

# CEO LETTER :)

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*Our focus in three areas allowed us to advance our existing business performance, introduce new product offerings and successfully expand into new markets. We benefited from an increasing flight to value in the economic downturn, as people turned to companies like ours that offer more for less. We believe we have laid the foundation to continue our growth in 2009 and beyond, and believe we are well positioned to seize the opportunity.*

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**DEAR FELLOW STOCKHOLDERS:**

For Leap, 2008 was a year of strong progress that once again validated our position as a leading value innovator in the wireless industry.

Today, consumers are going exactly where we are – and where we always have been. They are migrating from postpaid to prepaid wireless plans and looking for value more than ever before. The customers we serve – young, ethnically diverse and typically in households earning less than \$50,000 a year – are among the fastest-growing segments in the wireless business. Our 2008 results show that we are emerging as a wireless carrier with national service offerings providing the right products, in the right place, at the right time.

From our beginning, we have had the vision to see where the wireless world is going. We changed a whole industry with our unlimited approach to wireless voice. We have put unlimited everywhere – in voice, text, mobile Web and more. Last year we augmented the success of our pioneering Cricket Wireless service by adding two new products with attractive growth prospects. We commercially launched Cricket Broadband, our unlimited high-speed mobile broadband service, in the second quarter of 2008, and began the introductory launch of Cricket PAYGo™, our new 24/7 unlimited prepaid wireless service, in October 2008. Like Cricket Wireless, these offerings leverage our low-cost structure to innovate value at industry-leading prices.

As we launched the first of our Auction 66 markets in 2008, we began the third major wave of expansion in our Company's history. We expect to grow our business much as we have in the past – by building networks with the coverage and density to support unlimited talk, text and broadband; by launching markets with the right retail distribution mix; and by rapidly adding customers as we seek to quickly generate positive cash flow in each market. We look forward to these new markets with confidence, a confidence that is built on our history of success. With our proven business model, we stand ready to bring our growing product portfolio to even more customers across the country.

**2008 PERFORMANCE**

We believe Leap is well positioned as a value leader in changing economic environments, including the challenging one we entered last year. Our successes in 2008 were backed by the continuing strength of our balance sheet, which gives us financial resources to fund our growth. Last year we gained approximately 942,000 net customer additions, ending the year with 3.84 million customers from coast to coast. In early 2009, we reached 4 million customers. Our year-over-year customer growth rate of 34 percent was the second highest in the wireless industry. As part of this growth, our service revenues rose 23 percent for the year to \$1.7 billion. People turned to us for value and the ability to help control their costs with our predictable, flat-rate plans. Our results reflect the strength of our business and its ability to perform in a challenging economic environment.

**EXISTING BUSINESS PERFORMANCE**

We are especially pleased with our ability to increase penetration in our existing markets – which we define as those in operation as of December 31, 2007 – which speaks to the staying power of our business. We strategically enhanced our footprint, adding cell sites for better coverage. We aligned our retail distribution to more closely match our target demographic. We raised awareness with targeted sales and marketing efforts. The response from customers has been very encouraging and confirms that these investments were the right ones to make. In the markets where we made further investments to expand and enhance our network, improve our distribution, and increase marketing and awareness, we increased customer penetration approximately 100 basis points year-over-year, nearly double the year-over-year increase in the existing markets that we did not invest in. Our existing business continued to perform well and generated adjusted operating income before depreciation and amortization (OIBDA) of \$586 million for the year, an increase of approximately 49 percent over 2007, the highest growth rate of any U.S. wireless carrier.





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## NEW MARKET LAUNCHES AND INCREASED COVERAGE

We also experienced impressive customer uptake in our newest markets. Last year we launched approximately 11 million new covered potential customers (POPs), growing our footprint by 20 percent. Our seasoned launch team brought unlimited Cricket service to Savannah, GA; St. Louis, MO; Las Vegas, NV; Oklahoma City, OK; Rio Grande Valley, Laredo and Corpus Christi, TX; and Madison and Milwaukee, WI. At the end of 2008, our covered POPs totaled approximately 67.2 million, and with the launches of Chicago and Philadelphia in the first quarter of 2009, we are well on the way to achieving our goal of covering up to approximately 25 million additional POPs by mid-2009.

In addition to introducing new products and services and enhancing our own network, we also significantly increased our network access through the debut of Premium Extended Coverage, a strategic roaming program which gives us one of the largest unlimited roaming coverage areas of any low-cost, unlimited carrier. This major milestone was made possible through strategic roaming partnerships with 14 different carriers. In November 2008, we began including this service in our highest-value Cricket Wireless service plans at no extra charge, and offered it with our other service plans for an additional \$5 a month. The service gives our customers unlimited voice usage in a broad service area, which totaled more than 122 million POPs at year end.

## 2009 OPPORTUNITIES

Looking ahead, the current economic turmoil provides us with a significant opportunity. We continue to use our thoughtful, time-tested launch approach as we enter our largest markets to date. With our joint venture partner, we brought our Cricket product portfolio to Chicago and Philadelphia in the first quarter of 2009, and expect to launch in Baltimore and Washington D.C. by the middle of 2009. We are innovating value on an unprecedented scale just as the average American consumer is increasingly looking for greater value.

We believe Leap has an opportunity to make strategic gains in the current downturn. History tells us that in periods of major economic disruptions the competitive field in any industry can get reshuffled and players can emerge from the pack to win new leadership positions. If we look back, many successful companies have used economic downturns as a catalyst to create opportunity and move ahead. We plan to be one of those companies.

## GROWTH STRATEGIES

To that end, we are positioning our business, operations, brand and culture to support our expansion. First, we are growing our business with new market launches, broader coverage and even higher-density networks to provide a great customer experience at industry-leading pricing. We continue to expand our popular Cricket Broadband service, and we are evaluating a potential transition of Cricket PAYGo from a trial to commercial operation. Our focus on continually offering richer products, across even higher-quality networks, makes us more competitive, while driving growth and long-term value.

Second, we are taking advantage of our growing operational scale, as well as enhancing and streamlining our processes from billing to logistics to customer care. Our strategy is designed to improve the customer experience across our networks, devices, distribution and service.

In the year ahead, we plan to continue enhancing our high-quality networks. We also are introducing a fresh, efficient and cost-effective retail store concept in new markets that more effectively merchandises our Cricket products. Just as important, our exciting lineup of devices for 2009 includes additional QWERTY keyboards and our first touch-screen handset. We also plan to deliver a whole new interactive customer experience by providing a rich "on device portal" on select handsets.

We plan to continue to build the Cricket brand from one known for great products to one that innovates value through a total, end-to-end customer experience. We are making strategic investments in 2009 to increase consumer awareness of our products and services. By taking these steps, we believe we can further increase our penetration, better meet the needs of our customers, and continue leading the industry towards the flight to value.

Finally, we will execute with a culture that is focused on our core purpose: to create coveted communication products that all our communities deserve and can afford. While some wireless companies only see their customers as an opportunity, we see a responsibility – one that challenges the norms of the industry so we can offer smart choices that fit our customers' lives and deliver those choices with respect.



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## EXPERIENCED TEAM

We have the right team in place to achieve our goals. Last year we welcomed Walter Berger, who brings more than 30 years of financial and operational management experience, as Executive Vice President and Chief Financial Officer. We appointed Al Moschner as Chief Operating Officer, from his previous position as Executive Vice President and Chief Marketing Officer. We also evolved the role of Glenn Umetsu, Executive Vice President and Chief Technical Officer, to lead major strategic programs for the Company, including new market launches across the business.

Beyond our executive team, Leap's strength lies in the expertise of its people. We ended 2008 with nearly 3,500 employees across the country, up over 40 percent in a single year, and have built a dedicated team to capture the opportunity in front of us. Our people are unexpectedly resourceful, continually finding new ways to reduce our costs and do more with less. They embrace a disciplined, breakaway pace that is essential as we compete on the evolving playing field of our industry.

For all of these reasons, we believe that Leap is what's next in the wireless industry. On behalf of all of us at Leap, I would like to thank you, our stockholders, for your confidence and support. I would also like to thank our employees for their commitment to winning and keeping each new customer. Together we look forward to delivering on our Company's promise as we set out to more than double the size of our business from 2007 to 2010 and take the national stage.

Sincerely,

A handwritten signature in black ink, appearing to read "S. D. Hutcheson", with a long horizontal flourish extending to the right.

**S. Douglas Hutcheson**

President and Chief Executive Officer  
Leap Wireless International, Inc.