NII HOLDINGS INC
Form 10-Q/A
March 28, 2005

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q/ A
(Amendment No. 1)

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

For the quarterly period ended September 30, 2004

OR

o	**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 (State or Other Jurisdiction of Incorporation or Organization)	**91-1671412** (I.R.S. Employer Identification No.)
10700 Parkridge Boulevard, Suite 600 **Reston, Virginia** (Address of Principal Executive Offices)	**20191** (Zip Code)

Registrant s Telephone Number, Including Area Code:
(703) 390-5100

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 þ No o

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes þ No o

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes þ No o

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date.

Title of Class	Number of Shares Outstanding on October 29, 2004

Common Stock, $0.001 par value per share	69,830,705

EXPLANATORY NOTE

Restatement of Previously Issued Condensed Consolidated Financial Statements

We have restated our previously issued condensed consolidated financial statements and related footnotes as of and for the nine and three months ended September 30, 2004 and 2003, as set forth in Note 2 to the condensed consolidated financial statements in this quarterly report on Form 10-Q/A. We have also restated our previously issued consolidated financial statements and related footnotes as of and for the year ended December 31, 2003, as set forth in Note 2 to our consolidated financial statements included in our 2003 annual report on Form 10-K/A. We are restating our condensed consolidated financial statements to correct for the following items:

- Bookkeeping errors at our operating company in Mexico;
- Accounting for deferred tax asset valuation allowance reversals;
- Certain errors in the calculation of income taxes for financial statement purposes;
- Discrete tax benefit related to the reversal of post-reorganization deferred tax asset valuation allowance;
- Insurance claim receivables and write-downs for damaged equipment in Mexico;
- Revenue recognition for suspended customers in Mexico;
- Depreciation of handsets in Argentina; and
- Other insignificant miscellaneous adjustments.

All amounts in this quarterly report on Form 10-Q/ A have been updated, as appropriate, to reflect this restatement. Other than for the items discussed in this Explanatory Note, we did not update this quarterly report on Form 10-Q/ A for subsequent events that occurred after we filed our original quarterly report on Form 10-Q on November 15, 2004.

Description of Errors

We identified various bookkeeping errors at our operating company in Mexico. These errors originated in the third quarter of 2002 and occurred through the third quarter of 2004. The identification of these bookkeeping errors occurred as a result of our ongoing review of Nextel Mexico s internal accounts and records in order to comply with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002.

The nature of the errors relate to the following main areas:

- Foreign currency adjustments Some foreign currency transaction gains and losses were double-recorded through a combination of manual entries and system-generated automatic entries recorded upon payment of U.S. dollar denominated payables;
- Accounts receivable adjustments Periodic reconciliations between the accounts receivable subsidiary ledger and the general ledger were not performed properly. As a result, unreconciled differences related to the non-recognition of commissions expense on credit card payments, returned checks, manual adjustments and other items were classified to a current liability account, but were not reversed from the liability account upon resolution of these differences; and
- Liability accounts Certain liability accounts contained balances that could not be supported by invoices or subsequent disbursements.

We determined the reversal of certain valuation allowances on deferred tax assets that were established at the time of our application of fresh-start accounting in 2002 were not correctly reported in our consolidated financial statements for subsequent periods. For the two-month period ended December 31, 2002, the year ended December 31,

2003 and the six-month period ended June 30, 2004, we originally reversed valuation allowances which reduced the provision for income taxes. In accordance with the American Institute of Certified Public Accountants Statement of Position, or SOP, 90-7, Financial Reporting by Entities in Reorganization Under the Bankruptcy Code, the reversal of valuation allowances established in fresh-start accounting should first reduce intangible assets existing at our emergence from reorganization until fully

exhausted, followed by increases to paid-in capital. We corrected for this error for all periods presented in our condensed consolidated financial statements in our originally filed quarterly report on Form 10-Q for the three months ended September 30, 2004. Subsequent to the filing of this report, we identified an error in the original methodology that we utilized, which we have corrected in these condensed consolidated financial statements.

For the two months ended December 31, 2002 and the ten months ended October 31, 2002, we identified errors in the calculation of income tax expense in Mexico for financial statement purposes. The adjustment to correct our income tax expense for this matter increases our long-lived assets as of October 31, 2002 because of the application of fresh-start accounting under SOP 90-7. As a result, we understated amortization and depreciation related to those long-lived assets for periods subsequent to the ten months ended October 31, 2002. We identified tax computational errors related to taxes payable in one of our international markets resulting in an overstatement of income tax benefit for the three months ended September 30, 2003.

During the third quarter of 2003, we recorded an income tax benefit primarily resulting from the reversal of valuation allowances established post-reorganization for tax deductions related to our international operations. We had originally recorded this benefit in the fourth quarter of 2003.

We reviewed the accounting treatment for various insurance claims related to damaged equipment at our operating company in Mexico. As a result of this review, we determined that write-downs of damaged equipment and recording of insurance claims receivables were recorded in the incorrect quarters within 2004 and that an insurance claim receivable should not have been recorded as of September 30, 2004 as it was not deemed to be probable of collection.

We reviewed the accrued revenue recognized for customers that had service suspended in Mexico and determined that the revenues for these customers should be accounted for on a cash basis given the uncertainty related to the collection of receivables from customers on a suspended status. This error resulted in an overstatement of operating revenues for the three and nine months ended September 30, 2004.

During the monthly process to convert the operating results from accounting principles generally accepted in Argentina to accounting principles generally accepted in the United States, the depreciation expense related to handsets under operating leases was erroneously omitted for financial reporting purposes, for the three and nine months ended September 30, 2004.

We identified computational errors in our statements of cash flows for the nine months ended September 30, 2004 and 2003 that resulted in adjustments between net cash provided by operating activities and net cash used in investing activities but has no effect on our cash and cash equivalent balances.

NII HOLDINGS, INC. AND SUBSIDIARIES
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PART I FINANCIAL INFORMATION.

Item 1. Financial Statements Unaudited.

NII HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
As of September 30, 2004 and December 31, 2003
(in thousands)

	September 30, 2004	December 31, 2003
	Restated Unaudited	
ASSETS		
Current assets		
Cash and cash equivalents	$ 294,691	$ 405,406
Short-term investments	41,769	
Accounts receivable, less allowance for doubtful accounts of $8,309 and $9,020	144,597	119,985
Handset and accessory inventory, net	36,316	21,138
Deferred income taxes, net	28,543	41,097
Prepaid expenses and other	65,571	59,128
Total current assets	611,487	646,754
Property, plant and equipment, net of accumulated depreciation of $113,031 and $56,913	466,281	368,434
Intangible assets, net	67,061	85,818
Other assets	57,985	27,430
Total assets	$ 1,202,814	$ 1,128,436
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities		
Accounts payable, accrued expenses and other	$ 215,487	$ 201,173
Deferred revenues	38,078	32,040
Accrued interest	1,747	5,022
Due to related parties	18,664	13,460
Current portion of long-term debt	1,783	1,466
Total current liabilities	275,759	253,161
Long-term debt, including $0 and $168,067 due to related parties	591,847	535,290
Deferred revenues (related party)	43,575	45,968
Other long-term liabilities	73,539	76,247
Total liabilities	984,720	910,666
Commitments and contingencies (Note 6)		
Stockholders equity		

Common stock, 69,831 shares issued and outstanding 2004, 68,883 shares issued and outstanding 2003		70		69
Paid-in capital		182,318		164,705
Deferred compensation		(14,002)		
Retained earnings		105,751		103,978
Accumulated other comprehensive loss		(56,043)		(50,982)
Total stockholders equity		218,094		217,770
Total liabilities and stockholders equity	$	1,202,814	$	1,128,436

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

NII HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE (LOSS) INCOME
For the Nine and Three Months Ended September 30, 2004 and 2003
(in thousands, except per share amounts)
Unaudited

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2004	2003	2004	2003
	Restated	Restated	Restated	Restated
Operating revenues				
Service and other revenues	$ 852,598	$ 644,427	$ 297,783	$ 234,996
Digital handset and accessory sales revenues	43,702	31,147	17,129	11,234
	896,300	675,574	314,912	246,230
Operating expenses				
Cost of service (exclusive of depreciation included below)	229,369	169,834	83,726	69,491
Cost of digital handset and accessory sales	143,197	91,348	50,663	32,563
Selling, general and administrative	279,689	227,523	98,808	80,390
Depreciation	60,329	32,343	20,283	13,205
Amortization	9,919	23,845	3,032	7,210
	722,503	544,893	256,512	202,859
Operating income	173,797	130,681	58,400	43,371
Other income (expense)				
Interest expense	(38,844)	(49,207)	(11,754)	(18,284)
Interest income	9,243	7,056	3,632	1,828
(Loss) gain on early extinguishment of debt, net (Note 5)	(79,327)	22,404		22,404
Foreign currency transaction gains (losses), net	1,829	12,256	(551)	(2,358)
Other expense, net	(605)	(8,603)	(1,797)	(1,557)
	(107,704)	(16,094)	(10,470)	2,033
Income before income tax (provision) benefit	66,093	114,587	47,930	45,404
Income tax (provision) benefit	(64,320)	(44,726)	(20,246)	2,978
Net income	$ 1,773	$ 69,861	$ 27,684	$ 48,382
Net income per common share, basic (Note 1)	$ 0.03	$ 1.14	$ 0.40	$ 0.77

Net income per common share, diluted (Note 1)	$	0.02	$	1.08	$	0.37	$	0.74
Weighted average number of common shares outstanding, basic		69,500		61,449		69,705		62,695
Weighted average number of common shares outstanding, diluted		72,398		64,711		79,196		65,692
Comprehensive (loss) income								
Foreign currency translation adjustment	$	(5,061)	$	(36,054)	$	1,756	$	(3,687)
Unrealized loss on cash flow hedge								(5,311)
Other comprehensive (loss) income		(5,061)		(36,054)		1,756		(8,998)
Net income		1,773		69,861		27,684		48,382
	$	(3,288)	$	33,807	$	29,440	$	39,384

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

NII HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY
For the Nine Months Ended September 30, 2004 and 2003
(in thousands)
Unaudited

	Common Stock					Accumulated Other	
	Shares	Amount	Paid-in Capital	Deferred Compensation	Retained Earnings	Comprehensive Loss	Total
Balance, January 1, 2004	68,883	$ 69	$ 164,705	$	$ 103,978	$ (50,982)	$ 217,770
Net income					1,773		1,773
Other comprehensive loss						(5,061)	(5,061)
Issuance of restricted stock			16,295	(16,295)			
Amortization of restricted stock expense				2,293			2,293
Stock option expense			213				213
Exercise of stock options	948	1	1,105				1,106
Balance, September 30, 2004 Restated	69,831	$ 70	$ 182,318	$ (14,002)	$ 105,751	$ (56,043)	$ 218,094

	Common Stock					Accumulated Other	
	Shares	Amount	Paid-in Capital	Deferred Compensation	Retained Earnings	Comprehensive Loss	Total
Balance, January 1, 2003	60,000	$ 60	$ 49,138	$	$ 22,764	$ (350)	$ 71,612
Net income					69,861		69,861
Other comprehensive loss						(36,054)	(36,054)
Exercise of stock options	1,815	2	1,513				1,515
Public offering, net	6,000	6	113,115				113,121
Balance, September 30, 2003 Restated	67,815	$ 68	$ 163,766	$	$ 92,625	$ (36,404)	$ 220,055

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

NII HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Nine Months Ended September 30, 2004 and 2003
(in thousands)
Unaudited

	2004	2003
	Restated	Restated
Cash flows from operating activities		
Net income	$ 1,773	$ 69,861
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss (gain) on early extinguishment of debt, net	79,327	(22,404)
Amortization of debt financing costs and accretion of senior discount notes	6,413	18,602
Depreciation and amortization	70,248	56,188
Provision for losses on accounts receivable	4,263	5,636
Provision for losses on inventory	1,804	1,657
Foreign currency transaction gains, net	(1,829)	(12,256)
Deferred income tax provision	24,858	62,976
Loss on equipment damaged or disposal of property, plant and equipment	696	1,303
Non-cash stock compensation	2,506	
Other, net	(1,899)	385
Change in assets and liabilities:		
Accounts receivable, gross	(28,900)	(19,038)
Handset and accessory inventory, gross	(17,042)	(6,713)
Prepaid expenses and other	(7,771)	4,602
Other long-term assets	(18,887)	2,597
Accounts payable, accrued expenses and other	(3,424)	(23,881)
Current deferred revenue	6,038	7,007
Due to related parties	5,204	(12,199)
Other long-term liabilities	833	21,874
Proceeds from spectrum sharing agreement with Nextel Communications		25,000
Net cash provided by operating activities	124,211	181,197
Cash flows from investing activities		
Capital expenditures	(151,826)	(155,698)
Purchases of short-term investments	(41,769)	
Payments for acquisitions, purchases of licenses and other	(2,791)	(39,786)
Net cash used in investing activities	(196,386)	(195,484)
Cash flows from financing activities		
Proceeds from stock option exercises	1,106	1,515
Gross proceeds from issuance of convertible notes	300,000	180,000

Repayments of senior secured discount notes		(211,212)		(186,000)
Repayments under long-term credit facilities		(125,000)		
Net proceeds from sale of common stock				113,121
Repayments under capital lease and financing obligations		(1,172)		
Payment of debt financing costs		(8,538)		(5,228)
Gross proceeds from towers financing transactions		11,600		88,672
Transfers to restricted cash		(5,901)		
Net cash (used in) provided by financing activities		(39,117)		192,080
Effect of exchange rate changes on cash and cash equivalents		577		1,505
Net (decrease) increase in cash and cash equivalents		(110,715)		179,298
Cash and cash equivalents, beginning of period		405,406		231,161
Cash and cash equivalents, end of period	$	294,691	$	410,459

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

NII HOLDINGS, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
Unaudited

Note 1. Basis of Presentation

General. Our unaudited condensed consolidated financial statements have been prepared under the rules and regulations of the Securities and Exchange Commission. While they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements, they reflect all adjustments that, in the opinion of management, are necessary for a fair presentation of the results for interim periods.

You should read the condensed consolidated financial statements in conjunction with the consolidated financial statements and notes contained in our 2003 annual report on Form 10-K/ A, and our quarterly reports on Form 10-Q/ A for the quarters ended March 31, 2004 and June 30, 2004, which were amended and restated for the reasons set forth in Note 2. You should not expect results of operations of interim periods to be an indication of the results for a full year.

The accounts of our consolidated non-U.S. operating companies are presented utilizing balances as of a date one month earlier than the accounts of our parent company, U.S. subsidiaries and our non-operating non-U.S. subsidiaries to ensure timely reporting of consolidated results. As a result, the financial position and results of operations of each of our operating companies in Mexico, Brazil, Argentina, Peru and Chile are presented as of and for the nine and three months ended August 31, 2004 and 2003, respectively. In contrast, financial information relating to our parent company, U.S. subsidiaries and our non-operating non-U.S. subsidiaries is presented as of and for the nine and three months ended September 30, 2004 and 2003.

On February 26, 2004, we announced a 3-for-1 common stock split which was effected in the form of a stock dividend that was paid on March 22, 2004 to holders of record as of March 12, 2004. As a result of this stock split, we retroactively restated all historical share and earnings per share data, par value and paid-in capital balances included in our financial statements for the nine and three months ended September 30, 2004 and 2003.

Restatement of Previously Issued Condensed Consolidated Financial Statements. We have restated our previously issued condensed consolidated financial statements and related footnotes as of and for the nine and three months ended September 30, 2004 and 2003, as set forth in this report. For additional information regarding this restatement, see Note 2.

Short-Term Investments. Short-term investments primarily include commercial paper and government-backed securities with original maturities greater than 90 days and less than one year at the time of purchase. We classify our short-term investments as available-for-sale and report them at market value. We report unrealized gains and losses, net of income taxes, as other comprehensive income or loss. We report realized gains or losses, as determined on a specific identification basis, and other-than-temporary declines in value, if any, on available-for-sale securities in interest income or interest expense.

Accumulated Other Comprehensive Loss. Accumulated other comprehensive loss represents a cumulative foreign currency translation adjustment of $56.0 million as of September 30, 2004 and $51.0 million as of December 31, 2003.

NII HOLDINGS, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Continued)
Unaudited

Supplemental Cash Flow Information.

	Nine Months Ended September 30,	
	2004	2003
	Restated	Restated
	(in thousands)	
Capital expenditures		
Cash paid for capital expenditures, including capitalized interest	$ 151,826	$ 155,698
Changes in capital expenditures accrued and unpaid or financed	8,914	528
	$ 160,740	$ 156,226
Interest costs		
Interest expense	$ 38,844	$ 49,207
Interest capitalized	1,720	4,958
	$ 40,564	$ 54,165
Cash paid for interest, net of amounts capitalized	$ 24,662	$ 34,437
Cash paid for income taxes	$ 35,267	$ 17,786
Cash paid for reorganization items included in operating activities	$	$ 2,503

Net Income Per Common Share, Basic and Diluted. Basic net income per common share includes no dilution and is computed by dividing the net income by the weighted average number of common shares outstanding for the period. Diluted net income per common share reflects the potential dilution of securities that could participate in our earnings. As presented for the nine months ended September 30, 2004, our diluted net income per share calculation includes common shares resulting from shares issuable upon the potential exercise of stock options under our stock-based employee compensation plans and our restricted stock, but does not include common shares resulting from the potential conversion of our 3.5% convertible notes (see Note 5) since their effect would have been antidilutive to our net income per share for this period. In addition, we did not include the common shares resulting from the potential conversion of our 2.875% convertible notes as these notes have not met the criteria for conversion into shares of common stock.

As presented for the three months ended September 30, 2004, our calculation of diluted net income per share includes the common shares resulting from the potential conversion of our 3.5% convertible notes (see Note 5), as well as the common shares resulting from shares issuable upon the potential exercise of stock options under our stock-based employee compensation plans and our restricted stock. We did not include shares related to stock option grants that are antidilutive in our calculation of diluted earnings per share for the three months ended September 30, 2004. In addition, we did not include the common shares resulting from the potential conversion of our 2.875% convertible notes as these notes have not met the criteria for conversion into shares of common stock.

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NII HOLDINGS, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Continued)
Unaudited

The following tables provide a reconciliation of the numerators and denominators used to calculate basic and diluted net income per common share as disclosed in our consolidated statements of operations and comprehensive (loss) income for the nine and three months ended September 30, 2004 and 2003:

	Nine Months Ended September 30, 2004			Nine Months Ended September 30, 2003		
	Net Income (Numerator)	Shares (Denominator)	Per Share Amount	Net Income (Numerator)	Shares (Denominator)	Per Share Amount
	Restated		Restated	Restated		Restated
	(In thousands, except per share data)					
Basic net income per share:						
Net income	$ 1,773	69,500	$ 0.03	$ 69,861	61,449	$ 1.14
Effect of dilutive securities:						
Stock options		2,898			3,262	
Diluted net income per share:						
Net income	$ 1,773	72,398	$ 0.02	$ 69,861	64,711	$ 1.08

	Three Months Ended September 30, 2004			Three Months Ended September 30, 2003		
	Net Income (Numerator)	Shares (Denominator)	Per Share Amount	Net Income (Numerator)	Shares (Denominator)	Per Share Amount
	Restated		Restated	Restated		Restated
	(In thousands, except per share data)					
Basic net income per share:						
Net income	$ 27,684	69,705	$ 0.40	$ 48,382	62,695	$ 0.77
Effect of dilutive securities:						
Stock options		2,741			2,997	
3.5% convertible notes	1,575	6,750				

Diluted net income per share:						
Net income	$ 29,259	79,196	$ 0.37	$ 48,382	65,692	$ 0.74

Stock-Based Compensation. We currently sponsor two equity incentive plans. In addition to our 2002 Management Incentive Plan, in February 2004, our Board of Directors approved the 2004 Incentive Compensation Plan (the Plan), which provides us with the opportunity to compensate selected employees with stock options, stock appreciation rights (SAR), stock awards, performance share awards, incentive awards, and/or stock units. A stock option entitles the optionee to purchase shares of common stock from us at the specified exercise price. A SAR entitles the holder to receive the excess of the fair market value of each share of common stock encompassed by such SAR over the initial value of such share as determined on the date of grant. Stock awards consist of awards of common stock, subject to certain restrictions specified in the Plan. An award of performance shares entitles the participant to receive cash, shares of common stock, stock units, or a combination thereof if certain requirements are satisfied. An incentive award is a cash-denominated award that entitles the participant to receive a payment in cash or common stock, stock units, or a combination thereof. Stock units are awards stated with reference to a specified number of shares of common stock that entitle the holder to receive a payment for each stock unit equal to the fair market value of a share of common stock on the date of payment. All grants or awards made under the Plan are governed by written agreements between us and the participants.

In April 2004, our Board of Directors approved grants under the Plan of 429,500 shares of restricted stock to our officers and 2.6 million stock options to the officers and other selected employees. The restricted shares fully vest after a three-year period. The stock options vest twenty-five percent per year over a four-year period.

NII HOLDINGS, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Continued)
Unaudited

We account for these grants under the recognition and measurement principles of Accounting Principles Board, or APB, Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations. Under APB Opinion No. 25, compensation expense is based on the intrinsic value on the measurement date, calculated as the difference between the fair value of the common stock and the relevant exercise price. The fair value of the restricted shares on the grant date was $16.3 million, which we are amortizing on a straight-line basis over the three year vesting period. We recognized compensation expense of $2.3 million and $1.4 million for the nine and three months ended September 30, 2004 related to the restricted shares. Additionally, we recognized $0.2 million in stock-based employee compensation cost related to our employee stock options as a result of accelerated vesting on certain options for the nine months ended September 30, 2004. No other stock-based employee compensation cost related to our employee stock options is reflected in net income as the relevant exercise price of the options issued was equal to the fair value on the date of the grant.

The following table illustrates the effect on net income and net income per common share if we had applied the fair value recognition provisions of Statement of Financial Accounting Standards, or SFAS, No. 123, Accounting for Stock-Based Compensation, as amended by SFAS No. 148, Accounting for Stock-Based Compensation Transition and Disclosure an Amendment of FASB Statement No. 123, to stock-based employee compensation.

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2004	2003	2004	2003
	Restated	Restated	Restated	Restated
	(in thousands, except per share data)			
Net income, as reported	$ 1,773	$ 69,861	$ 27,684	$ 48,382
Add:				
Stock-based employee compensation expense included in reported net income, net of related tax effects	2,506		1,357	
Deduct:				
Total stock-based employee compensation expense determined under fair value-based method for all awards, net of related tax effects	(7,627)	(679)	(4,127)	(249)
Pro forma net (loss) income	$ (3,348)	$ 69,182	$ 24,914	$ 48,133
Net income (loss) per share:				
Basic as reported	$ 0.03	$ 1.14	$ 0.40	$ 0.77
Basic pro forma	$ (0.05)	$ 1.13	$ 0.36	$ 0.77
Diluted as reported	$ 0.02	$ 1.08	$ 0.37	$ 0.74
Diluted pro forma	$ (0.05)	$ 1.06	$ 0.33	$ 0.73

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

New Accounting Pronouncements. In January 2003, the Financial Accounting Standards Board, or FASB, issued FASB Interpretation, or FIN, No. 46, Consolidation of Variable Interest Entities An Interpretation of ARB No. 51, which clarifies the application of Accounting Research Bulletin No. 51, Consolidated Financial Statements, to certain entities in which equity investors do not have the characteristics

NII HOLDINGS, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Continued)
Unaudited

of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. FIN No. 46 provides guidance related to identifying variable interest entities (previously known generally as special purpose entities or SPEs) and determining whether such entities should be consolidated. FIN No. 46 must be applied immediately to variable interest entities created, or interests in variable interest entities obtained, after January 31, 2003. For those variable interest entities created, or interests in variable interest entities obtained, on or before January 31, 2003, the guidance in FIN No. 46 must be applied in the first fiscal year or interim period beginning after December 15, 2003. The adoption of FIN No. 46 on January 1, 2004 did not have a material impact on our consolidated financial position, results of operations or cash flows.

In March 2004, the Emerging Issues Task Force, or EITF, reached a final consensus on Issue No. 03-6, Participating Securities and the Two-Class Method Under FASB Statement No. 128, *Earnings Per Share.* Issue No. 03-6 addresses a number of questions regarding the computation of earnings per share (EPS) by companies that have issued securities other than common stock that contractually entitle the holder to participate in dividends and earnings of the company when, and if, it declares dividends on its common stock. The issue also provides further guidance in applying the two-class method of calculating EPS. It clarifies what constitutes a participating security and how to apply the two-class method of computing EPS once it is determined that a security is participating, including how to allocate undistributed earnings to such a security. EITF 03-6 is effective for the fiscal quarter ended June 30, 2004. The adoption of EITF 03-6 did not have a material impact on our basic or diluted earnings per share.

In September 2004, the EITF reached a final consensus on Issue No. 04-8, The Effect of Contingently Convertible Debt and the Effect on Diluted Earnings per Share. Issue No. 04-8 states that contingently convertible debt should be included in diluted earnings per share computations, if dilutive, regardless of whether the market price trigger or other contingent feature has been met. EITF 04-8 is effective for all periods ending after December 15, 2004 and will be applied by retroactively restating previously reported EPS. We plan to adopt EITF 04-8 in the fourth quarter of 2004. The adoption of EITF 04-8 will require us to include the additional common shares associated with the conversion of our 2.875% convertible notes in diluted earnings per share computations, if dilutive, and will also require us to present our previously reported EPS on a comparable basis, regardless of whether the market price trigger or other contingent feature has been met.

Note 2. Restatement of Previously Issued Condensed Consolidated Financial Statements

We have restated our previously issued condensed consolidated financial statements and related footnotes as of and for the nine and three months ended September 30, 2004 and 2003. We have also restated our previously issued consolidated financial statements and related footnotes as of and for the year ended December 31, 2003 as set forth in Note 2 to our consolidated financial statements included in our 2003 annual report on Form 10-K/A. We are restating our condensed consolidated financial statements to correct for the following items:

Bookkeeping errors at our operating company in Mexico;

Accounting for deferred tax asset valuation allowance reversals;

Certain errors in the calculation of income taxes for financial statement purposes;

Discrete tax benefit related to the reversal of post-reorganization deferred tax asset valuation allowance;

Insurance claim receivables and write-downs for damaged equipment in Mexico;

Revenue recognition for suspended customers in Mexico;

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Notes to Condensed Consolidated Financial Statements (Continued)
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Depreciation of handsets in Argentina; and

Other insignificant miscellaneous adjustments.

All amounts in these condensed consolidated financial statements have been updated, as appropriate, to reflect this restatement. Other than for the items discussed in this Note, we did not update these condensed consolidated financial statements for subsequent events that occurred after we filed our original quarterly report on Form 10-Q on November 15, 2004.

Description of Errors

We identified various bookkeeping errors at our operating company in Mexico. These errors originated in the third quarter of 2002 and occurred through the third quarter of 2004. The identification of these bookkeeping errors occurred as a result of our ongoing review of Nextel Mexico s internal accounts and records in order to comply with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002.

The nature of the errors relate to the following main areas:

Foreign currency adjustments Some foreign currency transaction gains and losses were double-recorded through a combination of manual entries and system-generated automatic entries recorded upon payment of U.S. dollar denominated payables;

Accounts receivable adjustments Periodic reconciliations between the accounts receivable subsidiary ledger and the general ledger were not performed properly. As a result, unreconciled differences related to the non-recognition of commissions expense on credit card payments, returned checks, manual adjustments and other items were classified to a current liability account, but were not reversed from the liability account upon resolution of these differences; and

Liability accounts Certain liability accounts contained balances that could not be supported by invoices or subsequent disbursements.

We determined the reversal of certain valuation allowances on deferred tax assets that were established at the time of our application of fresh-start accounting in 2002 were not correctly reported in our consolidated financial statements for subsequent periods. For the two-month period ended December 31, 2002, the year ended December 31, 2003 and the six-month period ended June 30, 2004, we originally reversed valuation allowances which reduced the provision for income taxes. In accordance with the American Institute of Certified Public Accountants Statement of Position, or SOP, 90-7, Financial Reporting by Entities in Reorganization Under the Bankruptcy Code, the reversal of valuation allowances established in fresh-start accounting should first reduce intangible assets existing at our emergence from reorganization until fully exhausted, followed by increases to paid-in capital. We corrected for this error for all periods presented in our condensed consolidated financial statements in our originally filed quarterly report on Form 10-Q for the three months ended September 30, 2004. Subsequent to the filing of this report, we identified an error in the original methodology that we utilized, which we have corrected in these condensed consolidated financial statements.

For the two months ended December 31, 2002 and the ten months ended October 31, 2002, we identified errors in the calculation of income tax expense in Mexico for financial statement purposes. The adjustment to correct our income tax expense for this matter increases our long-lived assets as of October 31, 2002 because of the application of fresh-start accounting under SOP 90-7. As a result, we understated amortization and depreciation related to those long-lived assets for periods subsequent to the ten months ended October 31, 2002. We identified tax computational errors related to taxes payable in one of our international markets resulting in an overstatement of income tax benefit for the three months ended September 30, 2003.

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During the third quarter of 2003, we recorded an income tax benefit primarily resulting from the reversal of valuation allowances established post-reorganization for tax deductions related to our international operations. We had originally recorded this benefit in the fourth quarter of 2003.

We reviewed the accounting treatment for various insurance claims related to damaged equipment at our operating company in Mexico. As a result of this review, we determined that write-downs of damaged equipment and recording of insurance claims receivables were recorded in the incorrect quarters within 2004 and that an insurance claim receivable should not have been recorded as of September 30, 2004 as it was not deemed to be probable of collection.

We reviewed the accrued revenue recognized for customers that had service suspended in Mexico and determined that the revenues for these customers should be accounted for on a cash basis given the uncertainty related to the collection of receivables from customers on a suspended status. This error resulted in an overstatement of operating revenues for the three and nine months ended September 30, 2004.

During the monthly process to convert the operating results from accounting principles generally accepted in Argentina to accounting principles generally accepted in the United States, the depreciation expense related to handsets under operating leases was erroneously omitted for financial reporting purposes, for the three- and nine-months ended September 30, 2004.

We identified computational errors in our statements of cash flows for the nine months ended September 30, 2004 and 2003 that resulted in adjustments between net cash provided by operating activities and net cash used in investing activities but has no effect on our cash and cash equivalent balances.

The following tables present the effects of the restatement adjustments on our previously reported unaudited condensed consolidated statements of operations for the nine and three months ended September 30, 2004 and 2003, our previously reported unaudited condensed consolidated balance sheets as of

NII HOLDINGS, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Continued)
Unaudited

September 30, 2004 and 2003 and our previously reported condensed consolidated statements of cash flows for the nine months ended September 30, 2004 and 2003:

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Nine Months Ended September 30, 2004			For the Nine Months Ended September 30, 2003		
	As Reported	Adjustment	As Restated	As Reported	Adjustment	As Restated
	(in thousands, except per share amounts)					
Operating revenues	$ 897,538	$ (1,238)(a)	$ 896,300	$ 675,574	$	$ 675,574
Operating expenses						
Cost of service	229,369		229,369	169,834		169,834
Cost of digital handset and accessory sales	143,197		143,197	91,348		91,348
Selling, general and administrative	281,913	(2,224)(b)	279,689	228,466	(943)(b)	227,523
Depreciation	58,495	1,834 (c)	60,329	32,030	313 (c)	32,343
Amortization	3,689	6,230 (d)	9,919	24,150	(305)(d)	23,845
Total operating expenses	716,663	5,840	722,503	545,828	(935)	544,893
Operating income	180,875	(7,078)	173,797	129,746	935	130,681
Other income (expense)						
Gain on early extinguishment of debt, net	(79,327)		(79,327)	22,404		22,404
Foreign currency transaction gains, net	75	1,754 (e)	1,829	14,157	(1,901)(e)	12,256
Interest expense and all other non-operating expenses, net	(29,732)	(474)(f)	(30,206)	(50,754)		(50,754)
Total other expense	(108,984)	1,280	(107,704)	(14,193)	(1,901)	(16,094)
Income before income tax provision	71,891	(5,798)	66,093	115,553	(966)	114,587
Income tax provision	(68,185)	3,865 (g)	(64,320)	(65,820)	21,094 (g)	(44,726)
Net income	$ 3,706	$ (1,933)	$ 1,773	$ 49,733	$ 20,128	$ 69,861
Net income per common share, basic	$ 0.05	$ (0.02)	$ 0.03	$ 0.81	$ 0.33	$ 1.14

Net income per common share, diluted	$ 0.05	$ (0.03)	$ 0.02	$ 0.77	$ 0.31	$ 1.08
Weighted average number of common shares outstanding, basic	69,500		69,500	61,449		61,449
Weighted average number of common shares outstanding, diluted	72,398		72,398	64,711		64,711

NII HOLDINGS, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Continued)
Unaudited

The statements of operations components changed, as reflected in the Adjustment column above, as a result of the following restatement adjustments:

		Nine Months Ended September 30, 2004	Nine Months Ended September 30, 2003
		(in thousands)	
(a)	*Operating revenues*		
	Revenue recognition for suspended customers	$ (1,238)	$
	Net decrease	$ (1,238)	$
(b)	*Selling, general and administrative*		
	Mexico bookkeeping errors	$ (3,854)	$ (943)
	Insurance claims for damaged equipment	1,630	
	Net decrease	$ (2,224)	$ (943)
(c)	*Depreciation*		
	Mexico bookkeeping errors	$ 32	$ 151
	Tax provision calculation errors	162	162
	Argentina handset depreciation	1,640	
	Net increase	$ 1,834	$ 313
(d)	*Amortization*		
	Mexico bookkeeping errors	$ 132	$ 144
	Tax provision calculation errors	213	213
	Correction of release of deferred tax asset valuation allowance	5,885	(662)
	Net increase (decrease)	$ 6,230	$ (305)
(e)	*Foreign currency transaction gains, net*		
	Mexico bookkeeping errors	$ 1,754	$ (1,901)
	Net change	$ 1,754	$ (1,901)
(f)	*Interest expense and all other non-operating expenses, net*		
	Other	$ (474)	$
	Net increase	$ (474)	$

(g)	*Income tax provision*				
	Tax provision calculation errors	$	1,675	$	(3,111)
	Correction of release of deferred tax asset valuation allowance, tax impact of Mexico bookkeeping errors and other		2,190		255
	Discrete tax benefit related to the reversal of post-reorganization deferred tax asset valuation allowance				23,950
	Net decrease	$	3,865	$	21,094

NII HOLDINGS, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Continued)
Unaudited
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Three Months Ended September 30, 2004			For the Three Months Ended September 30, 2003		
	As Reported	Adjustment	As Restated	As Reported	Adjustment	As Restated
	(in thousands, except per share amounts)					
Operating revenues	$ 316,150	$ (1,238)(h)	$ 314,912	$ 246,230	$	$ 246,230
Operating expenses						
Cost of service	83,726		83,726	69,491		69,491
Cost of digital handset and accessory sales	50,663		50,663	32,563		32,563
Selling, general and administrative	99,431	(623)(i)	98,808	77,268	3,122 (i)	80,390
Depreciation	20,076	207 (j)	20,283	13,101	104 (j)	13,205
Amortization	473	2,559 (k)	3,032	7,301	(91)(k)	7,210
Total operating expenses	254,369	2,143	256,512	199,724	3,135	202,859
Operating income	61,781	(3,381)	58,400	46,506	(3,135)	43,371
Other income (expense)						
Gain on early extinguishment of debt, net				22,404		22,404
Foreign currency transaction gains (losses), net	46	(597)(l)	(551)	(3,365)	1,007 (l)	(2,358)
Interest expense and all other non-operating expenses, net	(9,681)	(238)(m)	(9,919)	(18,013)		(18,013)
Total other (expense) income	(9,635)	(835)	(10,470)	1,026	1,007	2,033
Income before income tax (provision) benefit	52,146	(4,216)	47,930	47,532	(2,128)	45,404
Income tax (provision) benefit	(23,915)	3,669 (n)	(20,246)	(18,583)	21,561 (n)	2,978
Net income	$ 28,231	$ (547)	$ 27,684	$ 28,949	$ 19,433	$ 48,382
	$ 0.41	$ (0.01)	$ 0.40	$ 0.46	$ 0.31	$ 0.77

Net income per common share, basic						
Net income per common share, diluted	$ 0.38	$ (0.01)	$ 0.37	$ 0.44	$ 0.30	$ 0.74
Weighted average number of common shares outstanding, basic	69,705		69,705	62,695		62,695
Weighted average number of common shares outstanding, diluted	79,196		79,196	65,692		65,692

NII HOLDINGS, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Continued)
Unaudited

The statements of operations components changed, as reflected in the Adjustment column above, as a result of the following restatement adjustments:

		Three Months Ended September 30, 2004		Three Months Ended September 30, 2003	
		(in thousands)			
(h)	*Operating revenues*				
	Revenue recognition for suspended customers	$	(1,238)	$	
	Net decrease	$	(1,238)	$	
(i)	*Selling, general and administrative*				
	Mexico bookkeeping errors	$	131	$	3,122
	Insurance claims for damaged equipment		(754)		
	Net (decrease) increase	$	(623)	$	3,122
(j)	*Depreciation*				
	Mexico bookkeeping errors	$	8	$	50
	Tax provision calculation errors		54		54
	Argentina handset depreciation		145		
	Net increase	$	207	$	104
(k)	*Amortization*				
	Mexico bookkeeping errors	$	44	$	48
	Tax provision calculation errors		71		71
	Correction of release of deferred tax asset valuation allowance		2,444		(210)
	Net increase (decrease)	$	2,559	$	(91)
(l)	*Foreign currency transaction gains (losses), net*				
	Mexico bookkeeping errors	$	(597)	$	1,007
	Net change	$	(597)	$	1,007
(m)	*Interest expense and all other non-operating expenses, net*				
	Other	$	(238)	$	
	Net increase	$	(238)	$	

(n)	*Income tax (provision) benefit*				
	Tax provision calculation errors	$	1,197	$	(3,111)
	Correction of release of deferred tax asset valuation allowance, tax impact of Mexico bookkeeping errors and other		2,472		722
	Discrete tax benefit related to the reversal of post-reorganization deferred tax asset valuation allowance				23,950
	Net decrease	$	3,669	$	21,561

NII HOLDINGS, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Continued)
Unaudited
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

	As of September 30, 2004		
	As Reported	**Adjustment**	**As Restated**
		(in thousands)	
ASSETS			
Current deferred income taxes, net	$ 40,775	$ (12,232)(o)	$ 28,543
Current assets, excluding current deferred income taxes, net	591,045	(8,101)(p)	582,944
Property, plant and equipment, net	467,937	(1,656)(q)	466,281
Intangible assets, net	42,294	24,767 (r)	67,061
Other assets	57,985		57,985
Total assets	$ 1,200,036	$ 2,778	$ 1,202,814
LIABILITIES AND STOCKHOLDERS EQUITY			
Accounts payable, accrued expenses and other	$ 210,498	$ 4,989 (s)	$ 215,487
Other current liabilities	60,272		60,272
Other long-term liabilities	708,732	229 (t)	708,961
Total liabilities	979,502	5,218	984,720
Stockholders equity			
Common stock	70		70
Paid-in capital	182,318		182,318
Deferred compensation	(14,002)		(14,002)
Retained earnings	108,278	(2,527)(u)	105,751
Accumulated other comprehensive loss	(56,130)	87 (v)	(56,043)
Total stockholders equity	220,534	(2,440)	218,094
Total liabilities and stockholders equity	$ 1,200,036	$ 2,778	$ 1,202,814

NII HOLDINGS, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Continued)
Unaudited

The balance sheet components changed, as reflected in the Adjustment column above, as a result of the following restatement adjustments:

			As of September 30, 2004
			(in thousands)
(o)	*Current deferred income taxes, net*		
	Correction of release of deferred tax asset valuation allowance, Mexico bookkeeping errors and other	$	(12,232)
	Net decrease	$	(12,232)
(p)	*Current assets, excluding current deferred income taxes, net*		
	Mexico bookkeeping errors	$	(1,251)
	Suspended customer adjustment		(1,237)
	Insurance claims for damaged equipment		(1,997)
	Correction of release of deferred tax asset valuation allowance		(3,616)
	Net decrease	$	(8,101)
(q)	*Property, plant and equipment, net*		
	Mexico bookkeeping errors	$	823
	Tax provision calculation errors		1,126
	Insurance claims for damaged equipment		(1,458)
	Argentina handset depreciation		(2,147)
	Net decrease	$	(1,656)
(r)	*Intangible assets, net*		
	Mexico bookkeeping errors	$	732
	Tax provision calculation errors		998
	Correction of release of deferred tax asset valuation allowance		23,037
	Net increase	$	24,767
(s)	*Accounts payable, accrued expenses and other*		
	Mexico bookkeeping errors	$	(1,952)
	Insurance claims for damaged equipment		(2,055)
	Tax provision calculation errors		8,996
	Net increase	$	4,989
(t)	*Other long-term liabilities*		
	Other	$	229

	Net increase	$	229
(u)	*Retained earnings*		
	Mexico bookkeeping errors	$	2,830
	Tax provision calculation errors		(6,867)
	Insurance claims for damaged equipment		(2,868)
	Correction of release of deferred tax asset valuation allowance, tax impact of Mexico bookkeeping errors and other		6,524
	Argentina handset depreciation		(2,146)
	Net decrease	$	(2,527)
(v)	*Accumulated other comprehensive loss*		
	Mexico bookkeeping errors	$	(580)
	Correction of release of deferred tax asset valuation allowance and other		669
	Argentina handset depreciation		(2)
	Net decrease	$	87

NII HOLDINGS, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Continued)
Unaudited
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

	As of September 30, 2003		
	As Reported	**Adjustment**	**As Restated**
		(in thousands)	
ASSETS			
Current assets	$ 594,172	$ (301)(w)	$ 593,871
Property, plant and equipment, net	334,914	2,247 (x)	337,161
Intangible assets, net	138,626	310 (y)	138,936
Other assets	26,801		26,801
Total assets	$ 1,094,513	$ 2,256	$ 1,096,769
LIABILITIES AND STOCKHOLDERS EQUITY			
Accounts payable, accrued expenses and other	$ 192,444	$ (9,548)(z)	$ 182,896
Other current liabilities	72,334		72,334
Other long-term liabilities	622,146	(662)(aa)	621,484
Total liabilities	886,924	(10,210)	876,714
Stockholders equity			
Common stock	68		68
Paid-in capital	163,766		163,766
Retained earnings	82,399	10,226 (bb)	92,625
Accumulated other comprehensive loss	(38,644)	2,240 (cc)	(36,404)
Total stockholders equity	207,589	12,466	220,055
Total liabilities and stockholders equity	$ 1,094,513	$ 2,256	$ 1,096,769

NII HOLDINGS, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Continued)
Unaudited

The balance sheet components changed, as reflected in the Adjustment column above, as a result of the following restatement adjustments:

			As of September 30, 2003
			(in thousands)
(w)	*Current assets*		
	Mexico bookkeeping errors	$	(301)
	Net decrease	$	(301)
(x)	*Property, plant and equipment, net*		
	Mexico bookkeeping errors	$	903
	Tax provision calculation errors		1,344
	Net increase	$	2,247
(y)	*Intangible assets, net*		
	Mexico bookkeeping errors	$	912
	Tax provision calculation errors		1,282
	Correction of release of deferred tax asset valuation allowance		(1,884)
	Net increase	$	310
(z)	*Accounts payable, accrued expenses and other*		
	Mexico bookkeeping errors	$	5,040
	Tax provision calculation errors		9,362
	Discrete tax benefit related to the reversal of post-reorganization deferred tax asset valuation allowance		(23,950)
	Net decrease	$	(9,548)
(aa)	*Other long-term liabilities*		
	Release of deferred tax asset valuation allowance and other	$	(662)
	Net decrease	$	(662)
(bb)	*Retained earnings*		
	Mexico bookkeeping errors	$	(3,121)
	Tax provision calculation errors		(6,734)
	Correction of release of deferred tax asset valuation allowance, tax impact of Mexico bookkeeping errors and other		(3,869)
	Discrete tax benefit related to the reversal of post-reorganization deferred tax asset valuation allowance		23,950

	Net increase	$	10,226
(cc)	*Accumulated other comprehensive loss*		
	Mexico bookkeeping errors	$	(414)
	Correction of release of deferred tax asset valuation allowance and other		2,654
	Net decrease	$	2,240

NII HOLDINGS, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Continued)
Unaudited
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Nine Months Ended September 30, 2004			For the Nine Months Ended September 30, 2003		
	As Reported	Adjustment	As Restated	As Reported	Adjustment	As Restated
			(in thousands)			
Net cash provided by operating activities	$ 120,641	$ 3,570	$ 124,211	$ 184,409	$ (3,212)	$ 181,197
Net cash used in investing activities	(192,816)	(3,570)	(196,386)	(198,696)	3,212	(195,484)
Net cash (used in) provided by financing activities	(39,117)		(39,117)	192,080		192,080

Note 3. Supplemental Balance Sheet Information

Prepaid Expenses and Other. The components of our prepaid expenses and other are as follows:

	September 30, 2004	December 31, 2003
	Restated	
	(in thousands)	
Value added tax receivables, current	$ 17,129	$ 22,596
Advances to suppliers	9,098	8,053
Insurance claims	1,266	4,853
Prepaid income taxes	3,365	4,470
Other prepaid expenses	34,713	19,156
	$ 65,571	$ 59,128

Accounts Payable, Accrued Expenses and Other. The components of our accounts payable, accrued expenses and other are as follows:

	September 30, 2004	December 31, 2003
	Restated	
	(in thousands)	
Accrued income taxes and income taxes payable	$ 9,375	$ 14,462
Accrued non-income based taxes	40,367	32,899
Accrued payroll, commissions and related items	34,075	32,816

Accrued expenses and amounts payable related to network system and information technology		40,275		40,907
Accrued capital expenditures and capital expenditure related payables		29,650		28,202
Customer deposits		16,032		11,485
Accrued non-income tax and other contingencies		5,285		6,676
Other		40,428		33,726
	$	215,487	$	201,173

NII HOLDINGS, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Continued)
Unaudited

Other Long-Term Liabilities. The components of our other long-term liabilities are as follows:

	September 30, 2004 Restated	December 31, 2003
	(in thousands)	
Non-income tax and other contingencies	$ 60,231	$ 69,627
Asset retirement obligations	3,627	3,021
Capital lease obligations	4,817	
Other long-term liabilities	4,864	3,599
	$ 73,539	$ 76,247

Note 4. Intangible Assets

Our intangible assets consist of our licenses, customer base and tradename, all of which have finite useful lives, as follows:

	September 30, 2004 Restated			December 31, 2003		
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
	(in thousands)					
Amortizable intangible assets:						
Licenses	$ 68,604	$ (8,447)	$ 60,157	$ 73,595	$ (5,380)	$ 68,215
Customer base	39,374	(34,245)	5,129	42,133	(27,684)	14,449
Tradename	3,081	(1,306)	1,775	4,132	(978)	3,154
Total intangible assets	$ 111,059	$ (43,998)	$ 67,061	$ 119,860	$ (34,042)	$ 85,818

SOP 90-7 requires that reversals of valuation allowances associated with deferred tax assets that exist as of the date of application of fresh-start accounting be recorded as a reduction to intangible assets. Substantially all of our deferred tax asset valuation allowances existed as of the date of the application of fresh-start accounting. As such, under SOP 90-7, we record any valuation allowance reversals first as a reduction to our remaining intangible assets existing at our emergence from reorganization and then as an increase to paid-in capital. This accounting methodology for deferred tax asset valuation allowance reversals resulted in a decrease to the bases of our intangible assets from December 31, 2003 to September 30, 2004.

The gross carrying values of licenses, customer base and tradename decreased by $7.8 million, $2.6 million and $1.1 million, respectively from December 31, 2003 to September 30, 2004 due to the reversal of deferred tax asset valuation allowances.

NII HOLDINGS, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Continued)
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Based on the carrying amount of amortizable intangible assets existing as of September 30, 2004 and current exchange rates, we estimate amortization expense for each of the next five years ending December 31 to be as follows (in thousands):

Years	**Estimated Amortization Expense**
2004	$ 14,375
2005	13,384
2006	4,507
2007	3,847
2008	3,847

Actual amortization expense to be reported in future periods could differ from these estimates as a result of additional acquisitions of intangibles and the timing of releases of deferred tax asset valuation allowances, as well as changes in exchange rates and other relevant factors. During the nine and three months ended September 30, 2004, we did not acquire, dispose of or write down any goodwill or intangible assets with indefinite useful lives.

Note 5. Debt

	September 30, 2004	**December 31, 2003**
	(in thousands)	
3.5% convertible notes due 2033	$ 180,000	$ 180,000
2.875% convertible notes due 2034	300,000	
13.0% senior secured discount notes due 2009, net of unamortized discount of $14 and $52,196	40	128,625
International equipment facility		125,000
Tower financing obligations	113,590	103,131
Total debt	593,630	536,756
Less: current portion	(1,783)	(1,466)
	$ 591,847	$ 535,290

3.5% Convertible Notes Due 2033. Our 3.5% convertible notes due 2033, which we refer to as our 3.5% notes, are senior unsecured obligations and rank equal in right of payment with all of our other existing and future senior unsecured debt. Historically, some of our long-term debt has been secured and may be secured in the future. In addition, since we conduct all of our operations through our subsidiaries, our 3.5% notes effectively rank junior in right of payment to all liabilities of our subsidiaries. The notes bear interest at a rate of 3.5% per year, payable semi-annually in arrears and in cash on March 15 and September 15 of each year, beginning March 15, 2004. Our 3.5% notes will mature on September 15, 2033, when the entire principal balance of $180.0 million will be due.

The noteholders have the right to require us to repurchase the 3.5% notes on September 15 of 2010, 2013, 2018, 2023 and 2028 at a repurchase price equal to 100% of the principal amount, plus any accrued and unpaid interest up to

but excluding the repurchase date. In addition, if a fundamental change or termination of trading, as defined, occurs prior to maturity, the noteholders have the right to require us to repurchase all or part of the notes at a repurchase price equal to 100% of the principal amount, plus accrued and unpaid interest.

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The 3.5% notes are convertible, at the option of the holder, into shares of our common stock at an adjusted conversion rate of 37.5 shares per $1,000 principal amount of notes, or 6,750,000 aggregate common shares, at a conversion price of about $26.67 per share. The 3.5% notes are convertible, subject to adjustment, at any time prior to the close of business on the final maturity date under any of the following circumstances:

- during any fiscal quarter commencing after December 31, 2003, if the closing sale price of our common stock exceeds 110% of the conversion price of $26.67 per share for at least 20 trading days in the 30 consecutive trading days ending on the last trading day of the preceding fiscal quarter;

- during the five business day period after any five consecutive trading day period in which the trading price per note for each day of this period was less than 98% of the product of the closing sale price of our common stock and the number of shares issuable upon conversion of $1,000 principal amount of the notes, or 6,750,000 aggregate common shares, subject to certain limitations;

- if the notes have been called for redemption by us; or

- upon the occurrence of specified corporate events.

The conversion feature related to the trading price per note meets the criteria of an embedded derivative under Statement of Financial Accounting Standards, or SFAS, No. 133, Accounting for Derivate Instruments and Hedging Activities. As a result, we are required to separate out the value of the conversion feature from the notes and record a liability on our consolidated balance sheet. As of September 30, 2004, the conversion feature had a nominal value, and therefore it did not have a material impact on our financial position or results of operations. We will continue to evaluate the materiality of the value of this conversion feature on a quarterly basis and record the resulting adjustment, if any, in our consolidated balance sheet and statement of operations.

For the fiscal quarters ended September 30, 2004, June 30, 2004 and March 31, 2004, the closing sale price of our common stock exceeded 110% of the conversion price of $26.67 per share for at least 20 trading days in the 30 consecutive trading days ending on September 30, 2004, June 30, 2004 and March 31, 2004. As a result, the conversion contingency was met, and effective April 1, 2004, our 3.5% notes became convertible into 37.5 shares of our common stock per $1,000 principal amount of notes, or 6,750,000 aggregate common shares, at a conversion price of about $26.67 per share. As presented for the nine months ended September 30, 2004, our calculation of diluted net income per share does not include the common shares resulting from the potential conversion of our 3.5% notes since their effect would have been antidilutive to our net income. As presented for the three months ended September 30, 2004, our calculation of diluted net income per share does include the common shares resulting from the potential conversion of our 3.5% notes.

The conversion rate of the 3.5% notes is subject to adjustment if any of the following events occur:

- we issue common stock as a dividend or distribution on our common stock;

- we issue to all holders of common stock certain rights or warrants to purchase our common stock;

- we subdivide or combine our common stock;

- we distribute to all holders of our common stock shares of our capital stock, evidences of indebtedness or assets, including cash or securities but excluding the rights, warrants, dividends or distributions specified above;

- we or one of our subsidiaries makes a payment in respect of a tender offer or exchange offer for our common stock to the extent that the cash and value of any other consideration included in the payment per share of

common stock exceeds the current market price per share of common stock on the trading

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day next succeeding the last date on which tenders or exchanges may be made pursuant to this tender or exchange offer; or

someone other than us or one of our subsidiaries makes a payment in respect of a tender offer or exchange offer in which, as of the closing date of the offer, our board of directors is not recommending the rejection of the offer, subject to certain conditions.

Prior to September 20, 2008, the 3.5% notes are not redeemable. Beginning September 20, 2008, we may redeem the 3.5% notes in whole or in part at the following prices expressed as a percentage of the principal amount:

Redemption Period	**Price**
Beginning on September 20, 2008 and ending on September 14, 2009	101.0%
Beginning on September 15, 2009 and ending on September 14, 2010	100.5%
Beginning on September 15, 2010 and thereafter	100.0%

Neither we, nor any of our subsidiaries, are subject to any financial covenants under our 3.5% notes. In addition, the indenture governing our 3.5% notes does not restrict us or any of our subsidiaries from paying dividends, incurring debt, or issuing or repurchasing our securities.

2.875% Convertible Notes Due 2034. In January 2004, we issued $250.0 million aggregate principal amount of 2.875% convertible notes due 2034, which we refer to as our 2.875% notes. In addition, we granted the initial purchaser an option to purchase up to an additional $50.0 million principal amount of 2.875% notes, which was exercised in full in February 2004. As a result, we issued an additional $50.0 million aggregate principal amount of 2.875% notes, resulting in total net proceeds of $291.6 million. Our 2.875% notes are senior unsecured obligations and rank equal in right of payment with all of our other existing and future senior unsecured debt. Historically, some of our long-term debt has been secured and may be secured in the future. In addition, since we conduct all of our operations through our subsidiaries, our 2.875% notes effectively rank junior in right of payment to all liabilities of our subsidiaries. The 2.875% notes bear interest at a rate of 2.875% per year, payable semi-annually in arrears and in cash on February 1 and August 1 of each year, beginning August 1, 2004. The 2.875% notes will mature on February 1, 2034, when the entire principal balance of $300.0 million will be due.

The noteholders have the right to require us to repurchase the 2.875% notes on February 1 of 2011, 2014, 2019, 2024 and 2029 at a repurchase price equal to 100% of the principal amount, plus any accrued and unpaid interest up to but excluding the repurchase date. In addition, if a fundamental change or termination of trading, as defined, occurs prior to maturity, the noteholders have a right to require us to repurchase all or part of the notes at a repurchase price equal to 100% of the principal amount, plus accrued and unpaid interest.

The 2.875% notes are convertible, at the option of the holder, into shares of our common stock at an adjusted conversion rate of 18.7830 shares per $1,000 principal amount of notes, or 5,634,900 aggregate common shares, at a conversion price of about $53.24 per share. The 2.875% notes are convertible, subject to adjustment, prior to the close of business on the final maturity date under any of the following circumstances:

during any fiscal quarter commencing after March 31, 2004, if the closing sale price of our common stock exceeds 120% of the conversion price of $53.24 per share for at least 20 trading days in the 30 consecutive trading days ending on the last trading day of the preceding fiscal quarter;

during the five business day period after any five consecutive trading day period in which the trading price per note for each day of this period was less than 98% of the product of the closing sale price of our common stock and the number of shares issuable upon conversion of $1,000 principal amount of the notes, or 5,634,900

aggregate common shares, subject to certain limitations;

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- if the notes have been called for redemption by us; or
- upon the occurrence of specified corporate events.

We have the option to satisfy the conversion of the 2.875% notes in shares of our common stock, in cash or a combination of both.

The conversion feature related to the trading price per note meets the criteria of an embedded derivative under SFAS No. 133. As a result, we are required to separate out the value of the conversion feature from the notes and record a liability on our consolidated balance sheet. As of September 30, 2004, the conversion feature had a nominal value, and therefore it did not have a material impact on our financial position or results of operations. We will continue to evaluate the materiality of the value of this conversion feature on a quarterly basis and record the resulting adjustment, if any, in our consolidated balance sheet and statement of operations.

As of September 30, 2004, our 2.875% convertible notes did not meet any of the criteria necessary for conversion into shares of our common stock.

The conversion rate of the 2.875% notes is subject to adjustment if any of the following events occur:

- we issue common stock as a dividend or distribution on our common stock;
- we issue to all holders of common stock certain rights or warrants to purchase our common stock;
- we subdivide or combine our common stock;
- we distribute to all holders of our common stock shares of our capital stock, evidences of indebtedness or assets, including cash or securities but excluding the rights, warrants, dividends or distributions specified above;
- we or one of our subsidiaries makes a payment in respect of a tender offer or exchange offer for our common stock to the extent that the cash and value of any other consideration included in the payment per share of common stock exceeds the current market price per share of common stock on the trading day next succeeding the last date on which tenders or exchanges may be made pursuant to this tender or exchange offer; or
- someone other than us or one of our subsidiaries makes a payment in respect of a tender offer or exchange offer in which, as of the closing date of the offer, our board of directors is not recommending the rejection of the offer, subject to certain conditions.

Prior to February 7, 2011, the 2.875% notes are not redeemable. On or after February 7, 2011, we may redeem for cash some or all of the 2.875% notes, at any time and from time to time, upon at least 30 days notice for a price equal to 100% of the principal amount of the 2.875% notes to be redeemed plus any accrued and unpaid interest up to but excluding the redemption date.

Neither we, nor any of our subsidiaries, are subject to any financial covenants under our 2.875% notes. In addition, the indenture governing our 2.875% notes does not restrict us or any of our subsidiaries from paying dividends, incurring debt, or issuing or repurchasing our securities.

Effective for all periods ending after December 15, 2004 and in compliance with EITF Issue No. 04-8, we plan to include the additional common shares associated with the conversion of our 2.875% convertible notes, if dilutive, in our computation of diluted earnings per share, regardless of whether the market price trigger or other contingent feature has been met.

Repurchase and Defeasance of 13.0% Senior Secured Discount Notes. In March 2004, NII Holdings (Cayman), Ltd. (NII Cayman), one of our wholly-owned subsidiaries, retired substantially all of its

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$180.8 million aggregate principal amount 13.0% senior secured discount notes due 2009 through a cash tender offer, resulting in a $79.3 million pre-tax loss, including a $47.2 million write-off of the unamortized discount and $2.3 million in charges representing the write-off of debt financing costs and the payment of transaction costs. NII Cayman financed this tender offer with intercompany loans from NII Holdings and cash on hand. We used a portion of our proceeds from the issuance of our 2.875% notes to fund these intercompany loans to NII Cayman. For the nine months ended September 30, 2004, the basic and diluted loss per share amount resulting from the loss on the early extinguishment of our 13.0% senior secured discount notes was $1.14 and $1.10, respectively.

In July 2004, the trustee for our 13.0% senior secured discount notes due 2009 released its security interests in the underlying collateral, and the remaining amount under these notes was defeased. As a result, our assets are no longer encumbered under these notes.

Repayment of International Equipment Facility. In February 2004, in compliance with our international equipment facility credit agreement, we prepaid, at face value, $72.5 million of the $125.0 million in outstanding principal and related accrued interest of $0.4 million. We did not realize a gain or loss on this prepayment.

In July 2004, we paid the remaining $52.6 million in outstanding principal and related accrued interest under our international equipment facility. Under the terms of the international equipment facility and related agreements, Motorola Credit Corporation was a secured creditor and held senior liens on substantially all of our assets, as well as the assets of our various foreign and domestic subsidiaries and affiliates. As a result of the extinguishment of this facility, Motorola Credit Corporation released its liens on these assets, all restrictive covenants under this facility were terminated and all obligations under this facility were discharged. We did not recognize any gain or loss as a result of either of these transactions. In addition, prior to the extinguishment of this facility, Motorola Credit Corporation owned one outstanding share of our Special Director Preferred Stock, which gave Motorola Credit Corporation the right to nominate, elect, remove and replace one member of our board of directors. Mr. Charles F. Wright, one of the directors on our board, was elected by Motorola through these rights under the Special Director Preferred Stock. In connection with Mr. Wright s resignation as a member of our board of directors on September 13, 2004, Motorola Credit Corporation relinquished this right to elect one member of our board of directors.

Tower Financing Obligations. During the nine and three months ended September 30, 2004 and 2003, Nextel Mexico and Nextel Brazil sold communications towers as follows:

	Nine Months Ended September 30,				Three Months Ended September 30,			
	2004		2003		2004		2003	
	Towers	Proceeds	Towers	Proceeds	Towers	Proceeds	Towers	Proceeds
	(proceeds in thousands)							
Nextel Mexico	41	$ 7,684	364	$ 68,017	6	$ 1,062	63	$ 11,879
Nextel Brazil	31	3,916	153	20,655	9	992	73	9,855
Total	72	$ 11,600	517	$ 88,672	15	$ 2,054	136	$ 21,734

Nextel Mexico and Nextel Brazil did not sell any additional towers subsequent to the end of the third quarter of 2004.

We account for these tower sales as financing arrangements and, as such, maintain the tower assets on our balance sheet and continue to depreciate them. We recognize the proceeds received as financing obligations that will be repaid through monthly rent payments. To the extent that American Tower leases space on these communication towers to

third party companies, our base rent and ground rent related to the towers leased are reduced. We recognize ground rent payments as operating expenses in cost of service and

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tower base rent payments as interest expense and a reduction in the financing obligation using the effective interest method. In addition, we recognize co-location rent payments made by the third party lessees to American Tower as other operating revenues because we are maintaining the tower assets on our balance sheet. During the nine and three months ended September 30, 2004, we recognized $6.9 million and $2.4 million, respectively, in other operating revenues related to these co-location lease arrangements, a portion of which was recognized as interest expense.

On January 1, 2004, we executed a binding term sheet with American Tower whereby both parties agreed to make certain amendments to the sale-leaseback agreement with respect to the construction and/or the acquisition by American Tower of any new towers to be constructed or purchased by our Mexican and our Brazilian operating companies. The most significant of such amendments provides for: the elimination of minimum purchase and construction commitments; the establishment of new purchase commitments for the following four years, subject to certain collocation conditions; the extension for an additional four years, subject to certain conditions and limitations, of the right of American Tower to market for collocation existing and new towers; and the reduction of the monthly rent payments, as well as the purchase price, of any existing towers not previously purchased or identified for purchase and of any new sites built.

Note 6. Contingencies

Brazilian Contingencies. Nextel Brazil has received assessment notices from state and federal Brazilian authorities asserting deficiencies in payments related primarily to value added taxes and import duties based on the classification of equipment and services. Nextel Brazil has filed various 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 is also disputing certain non-tax related claims. Nextel Brazil believes it has appropriately accrued for probable losses related to these contingencies in accordance with SFAS No. 5, Accounting for Contingencies. As a result of ongoing analysis, further consultations with external legal counsel, expirations of the statute of limitations and settlements of certain matters during the first and second quarters of 2004, Nextel Brazil reversed $4.3 million and $10.2 million in accrued liabilities, of which $2.5 million and $6.8 million, respectively, were recorded as reductions to operating expenses. We currently estimate the range of possible losses related to these contingencies for which we have not accrued liabilities to be between $37.8 million and $41.8 million. From time to time, Nextel Brazil may also receive additional assessments or claim notices of a similar nature. We are continuing to evaluate the likelihood of possible losses, if any, related to all known contingencies. As a result, future increases or decreases to our accrued contingencies may be necessary. As of September 30, 2004, Nextel Brazil had accrued liabilities of $38.8 million related to these contingencies, of which $36.4 million was classified as other long-term liabilities and $2.4 million was classified as accounts payable, accrued expenses and other.

Legal Proceedings. 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 7. Income Taxes

We assessed the realizability of certain deferred tax assets during the first, second and third quarters of 2004, consistent with the methodology employed during 2003. In that assessment, we considered the reversal of existing temporary differences associated with deferred tax assets, future taxable income, tax planning strategies as considered and historical and future pre-tax book income as adjusted for permanent differences between financial and tax accounting items. Accordingly, during the first quarter of 2004, we reversed

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$13.2 million of the valuation allowance associated with deferred tax assets in Mexico due to additional information regarding our expected profitability within certain Mexican operations. Since substantially all of the Mexican valuation allowance existed as of the date we applied fresh-start accounting, $11.9 million of the valuation allowance reduced our intangible assets in accordance with SOP 90-7. Additionally, we recorded an income tax benefit of $1.3 million for the remainder of the valuation allowance as that portion related to deferred tax assets that were generated subsequent to our reorganization. During the third quarter of 2003, we recorded an income tax benefit of $24.0 million primarily resulting from the reversal of valuation allowances established post-reorganization for tax deductions related to our international operations. We will continue to evaluate the deferred tax asset valuation allowance balances in all of our foreign operating companies and in our U.S. companies throughout 2004 to determine the appropriate level of valuation reserves. If our operations continue to demonstrate profitability, we will likely release additional deferred tax asset valuations during 2004.

Note 8. Segment Reporting

We operate in four reportable segments: (1) Mexico, (2) Brazil, (3) Argentina and (4) Peru. The operations of all other businesses that fall below the segment reporting thresholds are included in the Corporate and other segment below. This segment includes our Chilean operating companies, our corporate operations in the U.S. and our Cayman entity. We evaluate the performance of these segments and provide resources to them based on operating income before depreciation and amortization, which we refer to as segment earnings, and on the level of required capital expenditures. We allocate corporate overhead costs to some of our subsidiaries. The segment information below does not reflect any allocations of corporate overhead costs because the amounts of these expenses are not provided to or used by our chief operating decision maker in making operating decisions related to these segments.

	Mexico	Brazil	Argentina	Peru	Corporate and other	Intercompany Eliminations	Consolidated
				(in thousands)			
Nine Months Ended September 30, 2004 Restated (see Note 2)							
Operating revenues	$ 549,695	$ 144,057	$ 131,640	$ 70,129	$ 1,164	$ (385)	$ 896,300
Segment earnings (losses)	$ 229,423	$ 8,369	$ 30,977	$ 13,170	$ (37,894)	$	$ 244,045
Depreciation and amortization	(49,852)	(8,610)	(7,398)	(3,936)	(769)	317	(70,248)
Operating income (loss)	179,571	(241)	23,579	9,234	(38,663)	317	173,797
Interest expense	(13,344)	(8,374)	(41)	(147)	(16,966)	28	(38,844)
Interest income	1,903	2,729	298	1,956	2,385	(28)	9,243
Loss on early extinguishment of debt, net					(79,327)		(79,327)
Foreign currency transaction gains (losses), net	2,530	(64)	(854)	223	(6)		1,829
	(464)	174	254	(11)	(415)	(143)	(605)

Other (expense) income, net							
Income (loss) before income tax	$ 170,196	$ (5,776)	$ 23,236	$ 11,255	$ (132,992)	$ 174	$ 66,093
Capital expenditures	$ 72,235	$ 40,344	$ 30,253	$ 15,689	$ 2,219	$	$ 160,740

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	Mexico	Brazil	Argentina	Peru	Corporate and other	Intercompany Eliminations	Consolidated
				(in thousands)			
Nine Months Ended September 30, 2003 Restated (see Note 2)							
Operating revenues	$ 417,214	$ 106,732	$ 81,541	$ 69,285	$ 1,174	$ (372)	$ 675,574
Segment earnings (losses)	$ 163,001	$ 11,225	$ 22,168	$ 16,552	$ (26,077)	$	$ 186,869
Depreciation and amortization	(49,177)	(2,665)	(2,175)	(2,154)	(404)	387	(56,188)
Operating income (loss)	113,824	8,560	19,993	14,398	(26,481)	387	130,681
Interest expense	(15,338)	(8,208)	(59)	(1,895)	(28,800)	5,093	(49,207)
Interest income	1,807	3,498	411		6,433	(5,093)	7,056
Gain (loss) on extinguishment of debt, net		22,739			(335)		22,404
Foreign currency transaction (losses) gains, net	(10,996)	22,199	907	159	(13)		12,256
Other (expense) income, net	(1,695)	(3,473)	8,268	(951)	(7,261)	(3,491)	(8,603)
Income (loss) before income tax	$ 87,602	$ 45,315	$ 29,520	$ 11,711	$ (56,457)	$ (3,104)	$ 114,587
Capital expenditures	$ 112,467	$ 14,388	$ 13,691	$ 13,144	$ 2,536	$	$ 156,226
Three Months Ended September 30, 2004 Restated (see Note 2)							
Operating revenues	$ 190,523	$ 52,256	$ 48,186	$ 23,702	$ 371	$ (126)	$ 314,912
Segment earnings (losses)	$ 77,903	$ 168	$ 11,093	$ 4,953	$ (12,402)	$	$ 81,715
Depreciation and amortization	(15,918)	(3,340)	(2,363)	(1,510)	(290)	106	(23,315)
Operating income (loss)	61,985	(3,172)	8,730	3,443	(12,692)	106	58,400
Interest expense	(4,038)	(3,424)	(1)	(36)	(4,267)	12	(11,754)
Interest income	688	925	86	1,119	826	(12)	3,632

Foreign currency transaction (losses) gains, net	(822)	424	(367)	212	2		(551)
Other income (expense), net	352	(1,701)	(103)	(8)	(194)	(143)	(1,797)
Income (loss) before income tax	$ 58,165	$ (6,948)	$ 8,345	$ 4,730	$ (16,325)	$ (37)	$ 47,930
Capital expenditures	$ 18,656	$ 22,927	$ 14,702	$ 4,878	$ 442	$	$ 61,605

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	Mexico	Brazil	Argentina	Peru	Corporate and other	Intercompany Eliminations	Consolidated
				(in thousands)			
Three Months Ended September 30, 2003 Restated (see Note 2)							
Operating revenues	$ 152,604	$ 37,965	$ 32,450	$ 22,909	$ 407	$ (105)	$ 246,230
Segment earnings (losses)	$ 53,174	$ 5,042	$ 8,709	$ 6,015	$ (9,154)	$	$ 63,786
Depreciation and amortization	(17,179)	(1,299)	(1,166)	(709)	(168)	106	(20,415)
Operating income (loss)	35,995	3,743	7,543	5,306	(9,322)	106	43,371
Interest expense	(7,120)	(2,520)	(13)	(874)	(12,342)	4,585	(18,284)
Interest income	490	1,346	85	(511)	5,003	(4,585)	1,828
Gain (loss) on extinguishment of debt, net		22,739			(335)		22,404
Foreign currency transaction (losses) gains, net	(4,148)	304	1,417	70	(1)		(2,358)
Other (expense) income, net	(1,127)	(534)	(12)	(84)	200		(1,557)
Income (loss) before income tax	$ 24,090	$ 25,078	$ 9,020	$ 3,907	$ (16,797)	$ 106	$ 45,404
Capital expenditures	$ 22,314	$ 5,991	$ 6,179	$ 3,955	$ 733	$	$ 39,172
September 30, 2004 Restated (see Note 2)							
Property, plant and equipment, net	$ 305,751	$ 70,857	$ 49,857	$ 37,066	$ 4,195	$ (1,445)	$ 466,281
Identifiable assets	$ 650,146	$ 186,195	$ 122,766	$ 81,566	$ 163,586	$ (1,445)	$ 1,202,814
December 31, 2003							
Property, plant and equipment, net	$ 278,118	$ 38,320	$ 25,699	$ 25,313	$ 2,602	$ (1,618)	$ 368,434
Identifiable assets	$ 675,035	$ 138,824	$ 94,158	$ 76,935	$ 145,102	$ (1,618)	$ 1,128,436

September 30, 2003 Restated (see Note 2)							
Property, plant and equipment, net	$ 272,853	$ 21,549	$ 18,331	$ 23,480	$ 2,673	$ (1,725)	$ 337,161
Identifiable assets	$ 650,574	$ 115,877	$ 74,028	$ 67,471	$ 190,544	$ (1,725)	$ 1,096,769

Note 9. Subsequent Events

Mexico Syndicated Loan. Subsequent to the end of the third quarter of 2004, we closed on a $250.0 million, five year syndicated loan facility in Mexico. The facility can be drawn down, under certain conditions, within 180 days from the date of closing. Of the total amount of the facility, $129.0 million will be denominated in U.S. dollars, with a floating interest rate based on LIBOR, $31.0 million will be denominated in Mexican pesos, with a floating interest rate based on the Mexican reference rate TIIE, and $90.0 million will be denominated in Mexican pesos, at an interest rate fixed at the time of funding. We intend to hedge the currency and interest rate risks so that the facility is an effective fixed rate Mexican peso credit facility.

Mexico Derivative Transaction. Subsequent to the end of the third quarter of 2004, Nextel Mexico entered into an agreement to manage its foreign currency transaction risk and minimize the volatility of its cash flows caused by currency fluctuations associated with a significant portion of its U.S. dollar forecasted capital expenditures and handset purchases. This risk will be hedged by forecasting Nextel Mexico s capital expenditures and handset purchases on a rolling 12-month period. Under this agreement, Nextel Mexico purchased a U.S. dollar-based call option and sold a U.S. dollar-based put option.

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

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Introduction

The following is a discussion and analysis of:

- our consolidated financial condition and results of operations for the nine and three months ended September 30, 2004 and 2003; and

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

Subject to the summary restatement described in Note 2 to our condensed consolidated financial statements, you should read this discussion in conjunction with our 2003 annual report on Form 10-K/ A, including, but not limited to, the discussion regarding our critical accounting judgments, as described below, and our quarterly reports on Form 10-Q/ A for the quarters ended March 31, 2004 and June 30, 2004. Historical results may not indicate future performance. See Forward Looking Statements for risks and uncertainties that may impact our future performance.

We present the accounts of our consolidated foreign operating companies utilizing accounts as of a date one month earlier than the accounts of our parent company, our U.S. subsidiaries and our non-operating non-U.S. subsidiaries to ensure timely reporting of consolidated results. As a result, the financial position and results of operations of each of our operating companies in Mexico, Brazil, Argentina, Peru and Chile are presented as of and for the nine and three months ended August 31, 2004 and 2003, respectively. In contrast, financial information relating to our parent company, our U.S. subsidiaries and our non-operating non-U.S. subsidiaries is presented as of and for the nine and three months ended September 30, 2004 and 2003.

Restatement of Previously Issued Condensed Consolidated Financial Statements

We have restated our previously issued condensed consolidated financial statements and related footnotes as of and for the nine and three months ended September 30, 2004 and 2003, as set forth in this quarterly report on Form 10-Q/A. We are restating our condensed consolidated financial statements to correct for the following items:

- Bookkeeping errors at our operating company in Mexico;

- Accounting for deferred tax asset valuation allowance reversals;

- Certain errors in the calculation of income taxes for financial statement purposes;

- Discrete tax benefit related to the reversal of post-reorganization deferred tax asset valuation allowance;

- Insurance claim receivables and write-downs for damaged equipment in Mexico;

- Revenue recognition for suspended customers in Mexico;

- Depreciation of handsets in Argentina; and

- Other insignificant miscellaneous adjustments.

For additional information regarding this restatement, see Note 2 to our unaudited condensed consolidated financial statements included in this quarterly report on Form 10-Q/A. All amounts in this quarterly report on Form 10-Q/A have been updated, as appropriate, to reflect this restatement. Other than for the items discussed herein, we did not update this quarterly report on Form 10-Q/A for subsequent events that occurred after we filed our original quarterly report on Form 10-Q on November 15, 2004.

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 and assumptions 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 related notes for the period presented. Due to the inherent

uncertainty involved in making those estimates, actual results to be reported in future periods could differ from those estimates.

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;
- valuation of long-lived assets;
- depreciation of property, plant and equipment;
- amortization of intangible assets;
- foreign currency;
- loss contingencies;
- stock-based compensation; and
- income taxes.

A description of these policies is included in our 2003 annual report on Form 10-K/A under Management s Discussion and Analysis of Financial Condition and Results of Operations.

Business Overview

We provide digital wireless communication services targeted at meeting the needs of business customers through operating companies located in selected Latin American markets. Our principal operations are in major business centers and related transportation corridors of Mexico, Brazil, Argentina and Peru. We also provide analog specialized mobile radio services in Mexico, Brazil and Peru, as well as in Chile. We refer to our operating companies by the countries in which they operate, such as Nextel Mexico, Nextel Brazil, Nextel Argentina, Nextel Peru and Nextel Chile. Our markets are generally characterized by high population densities and, we believe, a concentration of each country s business users and economic activity. In addition, vehicle traffic congestion, low landline penetration and unreliability of the land-based telecommunications infrastructure encourage the use of mobile wireless communications services in these areas.

We use a transmission technology called integrated digital enhanced network, or iDEN®, developed by Motorola, Inc., to provide our digital mobile services on 800 MHz spectrum holdings in all of our digital markets. This technology allows us to use our spectrum more efficiently and offer multiple digital wireless services integrated on one digital handset device. We are designing our digital mobile networks to support multiple digital wireless services, including:

- digital mobile telephone service, including advanced calling features such as speakerphone, conference calling, voice-mail, call forwarding and additional line service;
- Nextel Direct Connect^{SM} service, which allows subscribers anywhere on our network to talk to each other instantly, on a push-to-talk basis, on a private one-to-one call or on a group call;
- International Direct Connect^{SM} service, in partnership with Nextel Communications and Nextel Partners, which allows subscribers to communicate instantly across national borders with our subscribers in Mexico, Brazil, Argentina and Peru and with Nextel Communications and Nextel Partners subscribers in the United States;

Internet services, mobile messaging services, e-mail and advanced Java™ enabled business applications, which are marketed as Nextel Online℠ services; and

international roaming capabilities, which are marketed as Nextel Worldwide℠.

The table below provides an overview of our total digital handsets in commercial service in the countries indicated as of September 30, 2004 and 2003. For purposes of the table, digital handsets in commercial service represent all digital handsets in use by our customers on the digital mobile networks in each of the listed countries.

Country	Total Digital Handsets in Commercial Service	
	September 30, 2004	September 30, 2003
	(in thousands)	
Mexico	804	616
Brazil	455	371
Argentina	349	257
Peru	175	143
Total	1,783	1,387

Recent Developments

Mexico Syndicated Loan. Subsequent to the end of the third quarter of 2004, we closed on a $250.0 million, five year syndicated loan facility in Mexico. The facility can be drawn down, under certain conditions, within 180 days from the date of closing. Of the total amount of the facility, $129.0 million will be denominated in U.S. dollars, with a floating interest rate based on LIBOR, $31.0 million will be denominated in Mexican pesos, with a floating interest rate based on the Mexican reference rate TIIE, and $90.0 million will be denominated in Mexican pesos, at an interest rate fixed at the time of funding. We intend to hedge the currency and interest rate risks so that the facility is an effective fixed rate Mexican peso credit facility.

Mexico Derivative Transaction. Subsequent to the end of the third quarter of 2004, Nextel Mexico entered into an agreement to manage its foreign currency transaction risk and minimize the volatility of its cash flows caused by currency fluctuations associated with a significant portion of its U.S. dollar forecasted capital expenditures and handset purchases. This risk will be hedged by forecasting Nextel Mexico s capital expenditures and handset purchases on a rolling 12-month period. Under this agreement, Nextel Mexico purchased a U.S. dollar-based call option and sold a U.S. dollar-based put option.

Repurchase and Defeasance of 13.0% Senior Secured Discount Notes. On March 8, 2004, NII Holdings (Cayman), Ltd. (NII Cayman), one of our wholly-owned subsidiaries, retired substantially all of its $180.8 million aggregate principal amount 13.0% senior secured discount notes due 2009 through a cash tender offer, resulting in a $79.3 million pre-tax loss, including a $47.2 million write-off of the unamortized discount and $2.3 million in charges representing the write-off of debt financing costs and the payment of transaction costs. NII Cayman financed this tender offer with intercompany loans from NII Holdings and cash on hand. We used a portion of our proceeds from the issuance of our 2.875% convertible notes to fund these intercompany loans to NII Cayman.

Subsequent to the end of the second quarter of 2004, in July 2004, the trustee for our 13.0% senior secured discount notes due 2009 released its security interests in the underlying collateral, and the remaining amount under these notes was defeased. As a result, our assets are no longer encumbered under these notes.

Repayment of International Equipment Facility. In February 2004, in compliance with our international equipment facility credit agreement, we prepaid, at face value, $72.5 million of the $125.0 million in outstanding principal and related accrued interest of $0.4 million. We did not realize a gain or loss on this prepayment.

Subsequent to the end of the second quarter of 2004, in July 2004, we paid the remaining $52.6 million in outstanding principal and related accrued interest under our international equipment facility. Under the terms of the

international equipment facility and related agreements, Motorola Credit Corporation was a secured creditor and held senior liens on substantially all of our assets, as well as the assets of our various foreign and domestic subsidiaries and affiliates. As a result of the extinguishment of this facility, Motorola Credit

Corporation released its liens on these assets, and all restrictive covenants under this facility were terminated and all obligations under this facility were discharged. We did not recognize any gain or loss as a result of either of these transactions.

Stock Split. On February 26, 2004, we announced a 3-for-1 common stock split which was effected in the form of a stock dividend that was paid on March 22, 2004 to holders of record as of March 12, 2004. As a result of the stock split, we retroactively restated all historical share and earnings per share data, par value and additional paid-in capital balances for prior periods in this Form 10-Q/A.

Income Taxes. We assessed the realizability of certain deferred tax assets during the first, second and third quarters of 2004, consistent with the methodology employed during 2003. In that assessment, we considered the reversal of existing temporary differences associated with deferred tax assets, future taxable income, tax planning strategies as considered and historical and future pre-tax book income as adjusted for permanent differences between financial and tax accounting items. Accordingly, during the first quarter of 2004, we reversed $13.2 million of the valuation allowance associated with deferred tax assets in Mexico due to additional information regarding our expected profitability within certain Mexican operations. Since substantially all of the Mexican valuation allowance existed as of the date we applied fresh-start accounting, $11.9 million of the valuation allowance reduced our intangible assets in accordance with SOP 90-7. Additionally, we recorded an income tax benefit of $1.3 million for the remainder of the valuation allowance as that portion related to deferred tax assets that were generated subsequent to our reorganization. During the third quarter of 2003, we recorded an income tax benefit of $24.0 million primarily resulting from the reversal of valuation allowances established post-reorganization for tax deductions related to our international operations. We will continue to evaluate the deferred tax asset valuation allowance balances in all of our foreign operating companies and in our U.S. companies throughout 2004 to determine the appropriate level of valuation reserves. If our operations continue to demonstrate profitability, we will likely release additional deferred tax asset valuations during 2004.

Ratio of Earnings to Fixed Charges

	Three Months Ended June 30,	
	2004	**2003**
	Restated	**Restated**
	3.94x	2.93x

For the purpose of computing the ratio of earnings to fixed charges, earnings consist of income from continuing operations before income taxes plus fixed charges and amortization of capitalized interest less capitalized interest, equity in (losses) gains of unconsolidated affiliates and minority interest in losses of subsidiaries. Fixed charges consist of:

- interest on all indebtedness, amortization of debt financing costs and amortization of original issue discount;
- interest capitalized; and
- the portion of rental expense we believe is representative of interest.

Results of Operations

Operating revenues primarily consist of wireless service revenues and revenues generated from the sale of digital handsets and accessories. Service revenues primarily include fixed monthly access charges for digital mobile telephone service and digital two-way radio and other services, revenues from calling party pays programs and variable charges for airtime and digital two-way radio usage in excess of plan minutes and local and long distance charges derived from calls placed by our customers.

Our service and other revenues and the variable component of our cost of service are primarily driven by the number of digital handsets in service and not necessarily by the number of customers, as one customer may purchase one or many digital handsets. Our digital handset and accessory revenues and cost of digital

handset and accessory sales are primarily driven by the number of new handsets placed into service and handset upgrades provided during the year.

Cost of revenues primarily includes the cost of providing wireless service and the cost of digital handset and accessory sales. Cost of providing service consists largely of costs of interconnection with local exchange carrier facilities and direct switch and transmitter and receiver site costs, including property taxes, insurance costs, utility costs, maintenance costs and rent for the network switches and sites used to operate our digital 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. 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 providers for wireless calls from our digital handsets terminating on their networks. Cost of digital handset and accessory sales consists largely of the cost of the handset and accessories, order fulfillment and installation related expenses, as well as write-downs of digital handset and related accessory inventory for shrinkage or obsolescence.

Selling and marketing expenses include all of the expenses related to acquiring customers, excluding the cost of digital handset sales.

General and administrative expenses include expenses related to billing, customer care, collections including bad debt, management information systems and corporate overhead.

a. Consolidated

	September 30, 2004	% of Consolidated Operating Revenues	September 30, 2003	% of Consolidated Operating Revenues	Change from Previous Year	
					Dollars	**Percent**
	Restated	**Restated**	**Restated**	**Restated**	**Restated**	**Restated**
			(dollars in thousands)			
Nine Months Ended						
Operating revenues						
Service and other revenues	$ 852,598	95%	$ 644,427	95%	$ 208,171	32%
Digital handset and accessory sales revenues	43,702	5%	31,147	5%	12,555	40%
	896,300	100%	675,574	100%	220,726	33%
Cost of revenues						
Cost of service (exclusive of depreciation included below)	(229,369)	(26)%	(169,834)	(25)%	(59,535)	35%
Cost of digital handset and accessory sales	(143,197)	(16)%	(91,348)	(14)%	(51,849)	57%
	(372,566)	(42)%	(261,182)	(39)%	(111,384)	43%
Selling and marketing expenses	(113,887)	(13)%	(89,814)	(13)%	(24,073)	27%
	(165,802)	(18)%	(137,709)	(21)%	(28,093)	20%

General and administrative expenses						
Depreciation and amortization	(70,248)	(8)%	(56,188)	(8)%	(14,060)	25%
Operating income	173,797	19%	130,681	19%	43,116	33%
Interest expense	(38,844)	(4)%	(49,207)	(7)%	10,363	(21)%
Interest income	9,243	1%	7,056	1%	2,187	31%
(Loss) gain on early extinguishment of debt, net	(79,327)	(9)%	22,404	3%	(101,731)	(454)%
Foreign currency transaction gains, net	1,829		12,256	2%	(10,427)	(85)%
Other expense, net	(605)		(8,603)	(1)%	7,998	(93)%
Income before income tax provision	66,093	7%	114,587	17%	(48,494)	(42)%
Income tax provision	(64,320)	(7)%	(44,726)	(7)%	(19,594)	44%
Net income	$ 1,773	%	$ 69,861	10%	$ (68,088)	(97)%

	September 30, 2004	% of Consolidated Operating Revenues	September 30, 2003	% of Consolidated Operating Revenues	Change from Previous Year Dollars	Change from Previous Year Percent
	Restated	Restated	Restated	Restated	Restated	Restated
			(dollars in thousands)			
Three Months Ended						
Operating revenues						
Service and other revenues	$ 297,783	95%	$ 234,996	95%	$ 62,787	27%
Digital handset and accessory sales revenues	17,129	5%	11,234	5%	5,895	52%
	314,912	100%	246,230	100%	68,682	28%
Cost of revenues						
Cost of service (exclusive of depreciation included below)	(83,726)	(27)%	(69,491)	(28)%	(14,235)	20%
Cost of digital handset and accessory sales	(50,663)	(16)%	(32,563)	(13)%	(18,100)	56%
	(134,389)	(43)%	(102,054)	(41)%	(32,335)	32%
Selling and marketing expenses	(39,985)	(13)%	(32,722)	(13)%	(7,263)	22%
General and administrative expenses	(58,823)	(19)%	(47,668)	(20)%	(11,155)	23%
Depreciation and amortization	(23,315)	(7)%	(20,415)	(8)%	(2,900)	14%
Operating income	58,400	18%	43,371	18%	15,029	35%
Interest expense	(11,754)	(4)%	(18,284)	(8)%	6,530	(36)%
Interest income	3,632	1%	1,828	1%	1,804	99%
Gain on early extinguishment of debt, net			22,404	9%	(22,404)	*NM*
Foreign currency transaction losses, net	(551)		(2,358)	(1)%	1,807	(77)%
Other expense, net	(1,797)		(1,557)	(1)%	(240)	15%
Income before income tax (provision) benefit	47,930	15%	45,404	18%	2,526	6%
Income tax (provision) benefit	(20,246)	(6)%	2,978	2%	(23,224)	*NM*

Net income	$	27,684	9%	$	48,382	20%	$	(20,698)	(43)%

NM-Not Meaningful

1. Operating revenues

Consolidated operating revenues increased $220.7 million, or 33%, and $68.7 million, or 28%, from the nine and three months ended September 30, 2003 to the same periods in 2004, primarily as a result of $208.2 million, or 32%, and $62.8 million, or 27%, increases in service and other revenues caused by the following:

- 22% and 26% increases in the average number of digital handsets in service;
- $22.4 million and $6.6 million increases in revenues related to handset insurance programs;
- $10.5 million and $3.3 million increases in roaming revenues; and
- $5.1 million and $0.5 million increases in revenues earned by Nextel Mexico and Nextel Brazil related to the co-location of third-party tenants on their communication towers.

The increase from the nine months ended September 30, 2003 to the same period in 2004 is also due to an increase in average consolidated revenues per handset resulting from higher access charges and increased revenues generated from service agreements between mobile carriers.

Consolidated digital handset and accessory sales revenues increased $12.6 million, or 40%, and $5.9 million, or 52%, from the nine and three months ended September 30, 2003 to the same periods in 2004, principally as a result of 33% and 35% increases in consolidated handset sales, as well as increases in handset upgrades provided to existing customers.

2. Cost of revenues

Consolidated cost of revenues increased $111.4 million, or 43%, and $32.3 million, or 32%, from the nine and three months ended September 30, 2003 to the same periods in 2004, largely as a result of $59.5 million, or 35%, and $14.2 million, or 20%, increases in consolidated cost of service and $51.8 million, or 57%, and $18.1 million, or 56%, increases in consolidated cost of digital handset and accessory sales.

The increases in consolidated cost of service are primarily a result of the following:

- increases in consolidated interconnect costs, mainly as a result of 36% and 40% increases in minutes of use, as well as increases in variable interconnect costs per minute of use, primarily in Brazil and Argentina; and
- increases in consolidated service and repair costs caused by increased claims related to our handset insurance programs in all of our markets.

The increase from the nine months ended September 30, 2003 to the same period in 2004 is also a result of an increase in consolidated direct switch and transmitter and receiver site costs, largely due to an 11% increase in transmitter and receiver sites in service from September 30, 2003 to September 30, 2004.

The increases in consolidated cost of digital handset and accessory sales are largely the result of 33% and 35% increases in consolidated handset sales, as well as increases in handset upgrades provided to existing customers.

3. Selling and marketing expenses

Consolidated selling and marketing expenses increased $24.1 million, or 27%, and $7.3 million, or 22%, from the nine and three months ended September 30, 2003 to the same periods in 2004, mostly as a result of the following:

- increases in direct commissions and payroll expenses resulting from 54% and 52% increases in handset sales by our own market sales personnel;
- increases in indirect commissions caused by 19% and 23% increases in handset sales by indirect dealers; and
- increases in advertising expenses, primarily due to increased advertising in connection with Mexico s launch of its Morelia market during the first quarter of 2004, as well as additional advertising campaigns in Brazil and Argentina, and international Direct Connect[SM] campaigns, primarily in Mexico.

4. General and administrative expenses

Consolidated general and administrative expenses increased $28.1 million, or 20%, and $11.2 million, or 23%, from the nine and three months ended September 30, 2003 to the same periods in 2004, mostly as a result of the following:

- increases in taxes on operating revenues in Mexico and Argentina;
- increases in customer care expenses, largely due to increases in payroll and employee related expenses related to more customer care personnel required to support a larger customer base;
- increases in information technology expenses, primarily in Mexico, as a result of increased costs related to maintenance contracts and the implementation of new information technology projects; and
- slight increases in consolidated bad debt expense, primarily in Brazil and Argentina.

5. Depreciation and amortization

The $14.1 million, or 25%, increase in depreciation and amortization from the nine months ended September 30, 2003 to the same period in 2004 is primarily the result of increased depreciation on a higher consolidated property, plant and equipment base, partially offset by a decrease in amortization. This decrease

is the result of the reversal of certain valuation allowances for deferred tax assets created in connection with our application of fresh-start accounting, which was recorded as a reduction to the intangible assets that existed as of the date of our application of fresh-start accounting.

6. Interest expense

Consolidated interest expense decreased $10.4 million, or 21%, and $6.5 million, or 36%, from the nine and three months ended September 30, 2003 to the same periods in 2004, principally as a result of the following:

- the elimination of interest related to our 13.0% senior secured discount notes in connection with the retirement of substantially all of these notes during the first quarter of 2004; and

- the elimination of interest expense related to our international equipment facility and our Brazil equipment facility in connection with the extinguishment of these facilities.

These decreases were partially offset by interest incurred on our 3.5% convertible notes and our 2.875% convertible notes during the nine and three months ended September 30, 2004.

7. Interest income

Consolidated interest income increased $2.2 million, or 31%, and $1.8 million, or 99%, from the nine and three months ended September 30, 2003 to the same periods in 2004, primarily as a result of increases in consolidated cash balances.

8. (Loss) gain on early extinguishment of debt, net

The $79.3 million net loss on early extinguishment of debt for the nine months ended September 30, 2004 represents a loss we incurred in connection with the retirement of substantially all of our 13.0% senior secured discount notes through a cash tender offer in March 2004.

The $22.4 million net gain on early extinguishment of debt for the nine and three months ended September 30, 2003 represents a gain we recognized in connection with the extinguishment of our Brazil equipment facility in September 2003.

9. Foreign currency transaction gains (losses), net

Foreign currency transaction gains of $12.3 million for the nine months ended September 30, 2003 are largely a result of $22.2 million in foreign currency transaction gains recognized in Brazil caused by an increase in the value of the Brazilian real compared to the U.S. dollar on Nextel Brazil s U.S. dollar-denominated liabilities, primarily its Brazil equipment facility, which was extinguished in September 2003. These gains were partially offset by $11.0 million in foreign currency transaction losses in Mexico caused by a decline in the value of the Mexican peso compared to the U.S. dollar on Nextel Mexico s U.S. dollar-denominated liabilities, primarily its international equipment facility, which was subsequently extinguished in July 2004.

Foreign currency transaction losses of $2.4 million for the third quarter of 2003 primarily represent foreign currency transaction losses in Mexico caused by a decline in the value of the Mexican peso compared to the U.S. dollar on Nextel Mexico s U.S. dollar-denominated liabilities, primarily its international equipment facility, which was subsequently extinguished in July 2004.

As a result of the extinguishment of this facility, Nextel Mexico s exposure to foreign currency transaction losses was substantially reduced.

10. Other expense, net

Other expense, net, of $8.6 million for the nine months ended September 30, 2003 primarily consists of monetary corrections on certain tax and other contingencies in Brazil.

11. Income tax provision

The $19.6 million, or 44%, increase in the consolidated income tax provision from the nine months ended September 30, 2003 to the same period in 2004 is primarily due to higher taxes in Mexico as a result of greater profitability, partially offset by a $23.2 million current income tax benefit due to the reversal of a valuation allowance on post-reorganization deferred tax assets in the U.S.

The $23.2 million increase in the consolidated income tax provision from the three months ended September 30, 2003 to the same period in 2004 is primarily due to a $23.2 million current income tax benefit due to the reversal of a valuation allowance on post-reorganization deferred tax assets in the U.S.

Segment Results

We evaluate performance of our segments and provide resources to them based on operating income before depreciation and amortization, which we refer to as segment earnings. The tables below provide a summary of the components of our consolidated segments for the nine and three months ended September 30, 2004 and 2003. The results of Nextel Chile are included in Corporate and other. We allocate corporate overhead costs to some of our subsidiaries. The segment information below does not reflect any allocations of corporate overhead costs because the amounts of these expenses are not provided to or used by our chief operating decision maker in making operating decisions related to these segments.

Nine Months Ended September 30, 2004	Operating Revenues Restated	% of Consolidated Operating Revenues Restated	Cost of Revenues	% of Consolidated Cost of Revenues	Selling, General and Administrative Expenses Restated	% of Consolidated Selling, General and Administrative Expenses Restated	Segment Earnings (Losses) Restated
	(dollars in thousands)						
Nextel Mexico	$ 549,695	61%	$ 172,489	46%	$ 147,783	53%	$ 229,423
Nextel Brazil	144,057	16%	97,695	26%	37,993	14%	8,369
Nextel Argentina	131,640	15%	65,739	18%	34,924	12%	30,977
Nextel Peru	70,129	8%	35,783	10%	21,176	8%	13,170
Corporate and other	1,164		1,245		37,813	13%	(37,894)
Intercompany eliminations	(385)		(385)				
Total consolidated	$ 896,300	100%	$ 372,566	100%	$ 279,689	100%	

Three Months Ended September 30, 2004	Operating Revenues	% of Consolidated Operating Revenues	Cost of Revenues	% of Consolidated Cost of Revenues	Selling, General and Administrative Expenses	% of Consolidated Selling, General and Administrative Expenses	Segment Earnings (Losses)

	Restated	Restated			Restated	Restated	Restated
	(dollars in thousands)						
Nextel Mexico	$ 190,523	60%	$ 62,442	46%	$ 50,178	51%	$ 77,903
Nextel Brazil	52,256	17%	36,358	27%	15,730	16%	168
Nextel Argentina	48,186	15%	23,776	18%	13,317	13%	11,093
Nextel Peru	23,702	8%	11,524	9%	7,225	7%	4,953
Corporate and other	371		415		12,358	13%	(12,402)
Intercompany eliminations	(126)		(126)				
Total consolidated	$ 314,912	100%	$ 134,389	100%	$ 98,808	100%	

Nine Months Ended September 30, 2003	Operating Revenues	% of Consolidated Operating Revenues	Cost of Revenues	% of Consolidated Cost of Revenues	Selling, General and Administrative Expenses Restated	% of Consolidated Selling, General and Administrative Expenses Restated	Segment Earnings (Losses) Restated
	(dollars in thousands)						
Nextel Mexico	$ 417,214	62%	$ 135,075	52%	$ 119,138	52%	$ 163,001
Nextel Brazil	106,732	16%	57,936	22%	37,571	17%	11,225
Nextel Argentina	81,541	12%	33,476	13%	25,897	11%	22,168
Nextel Peru	69,285	10%	33,262	13%	19,471	9%	16,552
Corporate and other	1,174		1,805		25,446	11%	(26,077)
Intercompany eliminations	(372)		(372)				
Total consolidated	$ 675,574	100%	$ 261,182	100%	$ 227,523	100%	

Three Months Ended September 30, 2003	Operating Revenues	% of Consolidated Operating Revenues	Cost of Revenues	% of Consolidated Cost of Revenues	Selling, General and Administrative Expenses Restated	% of Consolidated Selling, General and Administrative Expenses Restated	Segment Earnings (Losses) Restated
	(dollars in thousands)						
Nextel Mexico	$152,604	62%	$ 54,105	53%	$45,325	56%	$53,174
Nextel Brazil	37,965	16%	22,416	22%	10,507	13%	5,042
Nextel Argentina	32,450	13%	14,229	14%	9,512	12%	8,709
Nextel Peru	22,909	9%	10,795	11%	6,099	8%	6,015
Corporate and other	407		614		8,947	11%	(9,154)
Intercompany eliminations	(105)		(105)				
Total consolidated	$246,230	100%	$102,054	100%	$80,390	100%	

A discussion of the results of operations in each of our reportable segments is provided below.

b. Nextel Mexico

	September 30, 2004	% of Nextel Mexico s Operating Revenues	September 30, 2003	% of Nextel Mexico s Operating Revenues	Change from Previous Year Dollars	Percent
	Restated	Restated	Restated	Restated	Restated	Restated
			(dollars in thousands)			
Nine Months Ended						
Operating revenues						
Service and other revenues	$ 533,075	97%	$ 403,745	97%	$ 129,330	32%
Digital handset and accessory revenues	16,620	3%	13,469	3%	3,151	23%
	549,695	100%	417,214	100%	132,481	32%
Cost of revenue						
Cost of service (exclusive of depreciation included below)	(97,652)	(18)%	(83,057)	(20)%	(14,595)	18%
Cost of digital handset and accessory sales	(74,837)	(13)%	(52,018)	(12)%	(22,819)	44%
	(172,489)	(31)%	(135,075)	(32)%	(37,414)	28%
Selling and marketing expenses	(71,646)	(13)%	(55,515)	(13)%	(16,131)	29%
General and administrative expenses	(76,137)	(14)%	(63,623)	(15)%	(12,514)	20%
Segment earnings	229,423	42%	163,001	40%	66,422	41%
Depreciation and amortization	(49,852)	(9)%	(49,177)	(12)%	(675)	1%
Operating income	179,571	33%	113,824	28%	65,747	58%
Interest expense	(13,344)	(2)%	(15,338)	(4)%	1,994	(13)%
Interest income	1,903		1,807		96	5%
Foreign currency transaction gains (losses), net	2,530		(10,996)	(3)%	13,526	(123)%
Other expense, net	(464)		(1,695)		1,231	(73)%
Income before income tax	$ 170,196	31%	$ 87,602	21%	$ 82,594	94%
Three Months Ended						
Operating revenues						

Service and other revenues	$	183,871	97%	$	147,850	97%	$	36,021	24%
Digital handset and accessory revenues		6,652	3%		4,754	3%		1,898	40%
		190,523	100%		152,604	100%		37,919	25%
Cost of revenues									
Cost of service (exclusive of depreciation included below)		(35,501)	(19)%		(36,287)	(24)%		786	(2)%
Cost of digital handset and accessory sales		(26,941)	(14)%		(17,818)	(11)%		(9,123)	51%
		(62,442)	(33)%		(54,105)	(35)%		(8,337)	15%
Selling and marketing expenses		(25,137)	(13)%		(20,172)	(13)%		(4,965)	25%
General and administrative expenses		(25,041)	(13)%		(25,153)	(17)%		112	
Segment earnings		77,903	41%		53,174	35%		24,729	47%
Depreciation and amortization		(15,918)	(8)%		(17,179)	(11)%		1,261	(7)%
Operating income		61,985	33%		35,995	24%		25,990	72%
Interest expense		(4,038)	(2)%		(7,120)	(5)%		3,082	(43)%
Interest income		688			490			198	40%
Foreign currency transaction losses, net		(822)			(4,148)	(2)%		3,326	(80)%
Other income (expense), net		352			(1,127)	(1)%		1,479	(131)%
Income before income tax	$	58,165	31%	$	24,090	16%	$	34,075	141%

In accordance with accounting principles generally accepted in the United States, we translated Nextel Mexico s results of operations using the average exchange rates for the nine and three months ended

September 30, 2004. The average exchange rate of the Mexican peso for the nine and three months ended September 30, 2004 decreased in value compared to the U.S. dollar by 6% and 8%, respectively, compared with the same periods of 2003. As a result, compared to Nextel Mexico s results of operations for the nine and three months ended September 30, 2003, the components of Nextel Mexico s results of operations for 2004 after translation into U.S. dollars reflect lower increases than would have occurred if it were not for the impact of the depreciation of the peso, taking into consideration our one-month lag financial reporting policy for our non-U.S. operating subsidiaries.

1. Operating revenues

The $129.3 million, or 32%, and $36.0 million, or 24%, increases in service and other revenues from the nine and three months ended September 30, 2003 to the nine and three months ended September 30, 2004 are primarily due to the following:

- 28% and 30% increases in the average number of digital handsets in service from the nine and three months ended September 30, 2003 to the same periods in 2004 resulting from Nextel Mexico s expansion of service coverage into new markets, mainly Tijuana and the border, as well as growth in existing markets; and

- $19.4 million and $7.1 million in revenues generated from Nextel Mexico s handset insurance program during the nine and three months ended September 30, 2004 due to a restructuring of this program, which resulted in the recognition of these revenues that were previously netted against costs during 2003, as well as growth in Nextel Mexico s customer base.

The $3.2 million, or 23%, and $1.9 million, or 40%, increases in digital handset and accessory sales from the nine and three months ended September 30, 2003 to the same periods in 2004 are primarily a result of 26% and 25% increases in handset sales, as well as increased activity in Nextel Mexico s handset upgrade program.

2. Cost of revenues

The $14.6 million, or 18%, increase in cost of service from the nine months ended September 30, 2003 to the nine months ended September 30, 2004 is principally due to the following:

- an increase in interconnect costs largely due to a 37% increase in total system minutes of use, partially offset by a decrease in variable interconnect cost per minute of use due to the renegotiation of interconnect rates with some of Nextel Mexico s traffic carriers;

- an increase in service and repair costs, largely due to Nextel Mexico s restructured handset insurance program, which resulted in the recognition of these costs that were netted against revenues during 2003 and increased claims under this program resulting from growth in Nextel Mexico s customer base; and

- an increase in direct switch and transmitter and receiver site costs resulting from a 13% increase in the number of transmitter and receiver sites in service from September 30, 2003 to September 30, 2004.

The $22.8 million, or 44%, and $9.1 million, or 51%, increases in cost of digital handset and accessory sales from the nine and three months ended September 30, 2003 to the same periods in 2004 are primarily due to 26% and 25% increases in handset sales, which included a higher proportion of more expensive models during 2004 compared to 2003, as well as increases in handset upgrades provided to current customers.

3. Selling and marketing expenses

The $16.1 million, or 29%, and $5.0 million, or 25%, increases in Nextel Mexico s selling and marketing costs from the nine and three months ended September 30, 2003 to the same periods in 2004 are primarily a result of the following:

- $9.7 million, or 59%, and $2.8 million, or 45%, increases in direct commissions and payroll expenses principally due to 64% and 46% increases in handset sales by Nextel Mexico s sales personnel;

- $3.1 million, or 14%, and $0.7 million, or 9%, increases in indirect commissions primarily due to 11% and 16% increases in handset sales by Nextel Mexico s outside dealers; and

$2.8 million, or 20%, and $1.4 million, or 25%, increases in advertising costs largely due to $2.0 million in advertising campaigns focused on promoting International Direct Connect[sm] in the third quarter of 2004, new advertising campaigns promoting the launch of the Morelia market during the first quarter of 2004 and an increase in Nextel s racing sponsorship activity during the third quarter of 2004.

4. General and administrative expenses

The $12.5 million, or 20%, increase in general and administrative costs from the nine months ended September 30, 2003 to the same period in 2004 is largely a result of the following:

$7.6 million, or 21%, increase in general corporate costs resulting mainly from $4.2 million increases in various operating revenue-based taxes and government mandated employee profit sharing programs, as well as $1.7 million increases in payroll costs caused by a 13% increase in corporate personnel;

$4.0 million, or 24%, increase in customer care expenses, primarily due to increases in payroll and employee related expenses caused by increases in customer care and collections personnel necessary to support a larger customer base; and

$2.6 million, or 42%, increase in information technology expenses resulting from increased contractual labor caused by the implementation of new information technology projects in Mexico, as well as increased expenses related to hardware maintenance.

These increases were partially offset by $1.8 million, or 52%, decrease in bad debt expense, which also decreased as a percentage of revenue from 0.8% for the nine months ended September 30, 2003 to 0.3% for the nine months ended September 30, 2004, mostly as a result of improved collections and stricter credit screening procedures.

5. Depreciation and amortization

The $1.3 million, or 7%, decrease in depreciation and amortization from three months ended September 30, 2003 to the same period in 2004 is primarily due to reduced amortization resulting from a significant decrease in Nextel Mexico s gross intangible assets from September 30, 2003 to September 30, 2004. This decrease is the result of the reversal of certain valuation allowances for deferred tax assets created in connection with our application of fresh-start accounting, which we recorded as a reduction to the intangible assets that existed as of the date of our application of fresh-start accounting.

6. Interest expense

The $2.0 million, or 13%, and $3.1 million, or 43%, decreases in interest expense from the nine and three months ended September 30, 2003 to the same periods in 2004 are largely a result of a decrease in interest related to Nextel Mexico s portion of the international equipment facility as a result of the incremental pay-downs of this facility during the third quarter of 2003 and the first quarter of 2004. The remaining amount outstanding under this facility was extinguished in July 2004.

7. Foreign currency transaction gains (losses), net

Foreign currency transaction losses of $11.0 million and $4.1 million for the nine and three months ended September 30, 2003 are mostly due to the relative weakening of the peso compared to the U.S. dollar on Nextel Mexico s U.S. dollar-denominated liabilities.

c. Nextel Brazil

	September 30, 2004 Restated	% of Nextel Brazil s Operating Revenues Restated	September 30, 2003 Restated	% of Brazil s Operating Revenues Restated	Change from Previous Year Dollars Restated	Percent Restated
			(dollars in thousands)			
Nine Months Ended						
Operating revenues						
Service and other revenues	$ 130,553	91%	$ 99,015	93%	$ 31,538	32%
Digital handset and accessory sales revenues	13,504	9%	7,717	7%	5,787	75%
	144,057	100%	106,732	100%	37,325	35%
Cost of revenues						
Cost of service (exclusive of depreciation included below)	(61,025)	(42)%	(39,061)	(36)%	(21,964)	56%
Cost of digital handset and accessory sales	(36,670)	(26)%	(18,875)	(18)%	(17,795)	94%
	(97,695)	(68)%	(57,936)	(54)%	(39,759)	69%
Selling and marketing expenses	(20,312)	(14)%	(15,196)	(14)%	(5,116)	34%
General and administrative expenses	(17,681)	(12)%	(22,375)	(21)%	4,694	(21)%
Segment earnings	8,369	6%	11,225	11%	(2,856)	(25)%
Depreciation and amortization	(8,610)	(6)%	(2,665)	(3)%	(5,945)	223%
Operating (loss) income	(241)		8,560	8%	(8,801)	(103)%
Interest expense	(8,374)	(6)%	(8,208)	(8)%	(166)	2%
Interest income	2,729	2%	3,498	3%	(769)	(22)%
Foreign currency transaction (losses) gains, net	(64)		22,199	21%	(22,263)	(100)%
Gain on extinguishment of debt			22,739	21%	(22,739)	(100)%
Other income (expense), net	174		(3,473)	(3)%	3,647	(105)%
(Loss) income before income tax	$ (5,776)	(4)%	$ 45,315	42%	$ (51,091)	(113)%
Three Months Ended						

Operating revenues								
Service and other revenues	$	46,714	89%	$	35,387	93%	$ 11,327	32%
Digital handset and accessory sales revenues		5,542	11%		2,578	7%	2,964	115%
		52,256	100%		37,965	100%	14,291	38%
Cost of revenues								
Cost of service (exclusive of depreciation included below)		(23,132)	(44)%		(14,495)	(38)%	(8,637)	60%
Cost of digital handset and accessory sales		(13,226)	(26)%		(7,921)	(21)%	(5,305)	67%
		(36,358)	(70)%		(22,416)	(59)%	(13,942)	62%
Selling and marketing expenses		(7,164)	(14)%		(6,049)	(16)%	(1,115)	18%
General and administrative expenses		(8,566)	(16)%		(4,458)	(12)%	(4,108)	92%
Segment earnings		168			5,042	13%	(4,874)	(97)%
Depreciation and amortization		(3,340)	(6)%		(1,299)	(3)%	(2,041)	157%
Operating (loss) income		(3,172)	(6)%		3,743	10%	(6,915)	(185)%
Interest expense		(3,424)	(7)%		(2,520)	(7)%	(904)	36%
Interest income		925	2%		1,346	4%	(421)	(31)%
Foreign currency transaction gains, net		424	1%		304	1%	120	39%
Gain on extinguishment of debt					22,739	60%	(22,739)	(100)%
Other expense, net		(1,701)	(3)%		(534)	(2)%	(1,167)	219%
(Loss) income before income tax	$	(6,948)	(13)%	$	25,078	66%	$ (32,026)	(128)%

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In accordance with accounting principles generally accepted in the United States, we translated Nextel Brazil s results of operations using the average exchange rates for the nine and three months ended September 30, 2004 and 2003. The average exchange rate for the nine months ended September 30, 2004 appreciated against the U.S. dollar by 8%, and the average exchange rate for the third quarter of 2004 depreciated against the U.S. dollar by 5%. As a result, after translation into U.S. dollars, most of Nextel Brazil s revenues and expenses for the nine and three months ended September 30, 2004 reflect increases or decreases, respectively, compared to the same periods in 2003, taking into consideration our one-month lag financial reporting policy for our non-U.S. operating subsidiaries.

1. Operating revenues

Nextel Brazil s service and other revenues increased $31.5 million, or 32%, and $11.3 million, or 32%, from the nine and three months ended September 30, 2003 to the same periods in 2004 primarily as a result of the following:

- increases in average revenues per handset, largely as a result of higher access revenues and an increase in revenues generated from calling-party-pays agreements;
- 7% and 16% increases in the average number of digital handsets in service, resulting from growth in Nextel Brazil s existing markets;
- increases in revenues related to Nextel Brazil s handset maintenance program launched in July 2003; and
- increases in revenues earned by Nextel Brazil related to the co-location of third party tenants on its communication towers.

Nextel Brazil s digital handset and accessory sales increased $5.8 million, or 75%, and $3.0 million, or 115%, from the nine and three months ended September 30, 2003 to the same periods in 2004 due to a 44% increase in handset sales for both periods, as well as increases in handset upgrades provided to existing customers and a change in the mix of handsets sold and leased, which included a higher proportion of expensive models during 2004 compared to 2003 when more refurbished handsets were sold.

2. Cost of revenues

Nextel Brazil s cost of service increased $22.0 million, or 56%, and $8.6 million, or 60%, from the nine and three months ended September 30, 2003 to the same periods in 2004 primarily as a result of the following:

- increases in interconnect costs, primarily caused by 38% and 43% increases in total system minutes of use, as well as increases in variable interconnect costs per minute of use as a result of an increase in traffic terminated to other mobile carriers with higher costs per minute;
- increases in direct switch and transmitter and receiver site costs resulting from a 13% increase in the number of transmitter and receiver sites in service from September 30, 2003 to September 30, 2004; and
- increases in service and repair costs due to an increase in activity associated with Nextel Brazil s handset maintenance program.

Nextel Brazil s cost of digital handset and accessory sales increased $17.8 million, or 94%, and $5.3 million, or 67%, from the nine and three months ended September 30, 2003 to the same periods in 2004, mostly due to a 44% increase in handset sales for both periods, increases in handset upgrades provided to existing customers and a change in the mix of handsets sold and leased, which included a higher proportion of expensive models during 2004 compared to 2003 when more refurbished handsets were sold.

3. Selling and marketing expenses

Nextel Brazil s selling and marketing expenses increased $5.1 million, or 34%, and $1.1 million, or 18%, from the nine and three months ended September 30, 2003 to the same periods in 2004 primarily as a result of the following:

increases in payroll and direct commissions resulting from 61% and 63% increases in handset sales by Nextel Brazil s salesforce and an increase in sales personnel;

increases in indirect commissions resulting from 27% and 25% increases in handset sales by indirect dealers, as well as increases in indirect commissions per gross add; and

increases in advertising expenses due to more advertising campaigns in 2004 compared to 2003 related to brandname awareness initiatives.

4. General and administrative expenses

Nextel Brazil s general and administrative expenses decreased $4.7 million, or 21%, from the nine months ended September 30, 2003 to the same period in 2004 primarily as a result of $9.2 million in tax and other contingency liability reversals during the nine months ended September 30, 2004. This decrease was partially offset by the following:

a $1.5 million increase in bad debt expense as a result of the collection of a significant amount of old accounts during 2003;

an increase in customer care expenses resulting from an increase in payroll and related expenses due to increased customer care personnel necessary to support a larger customer base; and

an increase in information technology expenses as a result of increased maintenance expense.

Nextel Brazil s general and administrative expenses increased $4.1 million, or 92%, from the third quarter of 2003 to the same period in 2004 primarily as a result of the following:

an increase in general corporate costs resulting from $3.2 million in certain tax and other contingency liability reversals during the third quarter of 2003;

an increase in information technology expenses as a result of increased maintenance expense; and

an increase in bad debt expense.

5. Depreciation and amortization

In connection with the application of fresh-start accounting principles on October 31, 2002, Nextel Brazil recorded $27.8 million in fixed asset write-downs, which substantially reduced the cost bases of Nextel Brazil s fixed assets and resulted in less depreciation during the third quarter of 2003. Nextel Brazil spent $58.9 million on capital expenditures, which resulted in a significant increase in gross property, plant and equipment from September 30, 2003 to September 30, 2004. The $5.9 million and $2.0 million increases in depreciation and amortization from the nine and three months ended September 30, 2003 to the same periods in 2004 are primarily due to depreciation on this higher property, plant and equipment base, partially offset by a decrease in amortization. This decrease is the result of the reversal of certain valuation allowances for deferred tax assets created in connection with our application of fresh-start accounting, which was recorded as a reduction to the intangible assets that existed as of the date of our application of fresh-start accounting.

6. Foreign currency transaction (losses) gains, net

Net foreign currency transaction gains of $22.2 million for the nine months ended September 30, 2003 are principally a result of the strengthening of the Brazilian real relative to the U.S. dollar on Nextel Brazil s U.S. dollar-denominated liabilities during those periods, primarily its Brazil equipment facility, which was extinguished in the third quarter of 2003. As a result of this U.S. dollar debt extinguishment, Nextel Brazil s exposure to foreign currency transaction losses was significantly reduced.

7. Other income (expense), net

Other expense, net, of $3.5 million for the nine months ended September 30, 2003 mostly represents monetary corrections on certain tax and non-tax related contingencies.

The $1.2 million increase in other expense, net, from the third quarter of 2003 to the same period in 2004 is largely due to an increase in taxes on transfers of certain assets.

d. Nextel Argentina

	September 30, 2004	% of Nextel Argentina s Operating Revenues	September 30, 2003	% of Nextel Argentina s Operating Revenues	Change from Previous Year Percent	Change from Previous Year Dollars
	Restated	**Restated**	**Restated**	**Restated**	**Restated**	**Restated**
			(dollars in thousands)			
Nine Months Ended						
Operating revenues						
Service and other revenues	$ 119,833	91%	$ 73,278	90%	$ 46,555	64%
Digital handset and accessory sales revenues	11,807	9%	8,263	10%	3,544	43%
	131,640	100%	81,541	100%	50,099	61%
Cost of revenues						
Cost of service (exclusive of depreciation included below)	(44,043)	(33)%	(22,118)	(27)%	(21,925)	99%
Cost of digital handset and accessory sales	(21,696)	(17)%	(11,358)	(14)%	(10,338)	91%
	(65,739)	(50)%	(33,476)	(41)%	(32,263)	96%
Selling and marketing expenses	(10,469)	(8)%	(7,674)	(10)%	(2,795)	36%
General and administrative expenses	(24,455)	(18)%	(18,223)	(22)%	(6,232)	34%
Segment earnings	30,977	24%	22,168	27%	8,809	40%
Depreciation and amortization	(7,398)	(6)%	(2,175)	(2)%	(5,223)	240%
Operating income	23,579	18%	19,993	25%	3,586	18%
Interest expense	(41)		(59)		18	(31)%
Interest income	298		411		(113)	(27)%
Foreign currency transaction (losses) gains,	(854)		907	1%	(1,761)	(194)%

net								
Other income, net		254			8,268	10%		(8,014)	(97)%
Income before income tax	$	23,236	18%	$	29,520	36%	$	(6,284)	(21)%

	September 30, 2004 Restated	% of Nextel Argentina s Operating Revenues Restated	September 30, 2003 Restated	% of Nextel Argentina s Operating Revenues Restated	Change from Previous Year Percent Restated	Change from Previous Year Dollars Restated
			(dollars in thousands)			
Three Months Ended						
Operating revenues						
Service and other revenues	$ 43,939	91%	$ 29,089	90%	$ 14,850	51%
Digital handset and accessory sales revenues	4,247	9%	3,361	10%	886	26%
	48,186	100%	32,450	100%	15,736	48%
Cost of revenues						
Cost of service (exclusive of depreciation included below)	(16,492)	(34)%	(10,150)	(31)%	(6,342)	62%
Cost of digital handset and accessory sales	(7,284)	(15)%	(4,079)	(13)%	(3,205)	79%
	(23,776)	(49)%	(14,229)	(44)%	(9,547)	67%
Selling and marketing expenses	(3,902)	(8)%	(2,974)	(9)%	(928)	31%
General and administrative expenses	(9,415)	(20)%	(6,538)	(20)%	(2,877)	44%
Segment earnings	11,093	23%	8,709	27%	2,384	27%
Depreciation and amortization	(2,363)	(5)%	(1,166)	(4)%	(1,197)	103%
Operating income	8,730	18%	7,543	23%	1,187	16%
Interest expense	(1)		(13)		12	(92)%
Interest income	86		85		1	1%
Foreign currency transaction (losses) gains, net	(367)	(1)%	1,417	5%	(1,784)	(126)%
Other expense, net	(103)		(12)		(91)	*NM*
Income before income tax	$ 8,345	17%	$ 9,020	28%	$ (675)	(7)%

NM-Not Meaningful

In accordance with accounting principles generally accepted in the United States, we translated Nextel Argentina s results of operations using the average exchange rates for the nine and three months ended September 30, 2004 and 2003. The average exchange rate of the Argentine peso for the nine months ended September 30, 2004 appreciated against the U.S. dollar by 3% from the same period in 2003, and the average exchange rate of the Argentine peso for the third quarter of 2004 depreciated against the U.S. dollar by 5% from the same period in 2003. As a result, the components of Nextel Argentina s results of operations for the nine and three months ended September 30, 2004 after translation into U.S. dollars reflect slight increases or decreases, respectively, compared to its results of operations for the same periods in 2003, taking into consideration our one-month lag financial reporting policy for our non-U.S. operating subsidiaries.

1. Operating revenues

Nextel Argentina s service and other revenues increased $46.6 million, or 64%, and $14.9 million, or 51%, from the nine and three months ended September 30, 2003 to the same periods in 2004 primarily as a result of the following:

34% and 35% increases in the average number of digital handsets in service, resulting from growth in Nextel Argentina s existing markets;

increases in average revenues per handset, largely due to the implementation of a termination fee between mobile carriers during the second quarter of 2003 as well as higher access revenues; and

increases in revenues related to Nextel Argentina s handset maintenance program.

Nextel Argentina s digital handset and accessory sales increased $3.5 million, or 43%, and $0.9 million, or 26%, from the nine and three months ended September 30, 2003 to the same periods in 2004 due to 38% and 44% increases in handset sales and leases.

2. Cost of revenues

Nextel Argentina s cost of service increased $21.9 million, or 99%, and $6.3 million, or 62%, from the nine and three months ended September 30, 2003 to the same periods in 2004 primarily as a result of the following:

increases in interconnect costs, primarily caused by 46% and 54% increases in total system minutes of use, as well as significant increases in variable interconnect costs per minute of use resulting from the implementation of a termination fee between mobile carriers during the second quarter of 2003;

increases in service and repair costs due to an increase in activity associated with Nextel Argentina s handset maintenance program; and

increases in direct switch and transmitter and receiver site costs due to an 8% increase in the number of transmitter and receiver sites in service from September 30, 2003 to September 30, 2004.

Nextel Argentina s cost of digital handset and accessory sales increased $10.3 million, or 91%, and $3.2 million, or 79%, from the nine and three months ended September 30, 2003 to the same periods in 2004, mostly due to 38% and 44% increases in handset sales, which included a higher proportion of more expensive models during 2004 compared to 2003, as well as increases in handset upgrades provided to existing customers.

3. Selling and marketing expenses

Nextel Argentina s selling and marketing expenses increased $2.8 million, or 36%, and $0.9 million, or 31%, from the nine and three months ended September 30, 2003 to the same periods in 2004 primarily as a result of the following:

increases in indirect commissions resulting from 39% and 45% increases in handset sales by indirect dealers;

increases in payroll and direct commissions resulting from 38% and 43% increases in handset sales by Nextel Argentina s salesforce; and

increases in advertising expenses largely as a result of more advertising campaigns focused on promoting International Direct Connect[SM].

4. General and administrative expenses

Nextel Argentina s general and administrative expenses increased $6.2 million, or 34%, and $2.9 million, or 44%, from the nine and three months ended September 30, 2003 to the same periods in 2004 primarily as a result of the following:

increases in general corporate costs, principally as a result of increases in operating taxes on gross revenues in Argentina; and

increases in customer care expenses, primarily due to increases in payroll and related expenses caused by 23% and 19% increases in customer care personnel necessary to support a larger customer base.

These increases were partially offset by decreases in bad debt expense resulting from improved collection procedures in 2004 compared to 2003. Bad debt expense also decreased as a percentage of revenues from 1.6% for the nine months ended September 30, 2003 to less than 1% for the nine months ended September 30, 2004. Bad debt expense as a percentage of revenues remained relatively flat from the third quarter of 2003 to the third quarter of 2004.

5. Depreciation and amortization

The $5.2 million, or 240%, and $1.2 million, or 103%, increases in depreciation and amortization from the nine and three months ended September 30, 2003 to the same periods in 2004 are principally due to increased depreciation resulting from a significant increase in Nextel Argentina s gross property, plant and equipment, principally due to the build-out of more transmitter and receiver sites in the existing coverage area in Argentina.

6. Foreign currency transaction (losses) gains, net

Net foreign currency transaction losses of $0.9 million and $0.4 million for the nine and three months ended September 30, 2004 are primarily due to the weakening of the Argentine peso relative to the U.S. dollar on Nextel Argentina s U.S. dollar-based net liabilities during those periods.

Net foreign currency transaction gains of $0.9 million and $1.4 million for the nine and three months ended September 30, 2003 are primarily due to the increase in the average value of the Argentine peso on Nextel Argentina s U.S. dollar-denominated net liabilities during those periods.

7. Other income, net

In connection with our emergence from Chapter 11 reorganization in 2002, one of our corporate entities repurchased Nextel Argentina s credit facilities from its creditors. While this corporate entity contributed the principal balance to Nextel Argentina as a capital investment, it forgave the accrued interest during the first quarter of 2003. Other income, net, of $8.3 million for the nine months ended September 30, 2003 primarily represents the gain associated with the forgiveness of this accrued interest.

e. Nextel Peru

	September 30, 2004 Restated	% of Nextel Peru s Operating Revenues Restated	September 30, 2003 Restated	% of Nextel Peru s Operating Revenues Restated	Change from Previous Year Dollars Restated	Change from Previous Year Percent Restated
			(dollars in thousands)			
Nine Months Ended						
Operating revenues						
Service and other revenues	$ 68,358	97%	$ 67,588	98%	$ 770	1%
Digital handset and accessory revenues	1,771	3%	1,697	2%	74	4%
	70,129	100%	69,285	100%	844	1%
Cost of revenues						
Cost of service (exclusive of depreciation included below)	(25,789)	(37)%	(24,885)	(36)%	(904)	4%
Cost of digital handset and accessory sales	(9,994)	(14)%	(8,377)	(12)%	(1,617)	19%
	(35,783)	(51)%	(33,262)	(48)%	(2,521)	8%
Selling and marketing expenses	(8,288)	(12)%	(8,218)	(12)%	(70)	1%
	(12,888)	(18)%	(11,253)	(16)%	(1,635)	15%

General and administrative expenses						
Segment earnings	13,170	19%	16,552	24%	(3,382)	(20)%
Depreciation and amortization	(3,936)	(6)%	(2,154)	(3)%	(1,782)	83%
Operating income	9,234	13%	14,398	21%	(5,164)	(36)%
Interest expense	(147)		(1,895)	(3)%	1,748	(92)%
Interest income	1,956	3%			1,956	100%
Foreign currency transaction gains, net	223		159		64	40%
Other expense, net	(11)		(951)	(1)%	940	(99)%
Income before income tax	$ 11,255	16%	$ 11,711	17%	$ (456)	(4)%

	September 30, 2004	% of Nextel Peru s Operating Revenues	September 30, 2003	% of Nextel Peru s Operating Revenues	Change from Previous Year Dollars	Change from Previous Year Percent
	Restated	Restated	Restated	Restated	Restated	Restated
			(dollars in thousands)			
Three Months Ended						
Operating revenues						
Service and other revenues	$ 23,014	97%	$ 22,369	98%	$ 645	3%
Digital handset and accessory revenues	688	3%	540	2%	148	27%
	23,702	100%	22,909	100%	793	3%
Cost of revenues						
Cost of service (exclusive of depreciation included below)	(8,312)	(35)%	(8,296)	(36)%	(16)	
Cost of digital handset and accessory sales	(3,212)	(14)%	(2,499)	(11)%	(713)	29%
	(11,524)	(49)%	(10,795)	(47)%	(729)	7%
Selling and marketing expenses	(2,766)	(11)%	(2,381)	(11)%	(385)	16%
General and administrative expenses	(4,459)	(19)%	(3,718)	(16)%	(741)	20%
Segment earnings	4,953	21%	6,015	26%	(1,062)	(18)%
Depreciation and amortization	(1,510)	(6)%	(709)	(3)%	(801)	113%
Operating income	3,443	15%	5,306	23%	(1,863)	(35)%
Interest expense	(36)		(874)	(4)%	838	(96)%
Interest income	1,119	4%	(511)	(2)%	1,630	(319)%
Foreign currency transaction gains, net	212	1%	70		142	203%
Other expense, net	(8)		(84)		76	(92)%
Income before income tax	$ 4,730	20%	$ 3,907	17%	$ 823	21%

Because the U.S. dollar is the functional currency in Peru, Nextel Peru s results of operations are not significantly impacted by the changes in the U.S. dollar to Peruvian sol exchange rate.

1. Operating revenues

The $0.8 million, or 1%, and $0.6 million, or 3%, increases in service and other revenues from the nine and three months ended September 30, 2003 to the same period in 2004 is primarily a result of 16% and 18% increases in the average number of digital handsets in service, partially offset by 13% and 14% decreases in average revenue per handset resulting from the implementation of a new rate plan with lower access charges in response to an increase in competition in the corporate market.

The $0.1 million, or 27%, increase in digital handset and accessory revenues from the three months ended September 30, 2003 to the three months ended September 30, 2004 is primarily the result of a 44% increase in handset sales, partially offset by Nextel Peru s implementation of new operating lease programs for handsets as of the beginning of 2004, which resulted in the reduction of revenues from digital handset sales.

2. Cost of revenues

The $0.9 million, or 4%, increase in cost of service from the nine months ended September 30, 2003 to the same period in 2004 is primarily due to a $0.6 million, or 17%, increase in service and repair costs resulting from a higher customer base utilizing Nextel Peru s handset rental program, as well as a $0.4 million, or 5%, increase in site and switch costs, largely resulting from a 7% increase in the number of transmitter and receiver sites on-air from September 30, 2003 to September 30, 2004 and a 14% increase in total system minutes of use.

The $1.6 million, or 19%, and $0.7 million, or 29%, increases in cost of digital handset and accessories from the nine and three months ended September 30, 2003 to the same periods in 2004 are primarily the result of 29% and 44% increases in handset sales.

3. General and administrative expenses

The $1.6 million, or 15%, and $0.7 million, or 20%, increases in general and administrative expenses from the nine and three months ended September 30, 2003 to the same periods in 2004 are principally a result of the following:

$0.7 million, or 17%, and $0.3 million, or 22%, increases in customer care expenses, primarily due to increases in payroll and related expenses caused by 23% and 19% increases in customer care personnel necessary to support a larger customer base; and

$0.7 million, or 20%, and $0.4 million, or 31%, increases in general corporate expenses.

4. Depreciation and amortization

The $1.8 million, or 83%, and $0.8 million, or 113%, increases in depreciation and amortization from the nine and three months ended September 30, 2003 to the same periods in 2004 are primarily due to increased depreciation resulting from a 72% increase in Nextel Peru s gross property, plant and equipment, principally due to the build-out of new service areas in Peru.

5. Interest expense

The $1.7 million, or 92%, and $0.8 million, or 96%, decreases in interest expense from the nine and three months ended September 30, 2003 to the same periods in 2004 are primarily due to the elimination of interest on Nextel Peru s portion of the international equipment facility which it paid-down during the third quarter of 2003.

f. Corporate and other

	September 30, 2004 Restated	% of Corporate and other Operating Revenues Restated	September 30, 2003 Restated	% of Corporate and Operating Revenues Restated	Change from Previous Year Dollars Restated	Change from Previous Year Percent Restated
	(dollars in thousands)					
Nine Months Ended						
Operating revenues						
Service and other revenues	$ 1,164	100%	$ 1,173	100%	$ (9)	(1)%
Digital handset and accessory sales revenues			1		(1)	*NM*
	1,164	100%	1,174	100%	(10)	(1)%
Cost of revenues						
Cost of service (exclusive of depreciation included below)	(1,245)	(107)%	(1,085)	(92)%	(160)	15%
Cost of digital handset and accessory sales			(720)	(62)%	720	(100)%
	(1,245)	(107)%	(1,805)	(154)%	560	(31)%
Selling and marketing expenses	(3,172)	(273)%	(3,211)	(274)%	39	(3)%
General and administrative expenses	(34,641)	*NM*	(22,235)	*NM*	(12,406)	56%

Segment losses	(37,894)	*NM*	(26,077)	*NM*	(11,817)	45%
Depreciation and amortization	(769)	(66)%	(404)	(34)%	(365)	91%
Operating loss	(38,663)	*NM*	(26,481)	*NM*	(12,182)	46%
Interest expense	(16,966)	*NM*	(28,800)	*NM*	11,834	(41)%
Interest income	2,385	205%	6,433	548%	(4,048)	(63)%
Loss on early extinguishment of debt, net	(79,327)	*NM*	(335)	(29)%	(78,992)	*NM*
Foreign currency transaction losses, net	(6)	(1)%	(13)	(1)%	7	(54)%
Other expense, net	(415)	(36)%	(7,261)	(618)%	6,846	(94)%
Loss before income tax	$(132,992)	*NM*	$(56,457)	*NM*	$(76,535)	*NM*

	September 30, 2004	% of Corporate and other Operating Revenues	September 30, 2003	% of Corporate and Operating Revenues	Change from Previous Year	
					Dollars	Percent
	Restated	Restated	Restated	Restated	Restated	Restated
			(dollars in thousands)			
Three Months Ended						
Operating revenues						
Service and other revenues	$ 371	100%	$ 406	100%	$ (35)	(9)%
Digital handset and accessory sales revenues			1		(1)	*NM*
	371	100%	407	100%	(36)	(9)%
Cost of revenues						
Cost of service (exclusive of depreciation included below)	(415)	(112)%	(368)	(90)%	(47)	13%
Cost of digital handset and accessory sales			(246)	(61)%	246	(100)%
	(415)	(112)%	(614)	(151)%	199	(32)%
Selling and marketing expenses	(1,016)	(274)%	(1,146)	(282)%	130	(11)%
General and administrative expenses	(11,342)	*NM*	(7,801)	*NM*	(3,541)	45%
Segment losses	(12,402)	*NM*	(9,154)	*NM*	(3,248)	35%
Depreciation and amortization	(290)	(78)%	(168)	(41)%	(122)	73%
Operating loss	(12,692)	*NM*	(9,322)	*NM*	(3,370)	36%
Interest expense	(4,267)	*NM*	(12,342)	*NM*	8,075	(65)%
Interest income	826	223%	5,003	*NM*	(4,177)	(83)%
Loss on early extinguishment of debt, net			(335)	(82)%	335	(100)%
Foreign currency transaction gains (losses), net	2	1%	(1)		3	*NM*
Other (expense) income, net	(194)	(52)%	200	49%	(394)	(198)%
Loss before income tax	$ (16,325)	*NM*	$ (16,797)	*NM*	$ 472	(3)%

NM-Not Meaningful

Corporate and other operating revenues and cost of revenues primarily represent the results of analog operations reported by Nextel Chile.

1. General and administrative expenses

The $12.4 million, or 56%, and $3.6 million, or 45%, increases in general and administrative expenses from the nine and three months ended September 30, 2003 to the nine and three months ended September 30, 2004 are due to stock compensation expense of $2.3 million and $1.4 million recognized during the nine and three months ended September 30, 2004, as well as increases in business development costs, total headcount, professional fees and other general and administrative expenses.

2. Interest expense

The $11.8 million, or 41%, and $8.1 million, or 65%, decreases in interest expense from the nine and three months ended September 30, 2003 to the nine and three months ended September 30, 2004 are primarily the result of the elimination of interest related to our 13.0% senior secured discount notes in connection with the retirement of substantially all of these notes during the first quarter of 2004 and a decrease in interest expense related to our international equipment facility and our Brazil equipment facility in connection with the extinguishment of these facilities. These decreases were partially offset by interest incurred on our new 3.5% convertible notes and 2.875% convertible notes in the first nine months of 2004.

3. Interest income

The $4.0 million, or 63%, and $4.2 million, or 83%, decreases in interest income from the nine and three months ended September 30, 2003 to the nine and three months ended September 30, 2004 are primarily the result of a decrease in the average cash balances at the corporate level.

4. Loss on early extinguishment of debt, net

The $79.3 million net loss on early extinguishment of debt for the nine months ended September 30, 2004 represents a loss we incurred in connection with the retirement of substantially all of our 13.0% senior secured discount notes through a cash tender offer in March 2004.

5. Other expense, net

Other expense, net, of $7.3 million for the nine months ended September 30, 2003 primarily represents the loss related to the accrued interest that we forgave on Nextel Argentina s credit facilities in connection with the repurchase of these facilities by one of our corporate entities.

Liquidity and Capital Resources

We had a working capital surplus of $335.7 million as of September 30, 2004 and $393.6 million as of December 31, 2003. The decrease in our working capital is largely the result of net repayments of our senior secured discount notes and long-term credit facilities.

We recognized net income of $1.8 million and $69.9 million for the nine months ended September 30, 2004 and 2003, respectively, and we recognized net income of $27.7 million and $48.4 million for the three months ended September 30, 2004 and 2003, respectively. Prior to 2003, our operating expenses and capital expenditures associated with developing, enhancing and operating our digital mobile networks more than offset our operating revenues. During 2003 and the first three quarters of 2004, our operating revenues more than offset our operating expenses, excluding depreciation and amortization, and cash capital expenditures. While we expect this trend to continue, if business conditions, timing of capital expenditures or expansion plans change, we may not be able to maintain this trend. See Future Capital Needs and Resources for a discussion of our future outlook and anticipated sources and uses of funds for the remainder of 2004.

Cash Flows. Our operating activities provided us with $124.2 million of net cash during the nine months ended September 30, 2004 and $181.2 million of net cash during the nine months ended September 30, 2003. The $57.0 million decrease in generation of cash is primarily due to increases in prepaid expenses, accounts receivable and inventory during 2004 and $25.0 million of cash received from Nextel Communications during the nine months ended September 30, 2003 related to our spectrum sharing agreement in Mexico.

We used $196.4 million of net cash in our investing activities during the nine months ended September 30, 2004 compared to $195.5 million during the nine months ended September 30, 2003. The $0.9 million decrease in cash used in our investing activities is mainly due to $39.8 million in purchases of licenses during the nine months ended September 30, 2003 and a $3.9 million decrease in cash used for capital expenditures, partially offset by $41.8 million in purchases of short-term investments during the nine months ended September 30, 2004.

We used $39.1 million of net cash in our financing activities during the nine months ended September 30, 2004, primarily due to the following:

- $211.2 million in cash we used to retire substantially all of our 13.0% senior secured discount notes in connection with our tender offer;
- $125.0 million in cash we used to repay our international equipment facility with Motorola;
- $8.5 million in cash we used to pay debt financing costs in connection with the issuance of our 2.875% convertible notes; and
- $5.9 million in transfers to restricted cash,

partially offset by:

- $300.0 million in gross proceeds that we raised in connection with the issuance of our 2.875% convertible notes; and

- $11.6 million in gross proceeds we received in connection with tower sale-leaseback financing transactions.

During the nine months ended September 30, 2003, our financing activities provided us with $192.1 million of net cash primarily due to the following:

- $180.0 million in gross proceeds that we received from the issuance of our 3.5% convertible notes;

- $113.1 million in net proceeds that we received from the sale of common stock; and

- $88.7 million in gross proceeds that we received from our tower sale-leaseback financing transactions that closed during the first nine months of 2003,

partially offset by:

- $186.0 million in cash we used to repay our Brazil equipment facility and a portion of our international equipment facility with Motorola; and

- $5.2 million we used to pay debt financing costs in connection with the issuance of our 3.5% convertible notes.

Future Capital Needs and Resources

Capital Resources. Our ongoing capital resources depend on a variety of factors, including our existing cash and short-term investments, cash flows generated by our operating companies and external financial sources that may be available. As of September 30, 2004, our capital resources included $336.5 million of cash, cash equivalents and short-term investments. Our ability to generate sufficient operating cash flows by our operating companies is dependent upon, among other things:

- the amount of revenue we are able to generate and collect from our customers;

- 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 customers;

- our ability to continue to grow our customer base; and

- fluctuations in foreign exchange rates.

While we plan to fund our operations using existing cash and short-term investments balances and internally generated cash flows for the foreseeable future, we may access the capital markets if we are able to meet our objectives of lowering our cost of capital, improving our financial flexibility and/or reducing our foreign currency exposure, or if we should decide to expand our operations. Consistent with these objectives, during the first quarter of 2004, we issued $300.0 million aggregate principal amount of 2.875% convertible notes due 2034 for net proceeds of $291.6 million. The notes bear interest at a rate of 2.875% per year, payable semi-annually in arrears and in cash on February 1 and August 1 of each year, beginning August 1, 2004. The notes will mature on February 1, 2034, unless earlier converted or redeemed by the holders or repurchased by us.

In February 2004, we prepaid, at face value, $72.5 million of the $125.0 million in outstanding principal under our international equipment facility. In addition, in March 2004, NII Holdings (Cayman), Ltd., one of our wholly-owned subsidiaries, used $211.2 million to complete a cash tender offer to purchase substantially all of its 13.0% senior secured discount notes due 2009. NII Holdings (Cayman), Ltd. financed the tender offer with intercompany loans from NII Holdings and cash on hand. We used a portion of our proceeds from

the issuance of our 2.875% convertible notes to fund these intercompany loans to NII Holdings (Cayman), Ltd.

In July 2004, we repaid the remaining $52.6 million in principal and related accrued interest due under our international equipment facility. In addition, we defeased the remaining $0.04 million due under our 13.0% senior secured discount notes due 2009. The full repayment of our international equipment facility reduced our future interest costs and foreign currency exposures. Combined with the defeasance of our senior secured discount notes, the repayment of the international equipment facility increased our financial and operational flexibility due to the release of the vast majority of our assets that formed part of the collateral package that was securing these facilities and the elimination of restrictive covenants requiring the maintenance of certain financial ratios relative to leverage, segment earnings, revenues, subscribers and fixed charges.

Under an existing agreement with American Tower, during the nine and three months ended September 30, 2004, we received $11.6 million and $2.1 million from tower sale-leaseback transactions, respectively. In addition, Nextel Brazil has a facility in place under which it can finance handset purchases. Borrowings under this facility have 180 day maturities and interest is prepaid in U.S. dollars at variable market rates. As of September 30, 2004, there were no amounts outstanding under the Nextel Brazil handset credit facility.

Subsequent to the end of the third quarter of 2004, we closed on a $250.0 million, five year syndicated loan facility in Mexico. The facility can be drawn down, under certain conditions, within 180 days from the date of closing. Of the total amount of the facility, $129.0 million will be denominated in U.S. dollars, with a floating interest rate based on LIBOR, $90.0 million will be denominated in Mexican pesos, with a floating interest rate based on the Mexican reference rate TIIE, and $31.0 million will be denominated in Mexican pesos, at an interest rate fixed at the time of funding. We intend to hedge the currency and interest rate risks so that the facility is an effective fixed rate Mexican peso credit facility.

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

- operating expenses relating to our digital mobile networks;
- capital expenditures to expand and enhance our digital mobile networks, as discussed below under Capital Expenditures ;
- future spectrum purchases;
- debt service requirements, including tower financing obligations;
- cash taxes; and
- other general corporate expenditures.

Capital Expenditures. Our capital expenditures, including capitalized interest, were $160.7 million and $61.6 million for the nine and three months ended September 30, 2004 compared to $156.2 million and $39.2 million for the nine and three months ended September 30, 2003. The increase in capital expenditures is primarily due to additional funds invested to build-out our network in the Baja California region of Mexico during 2004. In the future, we expect to finance our capital spending using cash from operations, cash on hand, cash from tower-sale leaseback transactions and any other external financing that becomes available. Our capital spending is driven by several factors, including:

- the construction of additional transmitter and receiver sites to increase system capacity and maintain system quality and the installation of related switching equipment in some of our existing market coverage areas;
- the enhancement of our digital mobile network coverage around some major market areas;
- the expansion of our digital mobile networks to new market areas;

enhancements to our existing iDEN technology to increase voice capacity; and

non-network related information technology projects.

Our future capital expenditures will be significantly affected by future technology improvements and technology choices. In October 2001, Motorola and Nextel Communications announced an anticipated significant technology upgrade to the iDEN digital mobile network, the 6:1 voice coder software upgrade. We have implemented the network software upgrade for this technology in Mexico. We expect that this software upgrade, which requires that compatible handsets be distributed throughout the network for it to become fully operational, will significantly increase our voice capacity for interconnect calls and leverage our existing investment in infrastructure in Mexico. We do not expect to realize significant benefits from the operation of the 6:1 voice coder until after 2004. If there are substantial delays in realizing the benefits of the 6:1 voice coder, we could be required to invest additional capital in our infrastructure to satisfy our network capacity needs. See Forward Looking Statements.

Future Outlook. Our current business plan, under which we have been operating since emerging from Chapter 11 reorganization in November 2002, does not contemplate a significant expansion and does not require any additional external funding. However, we are currently evaluating expansion plans, primarily in Mexico, but also in Brazil and other Latin American markets. If we decide to pursue these expansion plans, we would seek external financing to fund them in whole or in part. We have filed applications to participate in spectrum auctions currently being planned for January 2005 in Mexico of both 800 MHz. and 1.9 GHz. There can be no assurance that we will be successful in bidding for all or any of this spectrum or that we can purchase this spectrum at an attractive price.

If our business plans change, including as a result of changes in technology, or if we decide to expand into new markets, or if economic conditions in any of our markets generally, or competitive practices in the mobile wireless telecommunications industry 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 mobile wireless business, then the anticipated cash needs of our business as well as the conclusions presented herein as to the adequacy of the available sources of cash and timing on our ability to generate net income could change significantly. Any of these events or circumstances could involve significant additional funding needs in excess of the identified currently available sources, and could require us to raise additional capital to meet those needs. However, our ability to seek additional capital, if necessary, is subject to a variety of additional factors that we cannot presently predict with certainty, including:

the commercial success of our operations;

the volatility and demand of the capital markets; and

the future market prices of our securities.

Forward Looking Statements

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995. A number of the statements made in this quarterly report on Form 10-Q/A are not historical or current facts, but deal with potential future circumstances and developments and our expectations based on them. They can be identified by the use of forward-looking words such as believes, expects, intends, plans, may, will, would, could, should or other comparable words, or by discussions of strategy that involve risks and uncertainties. We caution you that these forward-looking statements are only predictions, which are subject to risks and uncertainties, including technical uncertainties, financial variations, changes in the regulatory environment, industry growth and trend predictions. 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 operation and results of our wireless communications business also may be subject to the effects of other risks and uncertainties in addition to the other qualifying factors identified in the foregoing Management s Discussion and Analysis of Financial Condition and Results of Operations section, including, but not limited to:

our ability to meet the operating goals established by our business plan;

general economic conditions in Latin America and in the market segments that we are targeting for our digital mobile services;

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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;

substantive terms of any international financial aid package that may be made available to any country in which our operating companies conduct business;

the impact of foreign exchange volatility in our markets compared to the U.S. dollar and related currency devaluations 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 to meet our service deployment and marketing plans and customer demand;

the success of efforts to improve and satisfactorily address any issues relating to our digital mobile network performance;

future legislation or regulatory actions relating to our specialized mobile radio services, other wireless communication services or telecommunications generally;

the ability to achieve and maintain market penetration and average subscriber revenue levels sufficient to provide financial viability to our digital mobile 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;

market acceptance of our new service offerings, including Nextel Worldwide[SM], Nextel Online[SM] and International Direct Connect[SM];

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

other risks and uncertainties described from time to time in our reports filed with the Securities and Exchange Commission, including our 2003 annual report on Form 10-K/ A and our quarterly reports on Form 10-Q/A for the quarters ended March 31, 2004 and June 30, 2004.

Effect of New Accounting Standards

In January 2003, the Financial Accounting Standards Board, or FASB, issued FASB Interpretation, or FIN, No. 46, Consolidation of Variable Interest Entities An Interpretation of ARB No. 51, which clarifies the application of Accounting Research Bulletin No. 51, Consolidated Financial Statements, to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. FIN No. 46 provides guidance related to identifying variable interest entities (previously known generally as special purpose entities or SPEs) and determining whether such entities should be consolidated. FIN No. 46 must be applied immediately to variable interest entities created, or interests in variable interest entities obtained, after January 31, 2003. For those variable interest entities created, or interests in variable interest entities obtained, on or before January 31, 2003, the guidance in FIN No. 46 must be applied in the first fiscal year or interim period beginning after December 15, 2003. The adoption of FIN No. 46 on January 1, 2004 did not have a material impact on our consolidated financial position, results of operations or cash flows.

In March 2004, the Emerging Issues Task Force, or EITF, reached a final consensus on Issue No. 03-6, Participating Securities and the Two-Class Method Under FASB Statement No. 128, *Earnings Per Share.* Issue No. 03-6 addresses a number of questions regarding the computation of earnings per share (EPS) by companies that have issued securities other than common stock that contractually entitle the holder to participate in dividends and earnings of the company when, and if, it declares dividends on its common stock.

The issue also provides further guidance in applying the two-class method of calculating EPS. It clarifies what constitutes a participating security and how to apply the two-class method of computing EPS once it is determined that a security is participating, including how to allocate undistributed earnings to such a security. EITF 03-6 is effective for the fiscal quarter ended June 30, 2004. The adoption of EITF 03-6 did not have a material impact on our basic or diluted earnings per share.

In September 2004, the EITF reached a final consensus on Issue No. 04-8, The Effect of Contingently Convertible Debt and the Effect on Diluted Earnings per Share. Issue No. 04-8 states that contingently convertible debt should be included in diluted earnings per share computations, if dilutive, regardless of whether the market price trigger or other contingent feature has been met. EITF 04-8 is effective for all periods ending after December 15, 2004 and will be applied by retroactively restating previously reported EPS. We plan to adopt EITF 04-8 in the fourth quarter of 2004. The adoption of EITF 04-8 will require us to include the additional common shares associated with the conversion of our 2.875% convertible notes in diluted earnings per share computations, if dilutive, and will also require us to present our previously reported EPS on a comparable basis, regardless of whether the market price trigger or other contingent feature has been met.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Our revenues are primarily denominated in foreign currencies, while a significant portion of our operations are financed in U.S. dollars through our convertible notes. As a result, fluctuations in exchange rates relative to the U.S. dollar expose us to foreign currency exchange risks. These risks include the impact of translating our local currency reported earnings into U.S. dollars when the U.S. dollar strengthens against the local currencies of our foreign operations. In addition, we have local currency-based communication tower sale-leaseback transactions in Mexico and Brazil, which we are accounting for as financing transactions (see Note 5).

Interest rate changes expose our fixed rate long-term borrowings to changes in fair value and expose our variable rate long-term borrowings to changes in future cash flows. As of September 30, 2004, substantially all of our borrowings were fixed-rate long-term debt obligations. In some cases, we have used derivative instruments to manage this interest rate exposure by achieving a desired proportion of fixed rate versus variable rate borrowings. We only used derivative instruments for non-trading purposes. We do not have any derivative instruments in place as of September 30, 2004 other than one of the conversion features embedded in each of our convertible notes, which are not material in value.

The table below presents principal amounts, related interest rates by year of maturity and aggregate amounts as of September 30, 2004 for our fixed and variable rate debt obligations, including our 3.5% convertible notes, our 2.875% convertible notes and our tower financing obligations. We determined the fair values included in this section based on:

- quoted market prices for our convertible notes; and
- carrying values for our tower financing obligations as interest rates were set recently when we entered into these transactions.

The changes in the fair values of our debt compared to their fair values as of December 31, 2003 reflect changes in applicable market conditions. In addition, the table reflects the prepayment of $72.5 million in outstanding principal and related accrued interest under our international equipment facility in February 2004, as well as the payment of the remaining $52.6 million in outstanding principal and related accrued interest under this facility in July 2004. The table also reflects the extinguishment of substantially all of our senior secured discount notes in March 2004 and the defeasance of the remaining amount under these notes in July 2004. All of the information in the table is presented in U.S. dollar equivalents, which is our reporting currency. The actual cash flows associated with our long-term debt are denominated in U.S. dollars (US$), Mexican pesos (MP) and Brazilian reais (BR).

	Year of Maturity						September 30, 2004		December 31, 2003	
	2004	2005	2006	2007	2008	Thereafter	Total	Fair Value	Total	Fair Value
	(dollars in thousands)									
Long-Term Debt:										
Fixed Rate (US$)	$	$	$	$	$	$ 480,000	$ 480,000	$ 641,874	$ 360,821	$ 383,580
Average Interest Rate						3.1%	3.1%		8.3%	
Fixed Rate (MP)	$ 1,573	$ 1,859	$ 2,200	$ 2,604	$ 3,085	$ 66,405	$ 77,726	$ 77,726	$ 71,251	$ 71,251
Average Interest Rate	17.7%	17.7%	17.7%	17.7%	17.7%	17.7%	17.7%		17.8%	
Fixed Rate (BR)	$ 210	$ 281	$ 374	$ 499	$ 666	$ 33,834	$ 35,864	$ 35,864	$ 31,880	$ 31,880
Average Interest Rate	28.2%	28.2%	28.2%	28.2%	28.2%	28.2%	28.2%		28.4%	
Variable Rate (US$)	$	$	$	$	$	$	$	$	$ 125,000	$ 125,000
Average Interest Rate									6.2%	

Item 4. 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 is recorded, processed, summarized and reported within the time periods required by the Securities and Exchange Commission. We continuously monitor all of our controls and procedures to ensure that they are operating effectively and consistently across the company as a whole.

As of the end of the period covered in this report, 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. This evaluation was subsequently modified due to the refinement of the analysis of the items described below. Based on and as of the date of such evaluation, as modified, these officers concluded that our disclosure controls and procedures were not effective for the reasons described in the following paragraphs.

Our chief executive officer and chief financial officer are also responsible for establishing and maintaining adequate internal controls over our financial reporting. Subsequent to the filing of our quarterly report on Form 10-Q for the period ended June 30, 2004, we identified bookkeeping errors in various balance sheet accounts at our operating company in Mexico. Separately, on November 4, 2004, we were notified by our independent registered public accountants of errors related to our accounting policy and treatment of the subsequent reversal of deferred tax asset valuation reserves established at the time of fresh-start accounting as of October 31, 2002. These items are described in further detail below.

During our evaluation of these items, we concluded the errors (i) reflected a material weakness in our internal control over financial reporting with respect to account reconciliations at Nextel Mexico and (ii) reflected a material weakness in our internal control over financial reporting with respect to the accounting and reporting of income taxes. In addition, the occurrence of a number of significant deficiencies may indicate a material weakness. A material weakness, as defined by the Public Company Accounting Oversight Board (PCAOB), is a reportable condition in which the design or operation of one or more elements of the internal control structure does not sufficiently reduce the risk of material errors and irregularities occurring and not being timely detected. Our management has communicated the material weaknesses and their background to our board of directors and its audit committee and our independent registered public accountants.

As a result of these errors and other adjustments identified through our review, we have restated our condensed consolidated financial statements as of and for the nine and three months ended September 30, 2004 and 2003, as set forth in this report, in order to correct these errors in the periods during which they originated.

Except as described herein, there were no changes in our internal control over financial reporting identified in connection with our evaluation that occurred during the three-month period ended September 30, 2004 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Nextel Mexico Bookkeeping Errors

The identification of the bookkeeping errors occurred as a result of our ongoing review of Nextel Mexico s internal accounts and records in order to comply with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002.

Subsequent to the identification of these errors, we completed an account reconciliation project at Nextel Mexico to review and analyze these liability accounts and all other material accounts. The errors impacted accounts receivable, accounts payable, accrued expenses, operating expenses and gains and losses regarding foreign currency transactions. The errors occurred due to our failure to perform account reconciliations and resolve differences in a timely manner, and the errors did not result from any fraudulent activities.

The nature of the errors relate to three main areas:

Foreign Currency Adjustments Some of our foreign currency transaction gains and losses were double-recorded through a combination of manual entries and system generated automatic entries recorded upon payment of U.S. dollar denominated payables;

Accounts receivable adjustments Periodic reconciliations between the accounts receivable subsidiary ledger and the general ledger were not performed properly. As a result, unreconciled differences related to the non-recognition of commissions expense on credit card payments, returned checks, manual adjustments and other items were classified to a current liability account, but were not reversed from the liability account upon resolution of these differences; and

Liability accounts Certain liability accounts contained balances that could not be supported by invoices or subsequent disbursements.

We have taken or are taking the following corrective actions, which we believe will strengthen our internal controls and prevent the possibility of this type of error from occurring in the future:

personnel changes, including the termination of the controller responsible for the unreconciled accounts;

the implementation of additional procedures surrounding the account reconciliation process as well as manual journal entries in our operating companies and related to the monitoring by NII Holdings of key control procedures in our operating companies;

revisions to system controls regarding general ledger posting restrictions; and

the provision of more specific guidance regarding steps that must be completed by our operating companies executives before signing the certifications related to Section 302 of the Sarbanes-Oxley Act of 2002.

Accounting for Income Taxes

Beginning with our emergence from Chapter 11 reorganization on October 31, 2002, we recognized the release of valuation allowances on deferred tax assets established at the time we applied fresh-start accounting as a non-cash reduction to our income tax provision. Upon further review, our current independent registered public accounting firm notified us that our accounting was in error and that in accordance with SOP 90-7, the reversal of valuation allowances established at fresh-start accounting should not be recorded as a reduction to our income tax provision but rather a reduction to intangible assets existing at our emergence from reorganization until these are fully exhausted, followed by increases to paid-in capital.

We have reviewed and corrected our accounting policy for income taxes to accurately track and record the reversal of deferred tax asset valuation allowances established at the time we applied fresh-start accounting. We recorded the reversal of these valuation allowances first as a reduction to our remaining intangible assets existing at our emergency from reorganization. Once these intangible assets are fully exhausted, we will record any additional reversals as an increase to paid in capital. In addition, we have identified various other errors in the calculation of income taxes. These errors occurred as a result of the

misapplication of the appropriate financial accounting standard and from the lack of proper review procedures and did not result from any fraudulent activities. We acknowledge that this accounting resulted in a material error and reflects a material weakness as defined by the PCAOB. Lastly, we have restated our historical condensed consolidated financial statements as of and for the nine and three months ended September 30, 2004 and 2003, as set forth in this report.

PART II OTHER INFORMATION.

Item 1. Legal Proceedings.

We and/or our operating companies are parties to certain legal proceedings that are described in our 2003 annual report on Form 10-K. During the three months ended September 30, 2004, there were no material changes in the status of or developments regarding those legal proceedings that have not been previously disclosed in our 2003 annual report on Form 10-K/A and our quarterly reports on Form 10-Q/A for the quarters ended March 31, 2004 and June 30, 2004.

Item 6. Exhibits.

Exhibit Number	Exhibit Description
10.1	Form of Credit Agreement, dated as of October 27, 2004, by and between Communicaciones Nextel de Mexico, S.A. de C.V., the banks named therein as lenders, Citibank, N.A., Citigroup Global Markets, Inc. and Scotiabank Inverlat, S.A. (previously filed in the NII Holdings Form 10-Q, filed on November 15, 2004).
12.1	Ratio of Earnings to Fixed Charges (filed herewith).
31.1	Statement of Chief Executive Officer Pursuant to Rule 13a-14(a) (filed herewith).
31.2	Statement of Chief Financial Officer Pursuant to Rule 13a-14(a) (filed herewith).
32.1	Statement of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350 (filed herewith).
32.2	Statement of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350 (filed 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/ Ricardo L. Israele

Ricardo L. Israele
Vice President and Controller

Date: March 28, 2005

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