the 3.5 GHz spectrum band in Mexico.

As we make the transition from our iDEN networks to our new WCDMA networks, we will evaluate ways in which we can use our 800 MHz spectrum to support existing or new services. In Brazil and Argentina, our current 800 MHz spectrum holdings are largely contiguous, making it possible to use that spectrum to support future technologies, including LTE-based technologies, if certain technical, operational and regulatory requirements are met, including, for example, the availability of compatible network and subscriber equipment. The availability of that equipment will likely depend upon a number of factors, including the technology decisions made by other wireless carriers and the willingness of infrastructure and device manufacturers to produce the required equipment. In Mexico and Chile, our 800 MHz spectrum is either partially contiguous or non-contiguous. As a result, while it may be feasible to use a portion of the spectrum that is contiguous to support future technologies, it will be necessary to reconfigure the spectrum band to increase the amount of contiguous spectrum for it to be used to efficiently support those technologies. It is likely that the implementation of such a reconfiguration would require support from and actions by the regulators in those markets to be effective.

Focusing on Our Core Markets and Managing Our Costs. We operate our business with a focus on generating growth in operating income and cash flow over the long term and enhancing our profitability by attracting and retaining high value wireless customers while maintaining appropriate controls on costs. To support this goal, we plan to continue to expand the coverage of our WCDMA networks in our markets, focusing particularly on our key markets in Brazil and Mexico, with the goal of increasing our existing subscriber base while managing our costs in a manner designed to support that growth and improve our operating results. We have also made significant capital and other investments as we pursue our plans to deploy new networks that utilize WCDMA and LTE technology, and we expect those investments to continue, particularly in Brazil and Mexico. While these investments have increased our costs and negatively impacted our profitability and are expected to continue to have that impact as we incur the costs of our new networks while building the subscriber base served by them, we believe that over the long term these investments in our new networks will enhance the competitiveness of our service offerings while continuing to support the differentiated services and superior customer service that have historically been significant factors supporting our growth.

Consistent with this strategy, we have implemented and will continue to implement changes in our business to support our planned growth and to better align our organization and costs with our operational and financial goals and the

trends in our business. These changes have included significant reductions in our headquarters staff in connection with the reorganization of the roles and responsibilities of our headquarters and market teams and headcount reductions in our market operations designed to reduce costs while maintaining the support necessary to meet our customers' needs. We are continuing to evaluate our operations and may continue to realign and further reduce personnel over the coming months as we seek to better align our costs and organizational structure with our growth strategy and improve our operating and financial results. We are also taking steps to improve the performance and efficiency of our supporting systems and functions, including implementing improvements to our information technology and related supporting systems and processes, that are designed to improve the overall quality and efficiency of the service we provide our customers.

32

Finally, as we implement changes to our business strategy that are designed to improve our results, we expect that we will allocate more of our financial and other resources to our operations in Brazil and Mexico, which, for the first half of 2014, collectively produced about 87% of our total consolidated operating revenues. Consistent with this change in emphasis, in August 2013, we sold all of the outstanding equity interests of Nextel Peru to Entel. While we will also continue to support our operations in our other markets, in light of our results of operations and this change in emphasis, we are actively pursuing strategic options for these markets, such as partnerships, service arrangements and asset sales in an effort to maximize the value of those businesses.

Focusing on Our Target Customers. Consistent with our historic approach, our target customers will continue to include high value customer segments such as segments that comprise the small, medium and large business markets, as well as certain consumer market segments that value our differentiated wireless communications services, including our push-to-talk services, quality networks and our high level of customer service. Our WCDMA networks also give us the opportunity to extend our target market to include additional corporate and business customers and consumers who exhibit above average usage, revenue and loyalty characteristics and who we believe will be attracted to the services supported by our new networks, the quality and speed of our data services and the quality of our customer service.

Providing Differentiated Services and a Superior Customer Experience. We differentiate ourselves from our competitors by offering unique services like our push-to-talk services. These services provide significant value, allowing our subscribers to communicate with each other instantaneously at the touch of a button. In 2012, we began offering Direct Connect push-to-talk service on our WCDMA networks as part of our effort to maintain this key point of differentiation. Also, in 2013, we began offering our Prip push-to-talk service, which operates on a wide range of standard smartphones, including the iPhone, enabling users to communicate using a push-to-talk solution with other subscribers across our networks. The Prip service is currently available in Brazil, Mexico and Chile and operates on WCDMA- and LTE-based networks outside our markets, including in the U.S. where data roaming services are available, as well as over WiFi. We also offer Prip as a downloadable application in the U.S. The Prip application allows U.S. users to communicate with other users of this application, as well as users of push-to-talk services on our iDEN and WCDMA networks in our markets regardless of the technology used to support those services. Our competitors have introduced competitive push-to-talk products, and while we do not believe that these services offer the same level of performance as our push-to-talk services in terms of latency, quality, reliability or ease of use, our competitors could deploy new or upgraded technologies in their networks that could enable them to implement new features and services that compete more effectively with our services.

We have also historically added further value by designing customized business solutions that enhance the productivity of our subscribers based on their individualized business needs. These business solutions include fleet and workforce management services that utilize the unique capabilities of our data network, such as vehicle and delivery tracking, GPS technology, order entry processing and workforce monitoring applications.

In addition to our unique service offerings, we seek to further differentiate ourselves by providing a higher level of customer service than our competitors. We work proactively with our customers to match them with service plans that offer greater value based on the customer's usage patterns. After analyzing customer usage and expense data, we strive to minimize a customer's per minute costs while increasing overall usage of our array of services, thereby providing higher value to our customers while increasing our monthly revenues. This goal is also furthered by our efforts during and after the sales process to educate customers about our services, the features and services supported by our multi-function handsets and rate plans. We have also implemented proactive customer retention programs in an effort to increase customer satisfaction and retention.

Building on the Strength of the Nextel Brand. Since 2002, we have offered services under the Nextel brand. As a result of our efforts, the Nextel brand is recognized across our markets as standing for both quality of service and the differentiated services and subscriber support we provide. This positioning of our brand allowed us to successfully build our subscriber base of high value customers who are attracted to our differentiated services and our reputation for providing a high quality subscriber experience. The deactivation of Sprint's iDEN network in mid-2013 resulted in changes to the connections previously available between our subscribers and their contacts in the U.S., as well as our customers' ability to roam in the U.S. These changes had an adverse impact on our customers' experience in using their

services and created a negative perception of our services and reputation as a provider of high quality services in Mexico. We are taking actions to address these perception issues in Mexico and to reposition the Nextel brand in our markets as a quality WCDMA service provider.

Expanding and Focusing on our Distribution Channels. We use a variety of distribution channels that include direct sales representatives, indirect sales agents, retail stores and kiosks, and other subscriber-convenient sales channels, and we are targeting those channels at specific subscriber segments to deliver our service more efficiently and economically. Our direct sales channel primarily focuses on businesses that value our industry expertise and differentiated services, including our ability to design customized business solutions that meet their specific business needs. As we extend our target market to include more consumers, we are expanding our distribution channels to make our services more widely accessible while simultaneously shifting and rebalancing some of our locations and distribution and customer support structures. We are also expanding our other subscriber-convenient channels, which include telesales and online channels, to give our prospective and existing subscribers easier ways to

purchase our services. We are making these investments to more efficiently serve our subscribers and improve the overall productivity and efficiency of all of our distribution channels.

Focusing on Major Business Centers. Because we target high value subscribers, our operations have focused primarily on large urban markets, which have a concentration of medium to high usage business subscribers and consumers and account for a high proportion of total economic activity in each of their respective countries. We believe these markets offer favorable long-term growth prospects for our wireless communications services while offering the cost benefits associated with providing services in more concentrated population centers. Our new networks are expected to serve both these major business centers and, in some instances, a broader geographic area in order to meet the requirements of our spectrum licenses. In addition, we expect to use domestic roaming agreements to cost effectively expand our service to network coverage in areas in our markets that we do not serve using our own networks.

Managing the iDEN Transition. The iDEN networks that we operate in all of our markets allow us to offer differentiated services like Direct Connect and International Direct Connect while offering high quality voice telephony and other innovative services. The iDEN technology is unique in that it is the only commercially available technology that operates on non-contiguous spectrum and is optimal for operating efficiently on the 800 MHz SMR spectrum that we currently own. Because Motorola Mobility and Motorola Solutions are the sole suppliers of iDEN technology, we are dependent on their support of the technology and the availability of subscriber devices.

As we make the transition to our WCDMA networks in our markets other than Argentina, and with Sprint no longer supporting iDEN in the U.S. following the deactivation of its iDEN network there, the reduction in demand for iDEN network equipment is expected to make it more costly for us to continue to support those networks. We also expect that this transition and the reduction in demand for iDEN handsets will affect Motorola Mobility's ability or willingness to continue to manufacture iDEN handsets beyond their contractual obligations, which could result in an increase in our costs for those handsets, including handsets that are capable of operating on both our iDEN and WCDMA networks.

Sale of Nextel Peru.

In August 2013, we, together with our wholly-owned subsidiaries NII Mercosur Telecom, S.L. and NII Mercosur Moviles, S.L., completed the sale of all of the outstanding equity interests of our wholly-owned subsidiary, Nextel del Peru, S.A., or Nextel Peru, to Empresa Nacional de Telecomunicaciones S.A. and one of its subsidiaries, Entel Inversiones, S.A., which we refer to collectively as Entel, for \$405.5 million in cash, which included \$50.0 million that was deposited in escrow on our behalf to satisfy potential indemnification claims. In April 2014, we released \$7.5 million of the amounts held in escrow to Entel as a result of the settlement of certain indemnification claims. The remaining funds held in escrow continue to be available to satisfy potential future indemnification claims. In connection with the sale of Nextel Peru to Entel, we have reported Nextel Peru as a discontinued operation in this quarterly report on Form 10-Q. Accordingly, we have reclassified Nextel Peru's results of operations for all periods presented to reflect Nextel Peru as discontinued operations. Unless otherwise noted, amounts included in this quarterly report on Form 10-Q exclude amounts attributable to discontinued operations.

Unrestricted Subsidiary

In the first quarter of 2013, our Chilean operating segment, which we refer to as Nextel Chile, was designated as an unrestricted subsidiary under the terms of the indentures relating to our senior notes that were issued by NII Capital Corp. and NIIT. For the three and six months ended June 30, 2014, Nextel Chile had total operating revenues of \$16.8 million and \$31.2 million, segment losses of \$24.5 million and \$49.2 million, and net losses of \$154.7 million and \$192.5 million, respectively. In addition, in June 2014, we recognized a non-cash asset impairment charge of \$127.5 million to impair the carrying amount of Nextel Chile's assets. As of June 30, 2014, Nextel Chile had total assets of \$33.5 million and total liabilities of \$266.2 million, of which \$232.7 million related to intercompany liabilities.

Subscriber Units in Commercial Service

As we transition to our WCDMA networks, we are able to offer a substantially broader range of services and subscriber units that support voice services, including our push-to-talk services, data services and, in many cases, both. In some instances, we offer customers the option of purchasing services by acquiring the subscriber identity module, or SIM, cards from us separately, providing the customer with the flexibility to use the SIM cards in one or more devices that they acquire from us or from other sources. In addition, certain subscriber units that we offer support two SIM cards, enabling subscribers to seamlessly transition between our iDEN and WCDMA networks on the same device. Because these handsets include two SIM cards and require two contracts, they are reported as two subscribers for regulatory and external reporting purposes consistent with industry practice. Accordingly, each of these dual SIM handsets that are provisioned with two separate SIM cards is included in the table below as two "Subscriber Units in Commercial Service." We use the term "subscriber unit," which we also refer to as a subscriber, to represent an active SIM card, which is the level at which we have tracked and will continue to track subscribers. The table below provides an overview of our subscriber units in commercial service on both our iDEN and WCDMA networks in the countries indicated as of December 31, 2013 and as of and for the six months ended June 30, 2014.

	Brazil (in thousands)	Mexico	Argentina	Chile	Total
iDEN subscriber units	3,620.3	2,074.6	2,023.1	29.2	7,747.2
WCDMA subscriber units	337.9	1,189.9	—	214.3	1,742.1
Total subscriber units in commercial service — December 31, 2013	3,958.2	3,264.5	2,023.1	243.5	9,489.3
iDEN net subscriber losses	(263.5	) (484.0	) (46.8	) (3.1	) (797.4
WCDMA net subscriber additions	493.6	149.6	—	26.0	669.2
Total net subscriber additions (losses)	230.1	(334.4	) (46.8	) 22.9	(128.2
Migrations from iDEN to WCDMA	219.1	351.7	—	2.6	573.4
iDEN subscriber units	3,137.7	1,238.9	1,976.3	23.5	6,376.4
WCDMA subscriber units	1,050.6	1,691.2	—	242.9	2,984.7
Total subscriber units in commercial service — June 30, 2014	4,188.3	2,930.1	1,976.3	266.4	9,361.1

The following table shows our customer turnover rates for subscribers on both our iDEN and WCDMA networks in the countries indicated for the six months ended June 30, 2014.

	Brazil	Mexico	Argentina	Chile	Total
Total customer turnover (1)	2.61	% 3.93	% 4.25	% 3.10	% 3.40

Edgar Filing: NII HOLDINGS INC - Form 10-Q

iDEN customer turnover	2.79	% 5.49	% 4.25	% 2.81	% 3.83	%
WCDMA customer turnover	1.65	% 2.21	% —	3.11	% 2.15	%

(1) Customer turnover is calculated by dividing subscriber deactivations for the period by the average number of subscriber units during that period.

35

Critical Accounting Policies and Estimates

The preparation of our financial statements in conformity with accounting principles generally accepted in the United States requires us to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities, revenues and expenses and related disclosures of contingent assets and liabilities in the condensed consolidated financial statements and accompanying notes. Although we believe that our estimates, assumptions and judgments are reasonable, they are based upon presently available information. Due to the inherent uncertainty involved in making those estimates, actual results reported in future periods could differ from those estimates. As described in more detail in our annual report on Form 10-K under "Management's Discussion and Analysis of Financial Condition and Results of Operations," we consider the following accounting policies to be the most important to our financial position and results of operations or policies that require us to exercise significant judgment and/or estimates:

- revenue recognition;
- allowance for doubtful accounts;
- depreciation of property, plant and equipment;
- amortization of intangible assets;
- valuation of long-lived assets;
- asset retirement obligations;
- foreign currency;
- loss contingencies; and
- income taxes.

There have been no material changes to our critical accounting policies and estimates during the six months ended June 30, 2014 compared to those discussed under "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our annual report on Form 10-K.

Results of Operations

Operating revenues primarily consist of wireless service revenues and revenues generated from the sale of handsets and accessories. Service revenues primarily include fixed monthly access charges for mobile telephone service, wireless data services, and push-to-talk and other services, including revenues from calling party pays programs and variable charges for airtime and two-way radio usage, long-distance charges, and international roaming revenues derived from calls placed by our subscribers. Handset and accessory revenues represent revenues we earn on the sale of handsets and accessories.

In addition, we also have other less significant sources of revenues. These revenues primarily include revenues generated from our handset maintenance programs, roaming revenues generated from other companies' subscribers that roam on our networks and co-location rental revenues from third-party tenants that rent space on our towers. Cost of revenues primarily includes the cost of providing wireless service and the cost of handset and accessory sales. Cost of providing service consists of:

- costs of interconnection with local exchange carrier facilities;
- costs relating to terminating calls originated on our network on other carriers' networks;
- direct switch, transmitter and receiver site costs, including property taxes;
- expenses related to our handset maintenance programs; and
- insurance costs, utility costs, maintenance costs, spectrum license fees and rent for the network switches and transmitter sites used to operate our mobile networks.

Interconnection costs have fixed and variable components. The fixed component of interconnection costs consists of monthly flat-rate fees for facilities leased from local exchange carriers, primarily for circuits required to connect our transmitter sites to our network switches, to connect our switches and to connect our networks with those of other carriers. The variable component of interconnection costs, which fluctuates in relation to the volume and duration of wireless calls, generally consists of per-minute use fees charged by wireline and wireless carriers relating to wireless

calls from our handsets that terminate on their networks.

Cost of handset and accessory sales consists largely of the cost of our handsets and accessories, order fulfillment and installation-related expenses, as well as write-downs of handset and related accessory inventory for shrinkage or obsolescence.

Our service and other revenues and the variable component of our cost of service are primarily driven by the number of subscriber units in commercial service and the rate plans applicable to, and the levels of usage of, those subscriber units. Our

36

handset and accessory revenues and cost of handset and accessory sales are primarily driven by the number of new handsets placed into service, as well as handset upgrades provided to existing subscribers.

Selling and marketing expenses include all of the expenses related to acquiring subscribers to our services, exclusive of costs to subsidize our handsets.

General and administrative expenses include expenses related to revenue-based taxes, billing, customer care, collections, maintenance of management information systems, corporate overhead and payroll, including share-based compensation.

In accordance with accounting principles generally accepted in the U.S., we translated the results of operations of our operating segments using the average foreign currency exchange rates for the three and six months ended June 30, 2014 and 2013. The following table presents the average foreign currency exchange rates we used to translate the results of operations of our operating segments, as well as changes from the average foreign currency exchange rates utilized in prior periods.

	Three Months Ended June 30,		
	2014	2013	Percent Change
Brazilian real	2.23	2.07	(8)%
Mexican peso	13.01	12.46	(4)%
Argentine peso	8.06	5.24	(54)%
Chilean peso	554.37	484.87	(14)%

	Six Months Ended June 30,		
	2014	2013	Percent Change
Brazilian real	2.30	2.03	(13)%
Mexican peso	13.12	12.56	(4)%
Argentine peso	7.85	5.13	(53)%
Chilean peso	553.06	478.68	(16)%

Throughout 2013 and continuing through the second quarter of 2014, foreign currency exchange rates in Argentina and Chile depreciated in value relative to the U.S. dollar. In recent quarters, foreign currency exchange rates in Brazil and Mexico have begun to appreciate slightly relative to the U.S. dollar. The following table presents the foreign currency exchange rates in effect at the end of each of the quarters in 2013, as well as at the end of the first and second quarters of 2014. If the values of these exchange rates depreciate from current levels relative to the U.S. dollar, our future operating results and the values of our assets held in local currencies will be adversely affected.

	2013				2014	
	March	June	September	December	March	June
Brazilian real	2.01	2.22	2.23	2.34	2.26	2.20
Mexican peso	12.35	13.19	13.01	13.08	13.08	13.03
Argentine peso	5.12	5.39	5.79	6.52	8.00	8.13
Chilean peso	472.03	507.16	504.2	524.61	551.18	552.72

To provide better insight into the results of our operating segments, we present the year-over-year percentage change in each of the line items presented on a constant currency basis in the "Constant Currency Change from Previous Year" columns in the tables below. The comparison of results on a constant currency basis shows the impact of changes in foreign currency exchange rates (i) by adjusting the relevant measures for the three and six months ended June 30, 2013 to amounts that would have resulted if the average foreign currency rates for the three and six months ended June 30, 2013 were the same as the average foreign currency exchange rates that were in effect for the three and six months ended June 30, 2014; and (ii) by comparing the constant currency financial measures for the three and six months ended June 30, 2013 to the actual financial measures for the three and six months ended June 30, 2014. The constant currency information reflected in the tables below 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 results of operations.

37

Edgar Filing: NII HOLDINGS INC - Form 10-Q

a. Consolidated

	June 30, 2014	% of Consolidated Operating Revenues	June 30, 2013	% of Consolidated Operating Revenues	Actual Change from Previous Year		Constant Currency Change from Previous Year Percent
					Dollars	Percent	
(dollars in thousands)							
Three Months Ended							
Operating revenues							
Service and other revenues	\$893,125	92	% \$1,214,174	96	% \$(321,049)	(26)%	(19)%
Handset and accessory revenues	75,627	8	% 45,386	4	% 30,241	67%	98%
	968,752	100	% 1,259,560	100	% (290,808)	(23)%	(15)%
Cost of revenues							
Cost of service (exclusive of depreciation and amortization included below)	366,909	38	% 393,006	31	% (26,097)	(7)%	1%
Cost of handset and accessory sales	274,059	28	% 233,866	19	% 40,193	17%	21%
	640,968	66	% 626,872	50	% 14,096	2%	9%
Selling and marketing expenses	147,908	15	% 160,348	13	% (12,440)	(8)%	1%
General and administrative expenses	335,607	35	% 371,450	30	% (35,843)	(10)%	(1)%
Impairment and restructuring charges	160,270	17	% 1,281	—	158,989	NM	NM
Depreciation and amortization	188,381	19	% 181,614	14	% 6,767	4%	12%
Operating loss	(504,382)	(52)	)% (82,005)	(7)	)% (422,377)	NM	NM
Interest expense, net	(120,394)	(12)	)% (150,242)	(12)	)% 29,848	(20)%	(17)%
Interest income	12,762	1	% 8,987	1	% 3,775	42%	64%
Foreign currency transaction gains (losses), net	9,723	1	% (104,493)	(8)	)% 114,216	(109)%	(110)%
Other income (expense), net	1,720	—	(8,333)	(1)	)% 10,053	(121)%	(122)%
Loss from continuing operations before income tax provision	(600,571)	(62)	)% (336,086)	(27)	)% (264,485)	79%	85%
Income tax provision	(28,671)	(3)	)% (48,770)	(3)	)% 20,099	(41)%	(39)%
Net loss from continuing operations	(629,242)	(65)	)% (384,856)	(30)	)% (244,386)	64%	69%
	5,931	1	% (11,495)	(1)	)% 17,426	(152)%	NM

Income (loss) from
discontinued operations,
net of income taxes

Net loss \$(623,311) (64)% \$(396,351) (31)% \$(226,960) 57 % 67 %

NM — Not Meaningful

38

Edgar Filing: NII HOLDINGS INC - Form 10-Q

	June 30, 2014	% of Consolidated Operating Revenues	June 30, 2013	% of Consolidated Operating Revenues	Actual Change from Previous Year		Constant Currency Change from Previous Year		
					Dollars	Percent	Percent	Percent	
(dollars in thousands)									
Six Months Ended									
Operating revenues									
Service and other revenues	\$ 1,807,030	93	% \$ 2,497,250	96	% \$(690,220)	(28)%	(18)%		
Handset and accessory revenues	131,936	7	% 93,149	4	% 38,787	42	% 74		%
	1,938,966	100	% 2,590,399	100	% (651,433)	(25)%	(15)%		
Cost of revenues									
Cost of service (exclusive of depreciation and amortization included below)	704,492	36	% 792,099	31	% (87,607)	(11)%	(1)%		
Cost of handset and accessory sales	539,864	28	% 440,167	17	% 99,697	23	% 27		%
	1,244,356	64	% 1,232,266	48	% 12,090	1	% 9		%
Selling and marketing expenses	296,467	15	% 304,482	11	% (8,015)	(3)%	8		%
General and administrative expenses	637,805	33	% 724,848	28	% (87,043)	(12)%	(1)%		
Impairment and restructuring charges	157,743	8	% 125,888	5	% 31,855	25	% 25		%
Depreciation and amortization	346,057	18	% 364,436	14	% (18,379)	(5)%	5		%
Operating loss	(743,462)	(38)%	(161,521)	(6)%	(581,941)	NM	NM		
Interest expense, net	(260,606)	(14)%	(259,904)	(10)%	(702)	—	4		%
Interest income	32,870	2	% 15,492	1	% 17,378	112	% 150		%
Foreign currency transaction gains (losses), net	2,537	—	(81,268)	(3)%	83,805	(103)%	(104)%		
Other expense, net	(2,970)	—	(13,087)	(1)%	10,117	(77)%	(74)%		
Loss from continuing operations before income tax provision	(971,631)	(50)%	(500,288)	(19)%	(471,343)	94	% 100		%
Income tax provision	(33,711)	(2)%	(70,388)	(3)%	36,677	(52)%	(49)%		
Net loss from continuing operations	(1,005,342)	(52)%	(570,676)	(22)%	(434,666)	76	% 82		%
Income (loss) from discontinued operations, net of income taxes	5,952	—	(33,179)	(1)%	39,131	(118)%	NM		
Net loss	\$ (999,390)	(52)%	\$ (603,855)	(23)%	\$ (395,535)	66	% 81		%

NM — Not Meaningful

We continued to experience deteriorating financial and operational results in the first half of 2014 due to a number of factors, including the economic and competitive environments in our markets, declining local currency values, the impact of delays in the deployment and launch of services on our WCDMA networks and the increased costs to support these networks. The delays in the deployment and launch of services on our WCDMA networks that we experienced in 2013 resulted in a significant decline in our subscriber base in Mexico and substantially lower levels of average revenue per subscriber in Brazil in the first half of 2014. As a result of these and other factors, our consolidated subscriber base decreased 6% from June 30, 2013 to June 30, 2014, and our consolidated operating revenues on a reported basis decreased 23% and 25% in the three and six months ended June 30, 2014 compared to the same periods in 2013. Also contributing to the year-over-year declines in operating revenues were migrations of existing iDEN subscribers to lower rate service plans on our iDEN network in Brazil, which drove lower average revenue per subscriber in local currency, and declines in local currency values relative to the U.S. dollar. Consolidated operating revenues decreased 15% on a constant currency basis for both the three and six months ended June 30, 2014 compared to the same periods in 2013.

We believe that the deployment of our WCDMA networks will enable us to offer new and differentiated services to a larger base of subscribers, but expect that our ability to attract customers and increase our operating revenues for services provided using the networks will be tied to our ability to change customer perceptions regarding the types and quality of services we offer and our ability to develop services and rate plans that differentiate us from our competition and meet our customers' needs. During the three and six months ended June 30, 2014, the impact of weaker average foreign currency exchange rates, lower average revenue

per subscriber in local currency and higher cost of handsets, combined with additional expenses related to the operation of both of our networks, led to an increase in our consolidated cost of revenues, selling and marketing expenses and general and administrative expenses as percentages of consolidated operating revenues compared to the three and six months ended June 30, 2013. As a result, our operating losses increased \$422.4 million and \$581.9 million from the three and six months ended June 30, 2013 to the same periods in 2014.

In the first half of 2014, our investments in consolidated capital expenditures were \$240.5 million, which represents a 35% decrease from the first half of 2013. We plan to continue to invest in the deployment of our WCDMA networks during the remainder of 2014, with a particular focus on enhancing those networks and improving results in our largest markets of Brazil and Mexico. In the second quarter of 2014, we launched LTE services in Rio de Janeiro, and we expect to begin offering similar LTE services in Mexico later this year. While we are continuing to invest in the future of our business, based on our spending plans, we currently expect our investments in capital expenditures for the remainder of 2014, including our investments in our networks, will be lower than the levels of those investments in 2013.

We will also continue to support our operations in Argentina and Chile while exploring strategic options for these markets, such as partnerships, network sharing, and other service arrangements and asset sales to maximize the value of those businesses and generate additional liquidity. Consistent with this change in emphasis, in August 2013, we completed the sale of all of the outstanding equity interests of Nextel Peru to Entel.

1. Operating revenues

Consolidated operating revenues decreased \$290.8 million, or 23%, and \$651.4 million, or 25%, on a reported basis from the three and six months ended June 30, 2013 to the same periods in 2014 as a result of decreases in service and other revenues of \$321.0 million, or 26%, and \$690.2 million, or 28%, respectively, partially offset by increases in handset and accessory revenues of \$30.2 million, or 67%, and \$38.8 million, or 42%, respectively. On a constant currency basis, consolidated operating revenues decreased 15% for both the three and six months ended June 30, 2014 compared to the same periods in 2013.

The decreases in consolidated service and other revenues were principally due to the decline in our consolidated subscriber base and decreases in consolidated average revenue per subscriber in local currency, compounded by weaker foreign currency exchange rates in Brazil, Mexico and Argentina. Specifically, the combined impact of the significant decline in our subscriber base in Mexico and substantially lower levels of average revenue per subscriber in Brazil has resulted in significant decreases in consolidated service and other revenues during the three and six months ended June 30, 2014 compared to the same periods in 2013. We expect that consolidated service and other revenues for the full year ending December 31, 2014 will be significantly lower than the amount reported in 2013.

The increases in consolidated handset and accessory revenues were primarily a result of higher gross subscriber additions in Brazil.

2. Cost of revenues

Consolidated cost of revenues remained relatively stable on a reported basis from the three and six months ended June 30, 2013 to the same periods in 2014 despite the lower consolidated operating revenue levels primarily as a result of:

\$40.2 million, or 17%, and \$99.7 million, or 23%, increases in consolidated cost of handset and accessory sales resulting from 32% and 41% increases in gross subscriber additions in Brazil, as well as a change in the mix of handsets in Brazil and Mexico toward higher-tier handsets; and

\$28.0 million, or 17%, and \$38.3 million, or 12%, increases in consolidated direct switch and transmitter and receiver site costs due to a 21% increase in the number of sites in service from June 30, 2013 to June 30, 2014 in connection

with the deployment and expansion of our WCDMA and LTE networks in Brazil and Mexico.

These increases were partially offset by:

\$38.1 million, or 26%, and \$95.5 million, or 30%, decreases in consolidated interconnect costs related to lower interconnect minutes of use in Brazil and Mexico primarily due to the reduction in our consolidated subscriber base and lower interconnect costs per minute in Brazil;

\$10.1 million, or 28%, and \$23.4 million, or 30%, decreases in consolidated service and repair costs resulting from the utilization of more refurbished handsets and a lower overall number of repaired handsets; and

weaker average foreign currency exchange rates in Brazil, Mexico and Argentina.

On a constant currency basis, consolidated cost of revenues increased 9% for both the three and six months ended June 30, 2014 compared to the same periods in 2013.

Consolidated cost of revenues as a percentage of consolidated operating revenues increased from 50% and 48% in the three and six months ended June 30, 2013 to 66% and 64% in the three and six months ended June 30, 2014 primarily as a result of the decline in operating revenues over the same period.

3. General and administrative expenses

The \$35.8 million, or 10%, and \$87.0 million, or 12%, decreases in consolidated general and administrative expenses on a reported basis, and 1% decreases on a constant currency basis, for the three and six months ended June 30, 2014 compared to the same periods in 2013 were primarily the result of decreases in information technology costs across all markets, lower customer care expenses, mostly in Mexico, lower payroll costs related to fewer general and administrative personnel and lower revenue-based taxes in Brazil and Mexico associated with the decline in Nextel Brazil and Nextel Mexico's operating revenues. During the second quarter of 2014, Nextel Mexico reserved for certain loan receivables, which partially offset the overall decreases in consolidated general and administrative expenses.

Consolidated general and administrative expenses as a percentage of consolidated operating revenues increased from 30% and 28% in the three and six months ended June 30, 2013 to 35% and 33% in the three and six months ended June 30, 2014 largely as a result of higher declines in operating revenues than reductions in expenses over the same periods.

4. Impairment and restructuring charges

Consolidated impairment and restructuring charges recognized in the first half of 2014 primarily consisted of a \$127.5 million non-cash asset impairment charge to impair the carrying amount of Nextel Chile's assets, as well as \$22.7 million in restructuring charges, which primarily consisted of severance and related costs incurred at our corporate headquarters and at Nextel Mexico related to the separation of employees in conjunction with our efforts to streamline these organizational structures and reduce general and administrative expenses. We also recognized a \$6.4 million asset impairment charge in the second quarter of 2014 related to the sale of our corporate aircraft.

Consolidated impairment and restructuring charges recognized in 2013 primarily related to a non-cash asset impairment charge of \$85.3 million related to the discontinuation of software previously developed to support our customer relationship management systems in multiple markets and a \$38.6 million non-cash charge in connection with the restructuring of our outsourcing agreements with Nokia Siemens Networks, or NSN, reflecting the write-off of a portion of the base contractual fees that we classified as a prepayment and that were being recognized over the life of the NSN agreements prior to their restructuring.

5. Depreciation and amortization

The \$18.4 million, or 5%, decrease in consolidated depreciation and amortization on a reported basis from the first half of 2013 to the same period in 2014 is primarily the result of weaker average foreign currency exchange rates in Brazil, Mexico and Argentina. On a constant currency basis, consolidated depreciation and amortization increased 5% from the first half of 2013 to the same period in 2014.

6. Interest expense, net

The \$29.8 million, or 20%, decrease in consolidated net interest expense on a reported basis for the three months ended June 30, 2014 compared to the same period in 2013 is largely related to a decrease in the number of leases that are accounted for as capital leases in Brazil. On a constant currency basis, consolidated net interest expense decreased 17% from the second quarter of 2013 to the same period in 2014.

7. Foreign currency transaction gains (losses)

Foreign currency transaction losses of \$104.5 million and \$81.3 million during the three and six months ended June 30, 2013 were largely the result of the impact of the depreciation in the value of the Brazilian real relative to the U.S. dollar on Nextel Brazil's U.S. dollar-denominated net liabilities.

8. Income tax provision

The \$20.1 million, or 41%, and \$36.7 million, or 52%, decreases in the consolidated income tax provision for the three and six months ended June 30, 2014 compared to the same periods in 2013 were primarily due to decreases in Nextel Mexico's and Nextel Argentina's current income tax expense and reductions in withholding taxes on intercompany charges, partially offset by a \$22.7 million valuation allowance recognized on deferred tax assets related to a local reorganization of one of our Mexican subsidiaries in the second quarter of 2014.

b. Nextel Brazil

	June 30, 2014	% of Nextel Brazil's Operating Revenues	June 30, 2013	% of Nextel Brazil's Operating Revenues	Actual Previous Year	Change from Previous Year	Constant Currency Change from Previous Year
					Dollars	Percent	Percent
(dollars in thousands)							
Three Months Ended							
Operating revenues							
Service and other revenues	\$428,952	89 %	\$559,217	97 %	\$(130,265)	(23)%	(17)%
Handset and accessory revenues	50,421	11 %	19,427	3 %	30,994	160 %	179 %
	479,373	100 %	578,644	100 %	(99,271)	(17)%	(11)%
Cost of revenues							
Cost of service (exclusive of depreciation and amortization)							
	192,345	40 %	204,989	35 %	(12,644)	(6)%	1 %
Cost of handset and accessory sales							
	112,316	24 %	40,155	7 %	72,161	180 %	184 %
	304,661	64 %	245,144	42 %	59,517	24 %	32 %
Selling and marketing expenses							
	74,993	16 %	50,685	9 %	24,308	48 %	59 %
General and administrative expenses							
	155,870	32 %	175,467	30 %	(19,597)	(11)%	(4)%
Segment (losses) earnings	\$(56,151)	(12)%	\$107,348	19 %	\$(163,499)	(152)%	(160)%
Six Months Ended							
Operating revenues							
Service and other revenues	\$854,718	91 %	\$1,175,852	97 %	\$(321,134)	(27)%	(18)%
Handset and accessory revenues	85,879	9 %	38,664	3 %	47,215	122 %	150 %
	940,597	100 %	1,214,516	100 %	(273,919)	(23)%	(12)%
Cost of revenues							
Cost of service (exclusive of depreciation and amortization)							
	360,507	38 %	422,389	35 %	(61,882)	(15)%	(4)%
	224,082	24 %	90,721	7 %	133,361	147 %	152 %

Cost of handset and accessory sales

	584,589	62	%	513,110	42	%	71,479	14	%	26	%
Selling and marketing expenses	143,783	15	%	95,574	8	%	48,209	50	%	70	%
General and administrative expenses	297,521	32	%	340,841	28	%	(43,320)	(13)	%	(1)	%
Segment (losses) earnings	\$(85,296)	(9)	%	\$264,991	22	%	\$(350,287)	(132)	%	(139)	%

Nextel Brazil represented 49% of our consolidated operating revenues for the first half of 2014 compared to 47% for the first half of 2013, and comprised 45% of our total subscriber base as of June 30, 2014 compared to 39% as of June 30, 2013. Over the last two years, Nextel Brazil has operated in a highly competitive environment that reflected a significant increase in promotional activity, including price reductions and other special offers, by its competitors. In addition, Nextel Brazil did not begin offering full voice and data services on its WCDMA network until late in 2013, which reflected a delay from the service launch dates that we originally planned. As a result, Nextel Brazil was competing using its iDEN network, which does not support data services that are competitive with the higher speed data services offered by its competitors. In order to retain customers on its iDEN network, Nextel Brazil has been offering rate plans with lower average revenue per subscriber. Consequently, many iDEN customers have

been migrating to lower rate service plans, and new customers on the iDEN network have been and are continuing to select lower rate service plans. In addition, as of June 30, 2014, Nextel Brazil's subscriber base included approximately 225 thousand data-only subscribers, which typically generate lower levels of average revenue per subscriber. As a result of these factors, Nextel Brazil's average revenue per subscriber during the first half of 2014 was significantly lower than its average revenue per subscriber during the first half of 2013, which caused the \$130.3 million and \$321.1 million declines in Nextel Brazil's service and other revenues from the three and six months ended June 30, 2013 to the same periods in 2014 despite an 8% increase in Nextel Brazil's ending subscriber base from June 30, 2013 to June 30, 2014. On a constant currency basis, Nextel Brazil's service and other revenues decreased 17% and 18%, and its average revenue per subscriber decreased 24% and 23%, in the three and six month periods ended June 30, 2014 compared to the same periods in 2013.

During the first half of 2014, Nextel Brazil experienced improved WCDMA subscriber growth, which was partially offset by deactivations by iDEN subscribers, and increasing levels of WCDMA-based average revenue per subscriber. At the end of the second quarter of 2014, Nextel Brazil's WCDMA-based average revenue per subscriber for subscribers to combined voice and data plans was higher than its iDEN-based average revenue per subscriber. We believe that Nextel Brazil's launch of services on its WCDMA network, its roaming arrangements with Telefonica and its plans to continuously improve the quality of its service will allow Nextel Brazil to enhance its service offerings and improve its competitive position. While we expect that Nextel Brazil's subscriber base will continue to grow and that its average revenue per subscriber will stabilize as its base of WCDMA subscribers grows, we expect that Nextel Brazil's service and other revenues for the year ending December 31, 2014 will be significantly lower than the amount reported in 2013 as a result of the significant year-over-year reduction in average revenue per subscriber resulting from customer migrations to lower rate service plans on its iDEN network.

During the first half of 2014, Nextel Brazil continued to invest in the development of its WCDMA network and in its LTE upgrade in Rio de Janeiro. As a result, Nextel Brazil incurred increased operating expenses to support services on both of these technologies, as well as increased cost of handset sales relating to more sales of smartphones and other high-tier handsets. These increased operating costs were partially offset by a decline in other costs, but led to a reduction in Nextel Brazil's segment earnings margin from 22% in the first half of 2013 to a segment loss margin of 9% in the first half of 2014. In addition, Nextel Brazil's capital expenditures were \$117.4 million in the first half of 2014, which represented 49% of our consolidated capital expenditures, compared to 57% of our consolidated capital expenditures in the first half of 2013.

The average value of the Brazilian real depreciated relative to the U.S. dollar by 8% and 13% during the three and six months ended June 30, 2014 compared to the average values that prevailed during the same periods in 2013. As a result, the components of Nextel Brazil's results of operations for the three and six months ended June 30, 2014, after translation into U.S. dollars, reflect lower revenues and expenses in U.S. dollars than would have occurred if the Brazilian real had not depreciated relative to the U.S. dollar. If the value of the Brazilian real remains at levels similar to the end of the second quarter of 2014 or depreciates further relative to the U.S. dollar, Nextel Brazil's future results of operations may be adversely affected.

Nextel Brazil's segment earnings decreased \$163.5 million, or 152%, and \$350.3 million, or 132%, on a reported basis, and 160% and 139% on a constant currency basis, in the three and six months ended June 30, 2014 compared to the same periods in 2013, as a result of the following:

1. Operating revenues

The \$130.3 million, or 23%, and \$321.1 million, or 27%, decreases in service and other revenues on a reported basis in the three and six months ended June 30, 2014 compared to the same periods in 2013 are primarily the result of a decline in average revenue per subscriber in Nextel Brazil's iDEN subscriber base as existing iDEN subscribers migrated to lower rate service plans and new iDEN subscribers chose lower rate plans due to competitive conditions. The overall decreases in Nextel Brazil's service and other revenues were also the result of weaker foreign currency exchange rates. On a constant currency basis, Nextel Brazil's service and other revenues decreased 17% and 18% for the three and six months periods ending June 30, 2014 compared to the three and six month periods ending June 30,

2013.

2. Cost of revenues

The \$12.6 million, or 6%, and \$61.9 million, or 15%, decreases in cost of service on a reported basis in the three and six months ended June 30, 2014 compared to the same periods in 2013 are largely due to \$35.7 million, or 36%, and \$83.7 million, or 39%, decreases in interconnect costs related to decreases in interconnect minutes of use and lower mobile termination rates, partially offset by \$21.0 million, or 30% and \$22.3 million, or 16%, increases in direct switch and transmitter and receiver site costs due to a 28% increase in the number of sites in service from June 30, 2013 to June 30, 2014 in connection with the deployment and expansion of our WCDMA network and LTE upgrade in Brazil.

43

The \$72.2 million, or 180%, and \$133.4 million, or 147%, increases in cost of handset and accessory sales on a reported basis from the three and six months ended June 30, 2013 to the same periods in 2014 are largely related to 32% and 41% increases in gross subscriber additions in Brazil, as well as a change in the mix of handsets toward higher-tier smartphones and other handsets.

Nextel Brazil's cost of revenues increased as a percentage of operating revenues as a result of the more significant year-over-year decline in operating revenues described above and the higher cost of handset and accessory sales. On a constant currency basis, Nextel Brazil's total cost of revenues increased 32% and 26%, in the three and six months ended June 30, 2014 compared to the same periods in 2013.

3. Selling and marketing expenses

The \$24.3 million, or 48%, and \$48.2 million, or 50%, increases in selling and marketing expenses on a reported basis, and 59% and 70% on a constant currency basis, in the three and six months ended June 30, 2014 compared to the same periods in 2013 are largely due to higher advertising costs resulting from new marketing campaigns in connection with our efforts to increase awareness of Nextel Brazil as a next generation service provider and increases in commissions resulting from higher gross subscriber additions, as well as an increase in average commission per gross subscriber addition.

4. General and administrative expenses

The \$19.6 million, or 11%, and \$43.3 million, or 13%, decreases in general and administrative expenses on a reported basis, and 4% and 1% on a constant currency basis, from the three and six months ended June 30, 2013 to the same periods in 2014 are primarily due to decreases in revenue-based taxes associated with the declines in operating revenues described above. In addition, the decrease in general and administrative expenses from the three months ended June 30, 2013 to the same period in 2014 is primarily due to higher bad debt expense in the second quarter of 2013 as a result of temporary modifications to doubtful account policies in connection with delays in processing billing cycles.

Mexico

	June 30, 2014	% of Nextel Mexico's Operating Revenues	June 30, 2013	% of Nextel Mexico's Operating Revenues	Change from Previous Year		Constant Currency Change from Previous Year	
					Dollars	Percent	Percent	
(dollars in thousands)								
Three Months Ended								
Operating revenues								
Service and other revenues	\$ 353,954	96	% \$ 492,650	98	% \$(138,696)	(28)	% (25))%
Handset and accessory revenues	12,858	4	% 10,047	2	% 2,811	28	% 34	%
	366,812	100	% 502,697	100	% (135,885)	(27)	)%	(24)
Cost of revenues								
Cost of service (exclusive of depreciation and amortization)								
Cost of service (exclusive of depreciation and amortization)	129,647	35	% 124,543	25	% 5,104	4	% 8	%
Cost of handset and accessory sales	142,471	39	% 162,538	32	% (20,067)	(12)	)%	(9)
	272,118	74	% 287,081	57	% (14,963)	(5)	)%	(2)
Selling and marketing expenses	51,221	14	% 80,810	16	% (29,589)	(37)	)%	(34)
General and administrative expenses	92,587	25	% 95,410	19	% (2,823)	(3)	)%	1
Segment (losses) earnings	\$(49,114)	(13)	)%	\$ 39,396	8	% \$(88,510)	(225))%
Six Months Ended								
Operating revenues								
Service and other revenues	\$ 727,247	97	% \$ 993,657	98	% \$(266,410)	(27)	)%	(24)
Handset and accessory revenues	21,409	3	% 23,054	2	% (1,645)	(7)	)%	(3)
	748,656	100	% 1,016,711	100	% (268,055)	(26)	)%	(23)
Cost of revenues								
Cost of service (exclusive of depreciation and amortization)								
Cost of service (exclusive of depreciation and amortization)	254,480	34	% 247,688	24	% 6,792	3	% 6	%
Cost of handset and accessory sales	275,746	37	% 291,068	29	% (15,322)	(5)	)%	(1)
	530,226	71	% 538,756	53	% (8,530)	(2)	)%	2
Selling and marketing expenses	110,217	15	% 152,435	15	% (42,218)	(28)	)%	(24)
General and administrative expenses	169,867	22	% 184,895	18	% (15,028)	(8)	)%	(4)
Segment (losses) earnings	\$(61,654)	(8)	)%	\$ 140,625	14	% \$(202,279)	(144))%

Nextel Mexico represented 39% of our consolidated operating revenues in both the first half of 2014 and the first half of 2013, and comprised 31% of our consolidated subscriber base as of June 30, 2014 compared to 40% as of June 30,

2013.

Last year, Nextel Mexico experienced significant disruption to its business plans, and a decline in its subscriber base, operating revenues and operating cash flows, in connection with Sprint's deactivation of its iDEN network in the U.S. in mid-2013, which was compounded by the insufficient capacity of Nextel Mexico's WCDMA network to handle the number of subscribers that migrated from service on our iDEN network to service on our WCDMA network, as well as the inability of our customer operations to respond to problems encountered by those subscribers. The deactivation of Sprint's iDEN network also resulted in changes to the connections previously available between our subscribers and their contacts in the U.S., as well as our customers' ability to roam in the U.S. These changes had an adverse impact on our customers' experience in using their services and created a negative perception of our services and reputation as a provider of high quality services in Mexico, which has made it more difficult for us to attract and retain subscribers. As a result, Nextel Mexico experienced higher iDEN customer turnover and was not able to effectively offset the loss of iDEN subscribers with new WCDMA subscribers, resulting in a 26% reduction in Nextel Mexico's ending subscriber base from June 30, 2013 to June 30, 2014.

Over the course of the last year, Nextel Mexico has experienced deteriorating financial and operational results due to these and other factors, including the economic and competitive environments in Mexico. As a result, Nextel Mexico's operating revenues decreased 27% and 26% on a reported basis for the three and six months ended June 30, 2014 compared to the same periods in 2013. On a constant currency basis, Nextel Mexico's service and other revenues decreased 25% and 24%, and its average revenue

45

per subscriber decreased 2% and 3%, in the three and six month periods ended June 30, 2014 compared to the same periods in 2013 mostly resulting from migrations to lower rate service plans.

Nextel Mexico has taken and continues to take actions designed to improve its WCDMA network performance and the quality of service experienced by our customers, including improving its retail distribution channels, launching awareness campaigns to inform subscribers of the improvements to its WCDMA network and offering service plans designed to encourage subscribers' migration to new WCDMA handsets. Despite these efforts, the negative perception of our services in Mexico has continued to have an adverse impact on our ability to attract new customers or sell additional services to our existing customers and on our existing subscribers' willingness to remain on our iDEN network or to make the transition to service on our WCDMA network, which has resulted in further increases in subscriber deactivations and could result in further deactivations in the future. As a result of its smaller subscriber base, we expect that Nextel Mexico's service and other revenues for the year ending December 31, 2014 will be significantly lower than the amount reported in 2013.

The average value of the Mexican peso depreciated relative to the U.S. dollar by 4% for both the three and six months ended June 30, 2014 compared to the average values that prevailed during the same periods in 2013. As a result, the components of Nextel Mexico's results of operations for the three and six months ended June 30, 2014, after translation into U.S. dollars, reflect slightly lower revenues and expenses in U.S. dollars than would have occurred if the Mexican peso had not depreciated relative to the U.S. dollar.

Nextel Mexico's segment earnings decreased \$88.5 million, or 225%, and \$202.3 million, or 144%, on a reported basis, and 230% and 146% on a constant currency basis, in the three and six months ended June 30, 2014 compared to the same periods in 2013, as a result of the following:

1. Operating revenues

The \$138.7 million, or 28%, and \$266.4 million, or 27% decreases in service and other revenues on a reported basis, and 25% and 24% on a constant currency basis, in the three and six months ended June 30, 2014 compared to the same periods in 2013 are primarily due to the 26% reduction in Nextel Mexico's subscriber base from June 30, 2013 to June 30, 2014.

2. Cost of revenues

Nextel Mexico's cost of revenues increased as a percentage of operating revenues from 57% and 53% during the three and six months ended June 30, 2013 to 74% and 71% during the three and six months ended June 30, 2014 primarily as a result of the significant year-over-year decline in operating revenues on both a reported basis and a constant currency basis that outpaced the reductions in cost of revenues.

3. Selling and marketing expenses

The \$29.6 million, or 37%, and \$42.2 million, or 28%, decreases in selling and marketing expenses on a reported basis, and 34% and 24% decreases on a constant currency basis, in the three and six months ended June 30, 2014 compared to the same periods in 2013 are primarily the result of lower commissions paid to Nextel Mexico employees resulting from 28% and 27% decreases in gross subscriber additions in Mexico, as well as decreases in average commissions per gross subscriber addition.

4. General and administrative expenses

The \$15.0 million, or 8%, decrease in general and administrative expenses on a reported basis, and 4% decrease on a constant currency basis, in the six months ended June 30, 2014 compared to the same period in 2013 is primarily the result of lower customer care expenses associated with Nextel Mexico's smaller subscriber base and lower payroll costs related to fewer general and administrative personnel, partially offset by a reserve for certain loan receivables in

the second quarter of 2014.

46

d. Nextel Argentina

	June 30, 2014	% of Nextel Argentina's Operating Revenues	June 30, 2013	% of Nextel Argentina's Operating Revenues	Actual Change from Previous Year		Constant Currency Change from Previous Year	
					Dollars	Percent	Percent	
(dollars in thousands)								
Three Months Ended								
Operating revenues								
Service and other revenues	\$96,637	89	% \$149,059	91	% \$(52,422)	(35)%	—	
Handset and accessory revenues	11,472	11	% 14,902	9	% (3,430)	(23)%	18	%
	108,109	100	% 163,961	100	% (55,852)	(34)%	1	%
Cost of revenues								
Cost of service (exclusive of depreciation and amortization)								
	26,637	25	% 41,343	25	% (14,706)	(36)%	(15)%
Cost of handset and accessory sales	16,562	15	% 21,864	14	% (5,302)	(24)%	(22)%
	43,199	40	% 63,207	39	% (20,008)	(32)%	(18)%
Selling and marketing expenses	12,318	11	% 15,200	9	% (2,882)	(19)%	24	%
General and administrative expenses	31,285	29	% 43,712	26	% (12,427)	(28)%	10	%
Segment earnings	\$21,307	20	% \$41,842	26	% \$(20,535)	(49)%	49	%
Six Months Ended								
Operating revenues								
Service and other revenues	\$197,551	89	% \$302,146	91	% \$(104,595)	(35)%	—	
Handset and accessory revenues	23,238	11	% 28,839	9	% (5,601)	(19)%	23	%
	220,789	100	% 330,985	100	% (110,196)	(33)%	2	%
Cost of revenues								
Cost of service (exclusive of depreciation and amortization)								
	53,518	24	% 81,436	25	% (27,918)	(34)%	(14)%
Cost of handset and accessory sales	32,671	15	% 43,047	13	% (10,376)	(24)%	(22)%
	86,189	39	% 124,483	38	% (38,294)	(31)%	(17)%
Selling and marketing expenses	23,464	11	% 29,574	9	% (6,110)	(21)%	21	%
General and administrative expenses	62,851	28	% 82,745	25	% (19,894)	(24)%	16	%
Segment earnings	\$48,285	22	% \$94,183	28	% \$(45,898)	(49)%	34	%

Nextel Argentina comprised 11% of our consolidated operating revenues in the first half of 2014 compared to 13% for the same period in 2013, and represented 21% of our total subscriber base as of June 30, 2014 compared to 19% as of June 30, 2013. A significant portion of Nextel Argentina's subscriber base as of June 30, 2014 represented subscribers who are utilizing prepaid service plans that generate lower average monthly revenues per subscriber unit. Nextel Argentina generated a segment earnings margin of 22% in the first half of 2014 compared to 28% in the first half of 2013. Over the last several years, the inflation rate in Argentina has risen significantly, and we expect that it may continue to rise in future periods. The higher inflation rate has affected revenues and costs that are incurred in Argentine pesos. If the higher inflation rates in Argentina continue, Nextel Argentina's results of operations may be adversely affected. In addition, Nextel Argentina continues to compete utilizing its iDEN network, which does not support data services that are competitive with the higher speed data services offered by some of its competitors. As a result, Nextel Argentina experienced a higher customer turnover rate during the first half of 2014 compared to the same period in 2013 as its customers were targeted by competitors' aggressive offers that include a broader range of services that are supported by competitors' WCDMA networks.

The average value of the Argentine peso for the three and six months ended June 30, 2014 depreciated relative to the U.S. dollar by 54% and 53% compared to the average values that prevailed during the same periods in 2013. As a result, the

components of Nextel Argentina's results of operations for the three and six months ended June 30, 2014, after translation into U.S. dollars, reflect lower revenues and expenses in U.S. dollars than would have occurred if the Argentine peso had not depreciated relative to the U.S. dollar. If further devaluation of the Argentine peso occurs, Nextel Argentina's results of operations would be adversely affected.

Nextel Argentina's segment earnings decreased \$20.5 million, or 49%, and \$45.9 million, or 49%, on a reported basis in the three and six months ended June 30, 2014 compared to the same periods in 2013, primarily as a result of the significant depreciation in the value of the Argentine peso relative to the U.S. dollar. On a constant currency basis, Nextel Argentina's segment earnings increased 49% and 34% on a constant currency basis in the three and six months ended June 30, 2014 compared to the same periods in 2013, primarily as a result of lower interconnect costs.

e. Chile and Corporate

	June 30, 2014	June 30, 2013	Change from Previous Year		
			Dollars	Percent	
	(dollars in thousands)				
Three Months Ended					
Operating revenues					
Service and other revenues	\$16,760	\$14,149	\$2,611	18	%
Handset and accessory revenues	876	1,266	(390)	(31))%
	17,636	15,415	2,221	14	%
Cost of revenues					
Cost of service (exclusive of depreciation and amortization)	18,339	22,265	(3,926)	(18))%
Cost of handset and accessory sales	5,167	9,585	(4,418)	(46))%
	23,506	31,850	(8,344)	(26))%
Selling and marketing expenses	9,411	13,653	(4,242)	(31))%
General and administrative expenses	57,965	59,452	(1,487)	(3))%
Segment losses	\$(73,246)	\$(89,540)	\$16,294	(18))%
Six Months Ended					
Operating revenues					
Service and other revenues	\$31,482	\$27,459	\$4,023	15	%
Handset and accessory revenues	1,410	13,989	(12,579)	(90))%
	32,892	41,448	(8,556)	(21))%
Cost of revenues					
Cost of service (exclusive of depreciation and amortization)	36,139	40,915	(4,776)	(12))%
Cost of handset and accessory sales	9,822	27,007	(17,185)	(64))%
	45,961	67,922	(21,961)	(32))%
Selling and marketing expenses	19,057	26,899	(7,842)	(29))%
General and administrative expenses	112,064	120,623	(8,559)	(7))%
Segment losses	\$(144,190)	\$(173,996)	\$29,806	(17))%

For the three and six months ended June 30, 2014 and 2013, the operating revenues and cost of revenues included in this discussion primarily represent the results of operations reported by Nextel Chile. During 2012, we began offering services on a WCDMA network in Chile, which is enabling us to offer new and differentiated services to a larger base of potential subscribers.

Segment losses decreased \$16.3 million, or 18%, and \$29.8 million, or 17%, in the three and six months ended June 30, 2014 compared to the same periods in 2013 primarily due to \$4.4 million, or 46%, and \$17.2 million, or 64%,

decreases in cost of handset and accessory sales and \$4.2 million, or 31%, and \$7.8 million, or 29%, decreases in selling and marketing expenses, mostly related to lower gross subscriber additions in Chile. The decrease in segment losses is also the result of decreases in general and administrative expenses largely resulting from fewer general and administrative personnel and lower information technology costs in both Chile and at the corporate level.

Liquidity and Capital Resources

We derive our liquidity and capital resources primarily from a combination of cash flows from our operations and cash we raise in connection with external financings and asset sales. As of June 30, 2014, we had a working capital deficit, which is defined as total current assets less total current liabilities, of \$4,888.7 million, as a result of the reclassification of the balances of our senior notes, local bank loans in Brazil and our equipment financing facilities in Brazil and Mexico as current liabilities in our condensed consolidated balance sheet. As of December 31, 2013, our working capital was \$1,461.6 million. As of June 30, 2014, our working capital included \$814.0 million in cash and cash equivalents, of which \$9.1 million was held by Nextel Brazil, \$126.1 million was held by Nextel Mexico, \$10.0 million was held by Nextel Chile and \$339.2 million was held by NIIT. Approximately \$128.4 million in cash and cash equivalents was held by Nextel Argentina, the majority of which is denominated in Argentine pesos and remains subject to Argentina's foreign currency controls and to fluctuations in foreign currency exchange rates. In addition, as of June 30, 2014, \$196.5 million of our cash and cash equivalents was held in currencies other than U.S. dollars, with 37% of that amount held in Mexican pesos and 54% of that amount held in Argentine pesos. As of June 30, 2014, our working capital also included \$132.6 million in short-term investments, which was held in Brazilian reais. In addition, as of June 30, 2014, we had a \$115.0 million deposit securing certain performance bonds relating to our obligations to deploy our spectrum in Brazil, which is recorded as a long-term other asset in our condensed consolidated balance sheet. A substantial portion of our cash and cash equivalents is held in money market funds, bank deposits and U.S. treasury securities, and our cash, cash equivalents and short-term investments held in local currencies are typically maintained in a combination of money market funds, highly liquid overnight securities and fixed income investments. The values of our cash, cash equivalents and short-term investments that are held in the local currencies of the countries in which we do business will fluctuate in U.S. dollars based on changes in the exchange rates of these local currencies relative to the U.S. dollar.

Our current sources of funding include our cash, cash equivalent and short-term investment balances and anticipated future cash flows from our operations.

Cash Flows

	Six Months Ended June 30,		Change
	2014	2013	
	(in thousands)		
Cash and cash equivalents, beginning of period	\$1,733,783	\$1,371,173	\$362,610
Net cash used in operating activities	(803,049)	(40,306)	(762,743)
Net cash used in investing activities	(56,962)	(647,818)	590,856
Net cash (used in) provided by financing activities	(24,401)	821,488	(845,889)
Effect of exchange rate changes on cash and cash equivalents	(35,348)	(18,156)	(17,192)
Change in cash and cash equivalents held for sale	—	(23,127)	23,127
Cash and cash equivalents, end of period	\$814,023	\$1,463,254	\$(649,231)

The following is a discussion of the primary sources and uses of cash in our operating, investing and financing activities.

We used \$803.0 million of cash in our operating activities during the first half of 2014, a \$762.7 million increase from the same period in 2013, primarily due to increased operating losses, \$125.5 million related to the prepayment of certain costs associated with our roaming arrangements with Telefonica in Brazil and Mexico, higher interest expense related to the senior notes we issued in 2013 and higher investments in next generation handsets, including smartphones in Brazil and Mexico.

We used \$57.0 million of cash in our investing activities during the first half of 2014, primarily due to \$386.0 million in cash capital expenditures and a \$115.0 million deposit to secure certain performance bonds relating to our obligations to deploy our spectrum in Brazil, partially offset by \$497.8 million in net proceeds received from maturities of our short-term investments in Brazil and at the corporate level. We used \$647.8 million of cash in our

investing activities during the first half of 2013, primarily due to \$408.8 million in cash capital expenditures and \$153.7 million in net purchases of investments.

We used \$24.4 million of cash in our financing activities during the first half of 2014, primarily due to \$38.5 million in repayments of bank loans and other borrowings, partially offset by \$14.2 million in borrowings under our equipment financing facilities. Our financing activities provided us with \$821.5 million of cash during the first half of 2013, primarily due to \$900.0 million in gross proceeds we received from the issuance of our 11.375% senior notes in February 2013 and April 2013 and \$700.0 million in gross proceeds we received from the issuance of our 7.875% senior notes in May 2013, partially offset by \$621.8 million

used to repay our bank loan in Mexico and one of our bank loans in Brazil and \$37.4 million to repay our import financing loans in Brazil.

Future Capital Needs and Resources

Over the course of the last two years, our results of operations, including our operating revenues and operating cash flows, have been negatively affected by a number of factors, including competitive pressure across all of our markets, the depreciation of local currencies, the impact of delays in the deployment and launch of services on our WCDMA networks and the increased costs to support both of our networks. These and other factors had a significant negative impact on our results over the course of the last year, and, as a result, we ended the second quarter of 2014 with a significantly smaller subscriber and revenue base than existed at the end of the second quarter of 2013. While we are continuing to invest in the future of our business, based on our spending plans, we currently expect our investments in capital expenditures for the remainder of 2014, including our investments in our networks, will be lower than the levels of those investments in 2013. Additionally, based on our current level of debt, we are required to pay cash interest in excess of \$550.0 million annually.

These conditions, and their impact on our liquidity, in combination with the potential impact of our failure to satisfy certain financial covenants under our existing debt obligations, raise substantial doubt about our ability to generate sufficient growth in our operating revenues and operating cash flows to meet our financial obligations beyond early 2015, as well as our ability to continue as a going concern, despite our implementation of measures designed to conserve cash and reduce operating expenses and capital expenditures in 2014. In response to these circumstances, we have retained financial advisers to assist us in evaluating both potential strategic alternatives and the feasibility of recapitalizing our balance sheet, engaged in discussions with a number of parties interested in acquiring some or all of our assets and engaged in discussions with holders of, and representatives of certain holders of, the senior notes issued by NII Capital Corp. and NIIT regarding the potential terms on which the obligations evidenced by those senior notes could be restructured, including by exchanging all or a portion of the senior notes for common stock or other equity interests. See “— Business Update” and “— Future Outlook, Liquidity Plans and Going Concern” for further information.

Capital Resources. Our ongoing capital resources depend on a variety of factors, including our existing cash, cash equivalents and investment balances, cash flows generated by our operating companies and external financial sources. Our ability to generate sufficient net cash from our operating activities in the future is dependent upon, among other things:

- the amount of revenue we are able to generate and collect from our subscribers;
- the amount of operating expenses required to provide our services;
- the cost of acquiring and retaining customers, including the subsidies we incur to provide handsets to both our new and existing subscribers;

- our ability to increase the size of our subscriber base; and

- changes in foreign currency exchange rates.

Due to our recent and projected results of operations and other factors, our access to the capital markets is likely to be limited or nonexistent. See “Item 1A. Risk Factors — 5. We are dependent on external sources of capital to meet our long-term funding needs and debt service requirements, and our financial condition could negatively impact our access to funding. If we are unable to obtain funding when needed and on terms acceptable to us, our business and liquidity will be adversely affected and we may not be able to meet our debt obligations.” in our annual report on Form 10-K for the year ended December 31, 2013.

Capital Needs and Contractual Obligations. We currently anticipate that our future capital needs will principally consist of funds required for:

- operating expenses and capital expenditures relating to our existing networks and the planned deployment of LTE upgrades;
- payments in connection with spectrum purchases, including ongoing spectrum license fees;
- debt service requirements;

obligations relating to our tower financing arrangements and capital lease obligations;
cash taxes; and
other general corporate expenditures.

50

As a result of our noncompliance with certain financial covenants described below, we reclassified the principal amount outstanding under each series of our senior notes, our equipment financing facilities in Brazil and Mexico and our local bank loans in Brazil as current liabilities in our condensed consolidated balance sheet as of June 30, 2014. Other than this reclassification, during the three and six months ended June 30, 2014, there were no material changes to our total contractual obligations as described in our annual report on Form 10-K for the year ended December 31, 2013.

Capital Expenditures. Our capital expenditures, including capitalized interest, were \$240.5 million for the first half of 2014 and \$370.7 million for the first half of 2013.

In light of the liquidity issues we face, we have begun reducing operating expenses and reducing our investments in capital expenditures, including scaling back our network development and deployment efforts, and we expect to continue to reduce these expenses for at least the remainder of 2014.

Our capital spending and related expenses are expected to be driven by several factors, including:

- the amount we spend to deploy our WCDMA networks and our planned LTE upgrades;
- the extent to which we expand the coverage of our networks in new or existing market areas;
- the number of additional transmitter and receiver sites we build in order to increase system coverage and capacity and
- to maintain system quality and meet the demands of our growing subscriber base, as well as the costs associated with the installation of network infrastructure and switching equipment; and
- the costs we incur in connection with non-network related information technology projects.

Our future capital expenditures may also be affected by future technology improvements, technology choices and our available capital.

Future Outlook, Liquidity Plans and Going Concern. As of June 30, 2014, our current sources of funding included \$814.0 million in cash and cash equivalents and \$132.6 million in short-term investments.

As discussed above, our results of operations, including our operating revenues and operating cash flows, have been negatively affected by a number of factors, including competitive pressure across all of our markets, the depreciation of local currencies, the impact of delays in the deployment and launch of services on our WCDMA networks and the increased costs to support both of our networks. These factors had a significant negative impact on our results over the course of the last year, and as a result, we ended the second quarter of 2014 with a significantly smaller subscriber and revenue base than existed at the end of the second quarter of 2013. We plan to use our available funding, together with cash provided by our operations, to finance our current business plan; however, with a smaller subscriber base in Mexico and Brazil, absent changes to our outlook, it is probable that we will not be able to generate sufficient growth in our operating revenues and operating cash flows to meet our financial obligations beyond early 2015. These conditions, and their impact on our liquidity, in combination with the potential impact of our failure to satisfy certain financial covenants under our existing debt obligations, raise substantial doubt about our ability to continue as a going concern. As a result, as described in more detail in the “Business Update,” we have retained financial advisers to assist us in evaluating both potential strategic alternatives and the feasibility of recapitalizing our balance sheet.

Moreover, because of the combined impact of our recent and projected results of operations, our noncompliance with certain financial covenants, our non-investment grade credit rating, restrictions in our current debt and/or general conditions in the financial and credit markets, if available, the cost of any funding could be both significant and higher than the cost of our existing financing arrangements. Additionally, the urgency of a capital-raising transaction may require us to pursue funding at an inopportune time. We may not be successful in obtaining capital for these or other reasons. If we fail to obtain suitable financing when it is required, it could, among other things, negatively impact our results of operations and liquidity, result in our inability to implement our current or future business plans, and prevent us from meeting our debt service obligations.

To meet our funding needs in 2014, we expect operating cash flows to improve in the second half of 2014, and we intend to continue reducing our investment in capital expenditures, including our investments in our networks, below the level we invested in 2013. Our current business plan assumes that customers will find our services attractive and that we will be able to continue to expand our subscriber base on our WCDMA network in Brazil. We also assume that we will be able to stabilize our business in Mexico and achieve a partial reversal of the subscriber loss trends we have experienced recently. However, given the factors that have negatively affected our business and the difficulties

associated with predicting our ability to overcome these factors, there can be no assurance that we will be able to achieve these results.

In making the assessment of our funding needs under our current business plans and the adequacy of our current sources of funding for 2014, we have considered:

- cash and cash equivalents on hand and short-term investments available to fund our operations;

51

- expected cash flows from our operations;
- the cost and timing of spectrum payments, including ongoing fees for spectrum use;
- the anticipated level of capital expenditures required to meet both minimum build-out requirements and our business plans for our deployment of WCDMA networks and our planned deployment of LTE upgrades in certain markets;
- our scheduled debt service and other contractual obligations; and
- cash income and other taxes.

In addition to the factors described above, the anticipated cash needs of our business, as well as the conclusions presented herein regarding our liquidity needs, could change significantly:

- if our plans change;
- if we are not able to comply with certain financial covenants in our existing debt obligations and if the lenders accelerate payment under any of our obligations (see "Maintenance Covenants Under Financing Agreements and Senior Note Default Notice" below);
- if we decide to expand into new markets or expand our geographic coverage or network capacity in our existing markets beyond our current plans, as a result of the construction of additional portions of our networks or the acquisition of competitors or others;
- if currency values in our markets depreciate or appreciate relative to the U.S. dollar in a manner that is more significant than we currently expect and assume as part of our plans;
- if economic conditions in any of our markets change;
- if competitive practices in the mobile wireless telecommunications industry in our markets change materially from those currently prevailing or from those now anticipated; or
- if other presently unexpected circumstances arise that have a material effect on the cash flow or profitability of our business.

Maintenance Covenants Under Financing Agreements and Senior Note Default Notice. As a result of the negative impact of the factors discussed above on our results of operations, as of June 30, 2014, we were not in compliance with certain financial covenants in our existing debt obligations. Each of our equipment financing facilities in Brazil and Mexico, as well as our bank loans in Brazil, requires that we meet certain financial covenants semiannually, calculated as of June 30 and December 31 of each year. In June 2014, the lender under the equipment financing facilities in Brazil and Mexico waived the requirement that we comply with the financial covenants under those facilities for the June 30, 2014 measurement date. As of June 30, 2014, we had \$713.0 million principal amount outstanding under these equipment financing facilities. Because we expect that, absent another waiver or amendment, we will be unable to meet the financial covenants in these equipment financing facilities as of the next compliance date at December 31, 2014, we classified the principal amounts outstanding under these facilities as current liabilities in our condensed consolidated balance sheet as of June 30, 2014. There is no guarantee that the lender of our equipment financing facilities will provide additional waivers or agree to amendments to those facilities that would address our failure to comply with the financial covenants. In addition, under the terms of the waivers that we received, we are currently not permitted to borrow the additional amounts that were available under these facilities at the time the waiver was granted, and it is uncertain whether we will be permitted to borrow those amounts in the future.

As of June 30, 2014, we were also not in compliance with the net debt financial covenants included in Nextel Brazil's local bank loans. Compliance certifications are due to the local banks on August 15, 2014. Unless we obtain a waiver of the noncompliance or an amendment to the terms of the related agreements, after the passage of the applicable grace period, the respective lenders under those arrangements will have the right to declare that an event of default has occurred under the terms of the related agreements. As of June 30, 2014, Nextel Brazil had \$443.1 million principal amount outstanding under these local bank loans. As a result of the failure to satisfy the financial covenants, we classified the principal amounts outstanding under these local bank loans as current liabilities in our condensed consolidated balance sheet as of June 30, 2014.

We are engaged in discussions with the lenders under each of our equipment financing facilities in Brazil and Mexico and our local bank loans in Brazil with respect to potential waivers and amendments to the terms of the related agreements that would address the financial covenant compliance issues discussed above, as well as our liquidity issues. There can be no assurance that these discussions will result in waivers or amendments or that the consequences of any of the current or potential defaults or events of default will be avoided. If the debt under any of these agreements were to be accelerated by the lenders, the repayment would have a significant negative impact on our liquidity and would further intensify the liquidity issues we face, and the holders of 25%

52

of each series of senior notes issued by NII Capital Corp. and NIIT would have the right to declare that an event of default has occurred under the related indentures and could then require the immediate repayment of all borrowings represented by the senior notes. As of June 30, 2014, we had approximately \$4.4 billion principal amount of senior notes outstanding. Based on the facts and circumstances discussed above, we classified the balance of our senior notes as a current liability in our condensed consolidated balance sheet as of June 30, 2014.

We believe we are currently in compliance with the indentures governing our senior notes. However, a holder of more than 25% of our 8.875% senior notes, issued by NII Capital Corp. and due December 15, 2019, has provided a notice of default in connection with these notes. We believe that the allegations contained in the notice are without merit. In addition, on June 18, 2014, we entered into a forbearance agreement with certain holders of the senior notes issued by NII Capital Corp. and NIIT, including the holder that previously provided the notice of default, pursuant to which the holders have agreed during the forbearance period not to take any action with respect to our senior notes or indentures. The forbearance period ends on August 15, 2014 or earlier should certain specified events occur. See Note 6 to our condensed consolidated financial statements for more information.

If we are unable to meet our debt service obligations or to comply with our other obligations under our existing financing arrangements:

• the holders of our debt could declare all outstanding principal and interest to be due and payable;

• the holders of our secured debt could commence foreclosure proceedings against our assets;

• we could be forced into bankruptcy or liquidation; and

• debt and equity holders could lose all or part of their investment in us.

Intercompany Transactions. In the past, we have entered into intercompany loans with some of our subsidiaries for cash management purposes. As of June 30, 2014, these long-term intercompany loans included \$2.7 billion principal amount, plus accrued interest, owed by the parent company to NII Capital Corp. and \$644.0 million principal amount, plus accrued interest, owed by NIIT to NII Capital Corp. These intercompany loans also included \$1,123.3 million principal amount, plus accrued interest, owed by Nextel Brazil to NIIT and \$151.0 million principal amount, plus accrued interest, owed by Nextel Chile to NIIT, both of which are eliminated within the non-guarantor subsidiaries column in the condensed consolidating balance sheets included in Note 11 to our condensed consolidated financial statements. In some instances, these intercompany obligations are subordinated to other third-party obligations of the borrower. We also have intercompany agreements in place to transfer costs and expenses paid by one entity on behalf of others, including intercompany management, royalty and equity recharge agreements. As of June 30, 2014, approximately \$198.0 million in intercompany payables were due to the parent company and one of our corporate subsidiaries pursuant to these agreements.

Effect of New Accounting Standards

On May 28, 2014, the Financial Accounting Standards Board, or the FASB, issued new authoritative guidance surrounding revenue recognition, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. This new authoritative guidance will replace most existing revenue recognition guidance when it becomes effective. The new standard is effective on January 1, 2017, and early application is not permitted. The standard permits the use of either the retrospective or cumulative effect transition method. We are evaluating the effect that the new revenue recognition guidance will have on our consolidated financial statements and related disclosures. We have not yet selected a transition method nor have we determined the effect of the standard on our ongoing financial reporting.

On April 10, 2014, the FASB issued new authoritative guidance surrounding discontinued operations and disclosures of components of an entity, which updates the definition of discontinued operations. Going forward only those disposals of components of an entity that represent a strategic shift that has or will have a major effect on an entity's operations and financial results will be reported as discontinued operations in a company's financial statements. The new standard is effective for disposals of components of an entity that occur within annual periods beginning on or after December 15, 2014, and early adoption is permitted. We intend to adopt this standard in the first quarter of 2015.

Forward-Looking and Cautionary Statements

This quarterly report on Form 10-Q includes “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Statements regarding expectations, including forecasts regarding operating results, performance assumptions and estimates relating to capital requirements, as well as other statements that are not historical facts, are forward-looking statements. When used in this quarterly report on Form 10-Q, these forward-looking statements are generally identified

by the words or phrases “would be,” “will allow,” “expects to,” “will continue,” “is anticipated,” “estimate,” “project” or similar expressions.

While we provide forward-looking statements to assist in the understanding of our anticipated future financial performance, we caution readers not to place undue reliance on any forward-looking statements, which speak only as of the date that we make them. Forward-looking statements are based on current expectations and assumptions that are subject to significant risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. Except as otherwise required by law, we undertake no obligation to publicly release any updates to forward-looking statements to reflect events after the date of this report, including unforeseen events.

We have included risk factors and uncertainties that might cause differences between anticipated and actual future results in Part I, Item 1A. “Risk Factors” of our annual report on Form 10-K. We have attempted to identify, in context, some of the factors that we currently believe may cause actual future experience and results to differ from our current expectations regarding the relevant matter or subject area. The operations and results of our wireless communications business also may be subject to the effects of other risks and uncertainties, including, but not limited to:

- our beliefs and assumptions regarding our ability to continue as a going concern, including our ability to successfully identify and execute one or more strategic transactions or a restructuring that addresses our liquidity issues;

- our ability to attract and retain customers;

- our ability to satisfy the requirements of our debt obligations;

- our ability to access sufficient debt or equity capital to meet any future operating and financial needs;

- our ability to meet the operating goals established by our business plan and generate cash flow;

- general economic conditions in the U.S. or in Latin America, including specifically in the countries in which we operate and in the market segments that we are targeting for our services, including the impact of uncertainties in global economic conditions;

- the political and social conditions in the countries in which we operate, including political instability, which may affect the economies of our markets and the regulatory schemes in these countries;

- the impact of foreign currency exchange rate volatility in our markets when compared to the U.S. dollar and related currency depreciation in countries in which our operating companies conduct business;

- reasonable access to and the successful performance of the technology being deployed in our service areas, and improvements thereon, including technology deployed in connection with the introduction of digital two-way mobile data or internet connectivity services in our markets;

- the availability of adequate quantities of system infrastructure and subscriber equipment and components at reasonable pricing to meet our service deployment and marketing plans and customer demand;

- Motorola Mobility’s ability and willingness to provide handsets and related equipment for use on our iDEN network, including the availability of iDEN handsets, particularly in Argentina where we do not have the spectrum resources to deploy a WCDMA network;

- the risk of deploying WCDMA networks, including the potential need for additional funding to support that deployment, delays in deployment, cost over-runs, the risk that new services supported by the new networks will not attract enough subscribers to support the related costs of deploying or operating the new networks and the potential distraction of management;

- our ability to successfully scale our billing, collection, customer care and similar back-office operations to keep pace with customer growth, increased system usage rates and growth or to successfully deploy new systems that support those functions;

- the success of efforts to change customer perceptions about the quality and performance of our network in Mexico and any similar future issues in Mexico or our other markets;

- future legislation or regulatory actions relating to our services, other wireless communications services or telecommunications generally and the costs and/or potential customer impacts of compliance with regulatory mandates;

- the ability to achieve and maintain market penetration and average subscriber revenue levels sufficient to provide financial viability to our network business;

-

the quality and price of similar or comparable wireless communications services offered or to be offered by our competitors, including providers of cellular services and personal communications services;

54

market acceptance of our new service offerings;
equipment failure, natural disasters, terrorist acts or other breaches of network or information technology security; and
other risks and uncertainties described in our annual report on Form 10-K, including in Part I, Item 1A. "Risk Factors,"
and, from time to time, in our reports filed with the SEC.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

During the three and six months ended June 30, 2014, there were no material changes to our market risk policies or our market risk sensitive instruments and positions as described in our annual report on Form 10-K for the year ended December 31, 2013.

Item 4. Controls and Procedures

Disclosure Controls and Procedures.

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods required by the Securities and Exchange Commission, or the SEC, and that such information is accumulated and communicated to the Company's management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

As of June 30, 2014, an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures was carried out under the supervision and with the participation of our management teams in the United States and in our operating companies, including our chief executive officer and chief financial officer. Based on and as of the date of such evaluation, our chief executive officer and chief financial officer concluded that the design and operation of our disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting.

There have been no changes in our internal control over financial reporting during the three months ended June 30, 2014 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

Securities Litigation. On March 4, 2014, a purported class action lawsuit was filed against the Company, NII Capital Corp. and certain of the Company's current and former directors and executive officers in the United States District Court for the Eastern District of Virginia on behalf of a putative class of persons who purchased or otherwise acquired the securities of the Company or NII Capital Corp. between February 25, 2010 and February 27, 2014. The lawsuit is captioned In re NII Holdings, Inc. Securities Litigation, Case Number 14-CV-227. On July 18, 2014, the parties that have been designated as the lead plaintiffs in the lawsuit filed a second amended complaint, which generally alleges that the defendants made false or misleading statements or concealed material adverse information about the Company's financial condition and operations in violation of Section 10(b), Rule 10b-5 and Section 20(a) of the Securities Exchange Act of 1934. The complaint seeks class certification and unspecified damages, fees and injunctive relief. The Company and the named individuals intend to vigorously defend themselves in this matter.

In addition, we are subject to other claims and legal actions that may arise in the ordinary course of business. We do not believe that any of these pending claims or legal actions will have a material effect on our business, financial condition, results of operations or cash flows.

For information on our various loss contingencies, see Note 8 to our condensed consolidated financial statements above.

Item 1A. Risk Factors

There have been no material changes in our risk factors from those disclosed in our annual report on Form 10-K dated February 28, 2014 except to update "Item 1A. Risk Factors. 1.b. We could be in violation of one or more of our financing arrangements if we do not significantly improve our operating cash flows or otherwise address any failure to comply with such arrangements" provided below.

1.b. In the absence of an amendment or waiver to one or more of our financing arrangements, we will be in violation of certain financial covenants under such arrangements.

Each of our equipment financing arrangements for Nextel Brazil and Nextel Mexico, as well as our bank loans in Brazil, requires that we meet certain financial covenants semiannually, calculated as of June 30 and December 31 of each year. As of June 30, 2014, absent a waiver provided by the lender under our equipment financing facilities in Brazil and Mexico for the June 30, 2014 measurement date, we would have been unable to satisfy certain financial covenants under these facilities and were unable to satisfy the financial covenants included in Nextel Brazil's local bank loans. As of June 30, 2014, we had \$713.0 million principal amount outstanding under these equipment financing facilities and Nextel Brazil had \$443.1 million principal amount outstanding under these bank loans.

If we are unable to obtain a waiver or amendment to the terms of our bank loans in Brazil prior to the due date of the compliance certifications on August 15, 2014 and the passage of any applicable grace period, or if we are unable to obtain additional waivers or amendments or to otherwise address the noncompliance under our equipment financing facilities prior to the next compliance date at December 31, 2014, a default or acceleration of the debt under those agreements could occur. If the debt under any of these agreements were to be accelerated, the holders of 25% of each series of senior notes issued by NII Capital Corp. and NII International Telecom, S.C.A., or NIIT, would have the right to declare that an event of default has occurred under the related indentures and could then require the immediate repayment of all borrowings represented by the senior notes. As of June 30, 2014, we had approximately \$4.4 billion principal amount of senior notes outstanding.

There can be no assurance that we will be able to negotiate such amendments or waivers on reasonable terms or at all. If we are required to repay these borrowings, we are unlikely to have sufficient funds available to do so, making it necessary for us to file a voluntary petition for relief under Chapter 11 of the Bankruptcy Code in order to implement a restructuring of our obligations. If we find it necessary to seek bankruptcy protection, our equity holders would lose all or substantially all of their investment.

Item 2. Issuer Purchases of Equity Securities

(b) The following table presents information related to repurchases of our common stock during the three months ended June 30, 2014:

Period	Total Number of Shares Purchased	Average Price Per Share	Total Number of Shares Purchased as Part of Program	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program
April 1, 2014 - April 30, 2014	105,152	(1) \$0.95	105,152	
May 1, 2014 - May 31, 2014	223	(1) 0.70	223	
June 1, 2014 - June 30, 2014	—	—	—	
Total	105,375	(1) 0.95	105,375	\$—

(1) Pursuant to a general authorization, which was not publicly announced, whereby we are authorized to repurchase shares of our common stock to satisfy employee withholding tax obligations related to stock-based compensation.

Item 6. Exhibits

Exhibit Number	Exhibit Description
12.1*	Computation of Ratio of Earnings to Fixed Charges.
31.1*	Statement of Chief Executive Officer Pursuant to Rule 13a-14(a).
31.2*	Statement of Chief Financial Officer Pursuant to Rule 13a-14(a).
32.1*	Statement of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350.
32.2*	Statement of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350.
99.1*	Agreement of Resignation, Appointment and Acceptance, dated as of June 19, 2014, by and among NII Capital Corp., Wilmington Savings Fund Society, FSB and Wilmington Trust Company.
99.2*	Agreement of Resignation, Appointment and Acceptance, dated as of July 17, 2014, by and among NII Capital Corp., U.S. Bank National Association and Wilmington Savings Fund Society, FSB.
101*	The following materials from the NII Holdings, Inc. Quarterly Report on Form 10-Q for the quarter ended June 30, 2014 formatted in eXtensible Business Reporting Language (XBRL): (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Comprehensive Loss, (iii) Condensed Consolidated Statement of Changes in Stockholders' (Deficit) Equity, (iv) Condensed Consolidated Statements of Cash Flows and (v) Notes to Condensed Consolidated Financial Statements.

* Submitted electronically herewith.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

By: /s/ ESTEBAN NARANJO

Esteban Naranjo
Vice President, Corporate Controller
(on behalf of the registrant and as Principal Accounting Officer)

Date: August 11, 2014

58

EXHIBIT INDEX

Exhibit Number	Exhibit Description
12.1*	Computation of Ratio of Earnings to Fixed Charges.
31.1*	Statement of Chief Executive Officer Pursuant to Rule 13a-14(a).
31.2*	Statement of Chief Financial Officer Pursuant to Rule 13a-14(a).
32.1*	Statement of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350.
32.2*	Statement of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350.
99.1*	Agreement of Resignation, Appointment and Acceptance, dated as of June 19, 2014, by and among NII Capital Corp., Wilmington Savings Fund Society, FSB and Wilmington Trust Company.
99.2*	Agreement of Resignation, Appointment and Acceptance, dated as of July 17, 2014, by and among NII Capital Corp., U.S. Bank National Association and Wilmington Savings Fund Society, FSB.
101*	The following materials from the NII Holdings, Inc. Quarterly Report on Form 10-Q for the quarter ended June 30, 2014 formatted in eXtensible Business Reporting Language (XBRL): (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Comprehensive Loss, (iii) Condensed Consolidated Statement of Changes in Stockholders' (Deficit) Equity, (iv) Condensed Consolidated Statements of Cash Flows and (v) Notes to Condensed Consolidated Financial Statements.

* Submitted electronically herewith.