ALLTEL COMMUNICATIONS
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ALLTEL

March 16, 1999
Overnight

Ms. Kay Flynn
Chief, Bureau of Records
Division of Records and Reporting
State of Florida
Public Service Commission
Capital Circle Office Center
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0855

RE: ALLTEL Florida, Inc.
Year 2000 Readiness Disclosure

Dear Ms. Flynn;

Pursuant to the Public Service Commission's Notice of Staff Workshop Issued March 5, 1999, following is the response submitted on behalf of ALLTEL Florida, Inc.

Additional information on the corporation and business units is included in ALLTEL's website and may be accessed at www.alltel.com/y2k. This site has the capability of generating a customized letter on-line containing ALLTEL's responses to frequently asked questions, as well as providing current information regarding ALLTEL's Year 2000 approach, efforts and activities.

If I can be of further assistance, please call.

Sincerely,

Jay Bassett

John C. (Jay) Bassett, III

YEAR 2000 READINESS DISCLOSURE

UNDOCKETED – REVIEW OF REGULATED UTILITIES' YEAR 2000 PREPARATIONS AND READINESS (TELECOMMUNICATIONS)

Year 2000 Readiness Workshop
Questions for All Local Exchange Companies
All Alternative Local Exchange Companies
and All Interexchange Companies

March 19, 1999 – 9:30 a.m.
Florida Public Service Commission
Betty Easley Conference Center, Room 152
4075 Esplanade Way
Tallahassee, Florida

This response is filed on behalf of ALLTEL Florida, Inc., a wholly owned subsidiary of ALLTEL Corporation (referred to herein as "ALLTEL"). ALLTEL has taken proactive measures to understand the nature and extent of the work required to make its systems, products and infrastructure – in those situations where ALLTEL is required to do so – Year 2000 compliant. Year 2000 compliance activities of ALLTEL Florida, Inc. are included in ALLTEL's Year 2000 plan.

1. What is the status of your company's Year 2000 plans and preparations? Please report your company's overall percentage of completion toward being fully Year 2000 compliant.

ALLTEL began its Year 2000 efforts several years ago and plans to be substantially completed with those efforts by June 30, 1999 and fully completed by August 31, 1999. ALLTEL's Year 2000 plan consists of eight phases: (i) Awareness; (ii) Inventory; (iii) Third-Party Strategies; (iv) Risk Assessment; (v) Planning; (vi) Remediation; (vii) Testing; and (viii) Implementation.

For ALLTEL's internal computer systems and software, systems and services that ALLTEL provides to its customers and for which ALLTEL is responsible, the Awareness, Inventory and Third-Party Strategies phases have been completed. For these systems, software and services, ALLTEL has completed the Risk Assessment Phase and has commenced work on and plans to complete the Planning phase by March 31, 1999, the Remediation and Testing phases by June 30, 1999; and the Implementation phase by June 30, 1999.

For ALLTEL's facilities infrastructure, ALLTEL has completed the Awareness and Inventory phases and has commenced work on and plans to complete the Third-Party Strategies, Risk Assessment and Planning phases by March 31, 1999; and the

Remediation, Testing and Implementation phases by June 30, 1999. For ALLTEL's remaining infrastructure, ALLTEL has completed the Awareness, Inventory, Third-Party Strategies, and Risk Assessment phases and has commenced work on and plans to complete the Planning phase by March 31, 1999; and the Remediation, Testing, and Implementation phases by June 30, 1999.

2. What specific timetables and milestones have you identified to prepare for Year 2000? For each timetable and milestone, please report the following: (1) the percentage completed and expected full-completion date; (2) the specific tasks remaining to be completed; and (3) any specific problems anticipated.

Please refer to Attachment 1. ALLTEL has numerous Year 2000 plans that are in various stages of completion. Because ALLTEL's Year 2000 efforts for its Florida operations are dependent on the efforts of other ALLTEL affiliates as well as third parties, ALLTEL believes it would be misleading to state a percentage of completion toward being Year 2000 compliant. Please refer to the attached SEC 10-Q for the quarter ended September 30, 1998 for additional information regarding the status ALLTEL's Year 2000 efforts.

3. What is the status of the inventory phase of your company's Year 2000 preparations? Please report the following: (1) the percentage of this phase completed and expected full-completion date; (2) the specific tasks remaining to be completed; (3) problems found where corrective action(s) is being taken; and (4) the expected completion date for each problem identified.

As discussed in the response to Question 1, ALLTEL (including ALLTEL's Florida operations) has completed the Inventory phase of its Year 2000 plan.

4. What is the status of the assessment phase of your company's Year 2000 preparations? Please report the following: (1) the percentage of this phase completed and expected full-completion date; (2) the specific tasks remaining to be completed; (3) problems found where corrective action(s) is being taken; and (4) the expected completion date for each problem identified.

Please refer to the response to Question 1. Because ALLTEL's Year 2000 efforts for its Florida operations are dependent on the efforts of other ALLTEL affiliates as well as third parties, ALLTEL believes it would be misleading to state a percentage of completion toward being Year 2000 compliant. Please refer to the attached SEC 10-Q for the quarter ended September 30, 1998 for additional information regarding the status ALLTEL's Year 2000 efforts

5. Which of your company's hardware and software systems, such as billing, administrative, customer service, infrastructure, and operational support systems, do you consider critical? For each such system, what functions (in whole or part) are done via mainframe computers and which functions electronically interface with PC-based computers? How are these systems being remediated and tested? What problems have been identified that require additional work to make them

Year 2000 compliant? Please report estimated completion dated for each problem identified.

Provided as attachment 1 (p.2) is a high-level list of mission critical systems used by ALLTEL to provide wireline communications services, as well as the Year 2000 status of those systems.

6. What is the status of the remediation, or renovation, phase of your company's Year 2000 preparations? Please report the following: (1) the percentage of this phase completed and expected full-completion date; (2) the specific tasks remaining to be completed; (3) problems found where corrective actions(s) is being taken; and (4) the expected completion date for each problem identified.

ALLTEL is not using a single renovation method to achieve Year 2000 compliance. ALLTEL is using the following methodology for its Year 2000 efforts in connection with its wireline communications services:

- *Discovery and Assessment – included in the Awareness and Inventory phases of ALLTEL's Year 2000 plan (Consists of analyzing and assessing the changes required to become Year 2000 compliant, including inventory collection, application and environment definition, data selection and application inventory analysis, application group assessment, and conversion strategy and testing strategy activities). ALLTEL has completed discovery and assessment for its critical hardware and software systems used to provide wireline communications services (including those systems used by ALLTEL Arkansas), including those that directly and immediately support the voice and data telecommunications services which ALLTEL offers, as well as those that support network provisioning, customer service provisioning, network administration, service administration and maintenance. ALLTEL has also completed discovery and assessment of ALLTEL facilities (including those facilities located in Arkansas), including the embedded systems.*

- *Analysis – included in the Third-Party Strategies, Risk Assessment and Planning phases of ALLTEL's Year 2000 plan - (Consists of scanning and analyzing program logic, where appropriate; identifying required changes; designing change specifications; and preparing package test cases, test scripts and test data). ALLTEL is well underway with the analysis of its critical hardware and software systems used to provide wireline communications services, including those that directly and immediately support the voice and data telecommunications services which ALLTEL offers, as well as those that support network provisioning, customer service provisioning, network administration, service administration, maintenance and facilities. ALLTEL plans to complete the process by .March 31, 1999.*

- *Remediation and/or Replacement – included in the Remediation and Implementation phases of ALLTEL's Year 2000 plan - (Consists of either (A) changing the application to make it Year 2000 compliant (as defined by ALLTEL) and package testing those changes in a 19xx and simulated 20xx environment, as well as performing path analysis and* *developing test cases to test date logic routines; or (B) installing Year 2000 compliant updates provided by the product manufacturer or replacing the application and/or product, as appropriate). Many of ALLTEL's billing, administrative and operational support systems are owned and/or developed by ALLTEL Information Services, Inc., a wholly owned subsidiary of ALLTEL. Remediation of those systems began in October 1997 and is expected to be completed by March 31, 1999. Because ALLTEL does not manufacture or develop any of the equipment used to provide communications services to our customers, we must rely, to a significant extent, on the efforts of our vendors and suppliers to make their products Year 2000 compliant. Similarly, because ALLTEL uses software systems that are developed or owned by various third parties, ALLTEL is dependent on those third parties to make their products Year 2000 compliant. ALLTEL has begun the process of installing Year 2000 updates to its third-party systems, software and equipment and currently plans to make its communications systems and infrastructure Year 2000 compliant no later than June 30, 1999, if the required Year 2000 compliant hardware, firmware, software and other products are commercially available from our vendors and business partners by that time or as soon thereafter as is reasonably practicable.*

- *Unit Testing and Internal Systems Integration Testing – included in the Testing and Implementation phases of ALLTEL's Year 2000 plan - (Consists of testing the applications and/or products, their interfaces and their implementation procedures). ALLTEL began Unit Testing of ALLTEL's proprietary billing, administrative and operational support systems in 1997, and both Unit Testing and Internal Systems Integration Testing of those proprietary systems is scheduled to be completed by March 31, 1999. Unit testing of the third-party hardware and software systems used by ALLTEL to support the voice and data telecommunications provided to customers began in May 1998. Both Unit Testing (where possible) and Internal Systems Integration Testing (where appropriate) of those systems is currently scheduled to be completed by June 30, 1999. ALLTEL is in the process of developing and documenting test and validation strategies and plans for the third-party-provided applications, interfaces and embedded technologies. Those testing and validation plans are dependent on the test data, including test scripts and results, received from ALLTEL's vendors and business partners. Where possible and appropriate, the testing of the requisite network elements of the specific systems will be conducted in accordance with the vendors' published installation and implementation procedures for hardware/software applications and embedded technologies. These tests will be augmented by various ALLTEL validation practices developed for specific network elements and embedded technologies*

- *Enterprise Testing of ALLTEL's proprietary Billing, Administration and Operational Support Systems, (Consists of establishing a testing environment, isolated from production, in which 20xx date scenarios can be tested). This isolated testing environment will include most of the software systems environment involved in the delivery of the business functions relative to these software systems. Enterprise testing also includes the actual execution of these software systems in a variety of 20xx date scenarios including but not limited to 9/9/1999, 12/31/1999-1/1/2000, 2/28/99-2/29/2000-3/1/2000, 12/31/2000 and 1/01/2001. ALLTEL has scheduled Enterprise Testing for its* *proprietary billing, administrative and operational support systems in 1999 and is in the process of developing its Enterprise Testing plan.*

7. What is the status of the testing (both unit and system) phase of your company's Year 2000 preparations? Please report the following; (1) the percentage of this phase completed and expected full-completion date; (2) the specific tasks remaining to be completed; (3) problems found where corrective action(s) is being taken; and (4) the expected completion date for each problem identified. What tests are being done or will be done on network elements and customer-affecting systems? Please describe your company's testing process, including its approach and steps.

Please refer to the responses to Questions 1 and 6.

8. Please describe your company's plans to address interoperability issues with other domestic carriers, such as LECs, IXCs, ALECs, CAPS, and wireless providers, and with interconnected networks and outside systems. Please describe the status of such plans and related discussion, including percentage of completion.

Please refer to Attachment 1 (p.3). As part of its Year 2000 plan, ALLTEL has implemented a third party management process and is continuing to contact its vendors, suppliers and other third parties upon which ALLTEL depends regarding their plans for making their products, services and systems Year 2000 compliant. ALLTEL's ability to meet its target completion dates is dependent upon the timely provision of upgrades or other solutions from its vendors and suppliers. Some third party upgrades and other solutions are not available resulting in delays in ALLTEL's completion of the Risk Assessment and Planning Phases and potential delays in completion of the Remediation, Testing, and Implementation Phases. ALLTEL is also dependent upon other third parties who provide essential services (such as utilities, interexchange carriers, etc.) to make their critical systems Year 2000 compliant in a timely manner. Generally, ALLTEL does not have the ability to test those systems for Year 2000 compliance and, instead, must rely on the third parties' representations.

ALLTEL's telecommunications network consists of thousands of different network elements manufactured by a host of third party equipment vendors. These network elements are provided by and interconnected with other communications service providers including ILEC's, CLEC's, ISP's, CMRS's, and IXC's. As discussed in (a) above, ALLTEL is dependent on its third party vendors to provide Year 2000 compliant products. However, even if a vendor provides what it considers to be a Year 2000 compliant product, ALLTEL is also concerned whether that product can be adequately tested to verify that the product will be Year 2000 compliant when installed as part of ALLTEL's network. Additionally, while ALLTEL and some communications service providers have the ability to test individual network components, no single carrier has the ability to test the entire network end-to-end. ALLTEL plans to address issues relating to network interoperability testing by following the standard vendor processes for upgrades and by relying on testing performed by its vendors. As discussed above, *because ALLTEL does not control the network elements of other communications service providers, ALLTEL, like all other communications carriers, does not have the ability to test the network end-to-end.*

9. What network inter-operability testing has your company conducted or will your company conduct? Is your company working with ATIS and NRIC to perform network interoperability tests? Please report the following concerning such testing: (1) the percentage of this phase completed and expected full-completion date; (2) the specific tasks remaining to be completed; (3) problems found where corrective action(s) is being taken; and (4) the expected completion date for each problem identified.

Please refer to the response to Question 8.

10. What is your company doing to avoid network failures that could arise due to non-compliant network providers? What safeguards are being taken? What communications channels have been opened with other network providers?

Contingency Planning to maintain and restore service in the event of a natural disaster, power failure, or software related interruption has long been part of the Company's standard business practices. The Company is working to leverage this experience in the development and implementation of its Year 2000 contingency plans. Additionally, ALLTEL is involved in the following industry associations:

National Services Advisory Committee (NSAC)
Alliance for Telecommunications Industry Solutions (ATIS)
United State Telecommunications Industry Association (USTA)
Cellular Telecommunications Industry Association (CTIA)

The above-listed industry groups are umbrella organizations consisting of numerous committees and sub-committees in which ALLTEL personnel participate. There are also several other state and federal regulatory groups in which ALLTEL participates that have stressed awareness of the Y2K problem. These multiple organizations provide opportunities for ALLTEL representatives to interact with those of other utilities as well as various governmental entities.

11. Please describe your company's efforts to work with suppliers of your company's critical hardware and software systems to ensure that each supplier's equipment is Year 2000 compliant. Have you inventoried supplier and third-party products? Have you established compliance standards? What tests (unit and system) remain to be completed to verify that suppliers' products are Year 2000 compliant, and when will they be completed? Please describe any contingency plants your company has developed to address the situation where a supplier's product is found to be non-compliant.

Because neither ALLTEL nor any of its affiliates (including ALLTEL's Florida operations) manufacture or develop any of the equipment used to provide *communications services to our customers, we must rely, to a significant extent, on the efforts of our vendors and suppliers to make their products Year 2000 compliant. Similarly, because ALLTEL uses software systems which are developed or owned by various third parties, ALLTEL is dependent on those third parties to make their products Year 2000 compliant.*

As a part of its Year 2000 plan, ALLTEL has contacted the vendors of its mission critical systems regarding their intent and plans for making their products Year 2000 compliant. Some (but not all) of those vendors have represented either that their products are Year 2000 compliant or that updates are currently available which will make those products Year 2000 compliant. ALLTEL has begun the process of installing and testing Year 2000 updates that are commercially available and intends to install the required hardware, firmware, software and other products prior to June 30, 1999, if those products are commercially available from our vendors, business partners and suppliers by that time, or as soon as reasonably practicable thereafter.

ALLTEL has implemented the following Vendor Management Process to address the issue of Year 2000 compliance of hardware, software, and other products provided by third parties and used to provide communications services to its customers. ALLTEL has established a Year 2000 Project Office to implement its Year 2000 plan. The Project Office serves as a single-point-of-contact for all third party and vendor communications and requirements definitions and several employees in the Project Office are dedicated solely to vendor management activities. All third party and vendor data are entered into a Vendor Management Database that provides logging of contact data, compliance requirements and timing, and routine reporting and follow-up. Routine follow-up and reporting are used to identify those vendors that are at risk of non-compliance. Those "at-risk" vendors, together with vendors of systems that are considered by ALLTEL to be mission critical, are the primary focus of the vendor management process. Any products that are not Year 2000 compliant will be addressed through ALLTEL's contingency planning process.

12. What efforts is your company making to contact and educate critical customers to ensure that their telecommunications services and customer premises equipment (CPE) are Year 2000 compliant? What tests are being conducted or can be conducted by a customer to test its equipment?

ALLTEL hosts Community Council forums in selected markets. These Council forums are quarterly lunches for key customers and community leaders – hosted by ALLTEL local management. The goal of the ALLTEL Community Council is to provide this target audience with the most up-to-date information about today's communications issues. Specifically, Year 2000 compliance issues are topics for select Community Council meetings. ALLTEL has also implemented the following outreach efforts:

VIP Letters (March 1997 and March 1998). ALLTEL's VIP customers in each market have received letters outlining Year 2000 compliance issues, including why the potential for problems exist, encouraging them to take action to prepare their own equipment and *assuring them that ALLTEL has plans in place and will take steps to address Year 2000 compliance. Additional letters will be issued to ALLTEL's VIP customers informing them where ALLTEL and our vendors stand on Year 2000 compliance issues, as well as continuing to encourage customers to take action to prepare their own equipment for Year 2000 compliance issues.*

News Releases (March 1997 and March 1998). News releases have been sent and will be sent to all newspapers in ALLTEL's markets which outline Year 2000 compliance issues, including why the potential for problems exists, encouraging customers to take action to prepare their own equipment and assuring them that ALLTEL has plans in place and will take steps to address Year 2000 compliance issues.

Business Quarterly newsletter (April 1997). An article ran in the Business Quarterly newsletter, a publication sent to all wireline business customers, which outlined Year 2000 compliance issues, including why the potential for problems exist, encouraging them to take action to prepare their own equipment and assuring them that ALLTEL has plans in place and will take steps to address Year 2000 compliance issues.

Inquiry Response Letter (Developed 4th Quarter 1997). A letter has been developed and implemented as a response to customer inquiries related to ALLTEL's Year 2000 compliance. The letter explains the establishment of the Year 2000 Program Office, as well as the establishment of a task force to address Year 2000 compliance issues. The letter further explains that ALLTEL is contacting its vendors and suppliers of hardware, software, equipment and other date-sensitive goods and services.

Second Inquiry Response (On-going). A letter or postcard will be developed in response to any second inquiries received from the same customer. Most likely, second inquiries will require a much more detailed, individualized response. Tentatively, it is proposed that a business reply card will be sent to the inquiring customer requesting additional information. Upon receipt of the additional information, ALLTEL can then develop a tailored, individualized response to that particular customer.

ALLTEL is also in the process of developing a detailed public information plan. The public is informed that they can obtain Year 2000 information regarding ALLTEL by visiting ALLTEL's Year 2000 internet website at www.alltel.com/y2k. *This website covers all pertinent Year 2000 compliance information which can be released. An individual or company interested in ALLTEL's message on Year 2000 compliance and readiness can indicate the specific questions to which they would like answers, and a "customized" is then generated addressing the questions indicated. This site is updated as new information becomes available. When responding to customer inquiries about ALLTEL Year 2000 readiness, employees are directed to one of three options. These options include: (1) providing the website address to the inquirer; (2) creating a reply from the website and mailing or delivering it to the inquirer; or (3) providing the answers verbally, as they are written on the website, to the inquirer.*

13. What communications channels has your company established with the Department of Emergency Services' Emergency Operations Center? With other industries/companies that depend on your company's services?

Please refer to the responses to Questions 10 and 12.

14. Please describe your company's contingency or disaster recovery plans for Year 2000 related network problems and the status of such plans. If such plans are still being developed, please report the expected completion date. If such plans are complete, please bring a copy to the workshop. If such plans are not yet complete, please submit a copy to this Commission Division of Communications prior to July 1, 1999.

ALLTEL has developed a high-level contingency plan for mission critical processes and will continue to further define and modify the plan, as appropriate. ALLTEL initiated its formal contingency planning efforts in the fourth quarter of 1998. Contingency planning follows select industry models, adapted to meet ALLTEL's unique business requirements.

Contingency planning under ALLTEL's Year 2000 Program includes the following phases:

Strategy Development
High Level Status Measurement
Compilation of Business Dependencies
Impact Prioritization
Assessment and Ranking
Continuity / Recovery Development & Testing
Implementation

ALLTEL's contingency planning is directed by business unit Year 2000 Project Offices, supported by the Year 2000 Program Office staff. Continuity/Recovery Development & Testing is scheduled to be substantially completed by third quarter 1999. Circumvention and continuity plans will be implemented in advance of the millennium or the relevant time horizon. Recovery plans will be implemented in the event of a Year 2000 failure based upon defined criteria or at management discretion, as appropriate.

ATTACHMENT 1
ALLTEL Florida, Inc.

Mission Critical Communications Applications/Systems In No Particular Order	Believed Compliant Y/N
Switching Systems	Y**
Digital Loop Carrier (DLC) Systems	N*
Digital Access Cross-Connect Systems (DACS)	Y**
Transport	N*
Building Integrated timing Supply (BITS)	Y**
Signaling System 7 (SS7) and Signal Transfer Point (STP)	Y**
Message Accounting Systems	Y**
E911 Systems	N*
Network Maintenance Center	Y**
Voice Mail Systems	Y**

* "N". ALLTEL does not consider an application/system to be Y2K compliant until validation is complete. ALLTEL Florida, Inc. plans to make its Communications Applications/Systems Year 2000 compliant prior to June 30, 1999, if the required hardware, firmware, software and other products are commercially available from our vendors, business partners and suppliers by that time or as soon thereafter as reasonably practicable.

** "Y" responses indicate that ALLTEL has validated a compliant version of the requisite software. All systems upgrades will be installed by June 30, 1999.

Mission Critical Operational Support Applications/Systems In No Particular Order	Believed Compliant Y/N	Estimated Compliance Date ***
TARP - Trouble Analysis Reporting System	Y**	
TRS - Trouble Reporting System	Y**	
E911 - Enhanced 911	Y**	
CAMS - Customer Account Management System	Y**	
CABS - Carrier Access Billing	Y**	
MIROR - Mechanized Inventory Record and Order Reconciliation	Y**	
Frontware	Y*	
CC/SC - Call Center/Service Center	Y*	
ASAP - Access Services & Provisioning	N*	***
WFM - Workforce Management	Y*	
CTS - Centralized Testing System	Y*	
DCRIS - Distributed Customer Record Information System	Y*	

* "N". ALLTEL does not consider an application/system to be Y2K compliant until validation is complete. ALLTEL Florida, Inc. plans to make its Operational Support Applications/Systems Year 2000 compliant prior to June 30, 1999, if the required hardware, firmware, software and other products are commercially available from our vendors, business partners and suppliers by that time or as soon thereafter as reasonably practicable.

** "Y" responses indicate that ALLTEL has validated a compliant version of the requisite software. All systems upgrades will be installed by June 30, 1999.

*** With the exception of ASAP - Access Services and Provisioning, all of the applications/systems listed on the preceding table are owned and/or developed by ALLTEL Information Services, Inc., an affiliate of ALLTEL Florida, Inc. ALLTEL is therefore able to provide estimated compliance dates for those applications/systems.

Mission Critical Interfaces In No Particular Order	Believed Compliant Y/N
Advanced Telecommunications Network	Y#
Ameritech	Y#
Associated Network Partners	Y#
AT&T	Y#
Athena	Y#
Bell Atlantic	Y#
Bell South	Y#
Billing Concepts	Y#
Business Telecom Incorporated	Y#
Cable and Wireless	Y#
Cincinnati Bell Long Distance	Y#
Chase Bank	Y#
DCA	Y#
Earchcall Communications	Y#
Equifax	Y#
Excel Telecommunications Inc.	Y#
Frontier	Y#
FTI Communications	Y#
GS Telecommunications Network Inc.	Y#
Host Network Inc.	Y#
Intercontinental Long Distance	Y#
International Communications Group	Y#
IXC Communications Inc.	Y#
MCG	Y#
MCI	Y#
Meridian Telecommunications Corp.	Y#
North American Telephone Network	Y#
NYNEX	Y#
Planet Communications Group	Y#
Smartminutes	Y#
Southern New England Telephone	Y#
Software Innovators	Y#
Southern Net	Y#
Southwestern Bell	Y#
Sprint	Y#
SYGNIS	Y#
Switched Services Communications	Y#
U.S. Long Distance	Y#
U.S. Network Communications	Y#
Western Union	Y#

U.S. South Communications	Y#
Vartec Telecommunications	Y#
Vista Group	Y#
Winstar	Y#
Working Assets Long Distance	Y#
WORLDxCHANGE Communications	Y#

"Y" indicates a response is validated as compliant based upon third party information.

Mission Critical Embedded Technology In No Particular Order	Believed Compliant Y/N
Climate/Environment	N@
Lighting	N@
Power	N@
Security	N@
Services	N@
Vehicles	N@

@ "No" responses mean that ALLTEL has not received updates or has not validated the vendors compliance claims but intends to do so.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

[x] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 1998
OR
[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 1-4996

ALLTEL CORPORATION
(Exact name of registrant as specified in its charter)

DELAWARE	34-0868285
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
One Allied Drive, Little Rock, Arkansas	72202
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (501) 905-8000

(Former name, former address and former fiscal year, if changed since last report)

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

Number of common shares outstanding as of September 30, 1998:

274,428,563

The Exhibit Index is located at sequential page 19.

ALLTEL CORPORATION

FORM 10-Q

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

The following consolidated financial statements of ALLTEL Corporation and subsidiaries. included in the interim report of ALLTEL Corporation to its stockholders for periods ended September 30. 1998. a copy of which is attached hereto. are incorporated herein by reference:

Consolidated Statements of Income - for the three. nine and twelve months ended September 30. 1998 and 1997.

Consolidated Balance Sheets - September 30. 1998 and 1997 and December 31. 1997.

Consolidated Statements of Cash Flows - for the nine and twelve months ended September 30. 1998 and 1997.

ALLTEL CORPORATION

FORM 10-Q

PART I - FINANCIAL STATEMENTS

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

GENERAL

The following is a discussion and analysis of the historical results of operations and financial condition of ALLTEL Corporation ("ALLTEL" or the "Company"). This discussion should be read in conjunction with the unaudited consolidated financial statements, including the notes thereto, for the interim periods ended September 30, 1998 and 1997, and the Company's Annual Report on Form 10-K for the year ended December 31, 1997.

Forward-Looking Statements

This Management's Discussion and Analysis of Financial Condition and Results of Operations includes, and future filings by the Company on Form 10-K, Form 10-Q and Form 8-K and future oral and written statements by the Company and its management may include, certain forward-looking statements, including (without limitation) statements with respect to anticipated future operating and financial performance, growth opportunities and growth rates, acquisition and divestitive opportunities, Year 2000 compliance and other similar forecasts and statements of expectation. Words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates" and "should", and variations of these words and similar expressions, are intended to identify these forward-looking statements. Forward-looking statements by the Company and its management are based on estimates, projections, beliefs and assumptions of management and are not guarantees of future performance. The Company disclaims any obligation to update or revise any forward-looking statement based on the occurrence of future events, the receipt of new information, or otherwise.

Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements made by the Company and its management as a result of a number of important factors. Representative examples of these factors include (without limitation) rapid technological developments and changes in the telecommunications and information services industries; ongoing deregulation (and the resulting likelihood of significantly increased price and product/service competition) in the telecommunications industry as a result of the Telecommunications Act of 1996 and other similar federal and state legislation and the federal and state rules and regulations enacted pursuant to that legislation; regulatory limitations on the Company's ability to change its pricing for communications services; the possible future unavailability of SFAS 71 to the Company's wireline subsidiaries; continuing consolidation in certain industries, such as banking, served by the Company's information services business; the risks associated with relatively large, multi-year contracts in the Company's information services business; and higher than anticipated expenditures associated with the Company's Year 2000 efforts. In addition to these factors, actual future performance, outcomes and results may differ materially because of other, more general, factors including (without limitation) general industry and market conditions and growth rates, domestic and international economic conditions, governmental and public policy changes and the continued availability of financing in the amounts, at the terms and on the conditions necessary to support the Company's future business.

COMPLETION OF MERGER

On July 1, 1998, ALLTEL completed its merger with 360° Communications Company ("360°"). The merger was accounted for as a pooling of interests: and accordingly, all prior period financial information has been restated to include the 360° operations. The financial statements presented include certain eliminations and reclassification adjustments to conform the accounting and financial reporting policies of ALLTEL and 360°. See note 2 to the unaudited consolidated financial statements for additional information regarding the merger transaction. As further discussed below, results for the third quarter were affected by merger and integration expenses and other non-recurring and unusual items.

OVERVIEW-CONSOLIDATED RESULTS OF OPERATIONS

Revenues and sales increased $186.7 million or 16 percent, $457.7 million or 14 percent and $548.7 million or 12 percent for the three, nine and twelve month periods ended September 30, 1998, respectively. Growth in revenues and sales in the nine and twelve month periods of 1998 was impacted by the sale of the Company's wire and cable subsidiary, HWC Distribution Corp. ("HWC"). The sale of information services' healthcare operations also impacted revenues and sales growth in the twelve month period of 1998. Adjusted to exclude the sold operations, revenues and sales would have increased $500.6 million or 15 percent and $658.1 million or 15 percent in the nine and twelve months ended September 30, 1998.

Operating income decreased $262.6 million or 95 percent, $161.9 million or 22 percent and $115.0 million or 12 percent for the three, nine and twelve month periods ended September 30, 1998, respectively. As further discussed below, operating income for all periods of 1998 was affected by merger and integration expenses and other non-recurring charges to reduce the carrying value of certain assets. The sales of the HWC and healthcare operations also impacted operating income growth in the nine and twelve month periods of 1998. Adjusted to exclude the results from operations for the asset dispositions, merger and integration expenses and asset write-downs, operating income would have increased $44.4 million or 16 percent, $129.6 million or 17 percent and $183.7 million or 19 percent for the three, nine and twelve months ended September 30, 1998, respectively.

In addition to reflecting the third quarter merger and integration expenses and asset write-downs, reported net income and earnings per share amounts for all periods of 1998 include gains realized from the sale of certain investments. As a result of the impact of all non-recurring and unusual items, reported net income decreased $178.9 million or 119 percent, $84.1 million or 18 percent and $54.8 million or 10 percent for the three, nine and twelve month periods ended September 30, 1998, respectively. Basic earnings per common share also decreased 118 percent, 18 percent and 9 percent for the three, nine and twelve month periods ended September 30, 1998, respectively. Excluding the impact in each period of the asset dispositions and non-recurring and unusual items, net income would have increased $29.0 million or 23 percent, $81.3 million or 23 percent and $114.5 million or 26 percent, while basic earnings per share would have increased 24 percent, 25 percent and 28 percent in the three, nine and twelve month periods ended September 30, 1998, respectively.

Net income and basic earnings per share adjusted for the asset dispositions and the non-extraordinary, non-recurring and unusual items are summarized in the following table:

(Dollars in thousands, except per share amounts)	Three Months Ended September 30.		Nine Months Ended September 30.		Twelve Months Ended September 30.	
	1998	1997	1998	1997	1998	1997
Net income (loss), as reported	$(27,975)	$150,943	$373,713	$457,793	$505,301	$560,094
Disposition of healthcare and wire and cable operations	-	-	-	(838)	-	(4,726)
Non-recurring and unusual items:						
Merger and integration expenses and provision to reduce carrying value of certain assets	234,600	-	234,600	11,744	234,600	11,744
Gain on disposal of assets	(49,233)	(22,569)	(179,770)	(121,485)	(179,770)	(121,485)
Net income, as adjusted	$157,392	$128,374	$428,543	$347,214	$560,131	$445,627
Basic earnings (loss) per share, as reported	$(.10)	$.55	$1.36	$1.65	$1.84	$2.02
Disposition of healthcare and wire and cable operations	-	-	-	-	-	(.02)
Non-recurring and unusual items:						
Merger and integration expenses and provision to reduce carrying value of certain assets	.85	-	.85	.04	.85	.04
Gain on disposal of assets	(.18)	(.09)	(.65)	(.44)	(.65)	(.44)
Basic earnings per share, as adjusted	$.57	$.46	$1.56	$1.25	$2.04	$1.60

The net income and basic earnings per share impact of the asset dispositions and the non-recurring and unusual items has been presented as supplemental information only. The non-recurring items reflected in the above table are discussed in reference to the caption in the consolidated statements of income in which they are reported.

Merger and Integration Expenses and Provision to Reduce Carrying Value of Certain Assets

During the third quarter of 1998, the Company recorded transaction costs and one-time charges totaling $307 million related to the closing of its merger with 360° and to changes in a customer care and billing contract with a major customer. The merger and integration expenses, which total $252 million on a pretax basis, include professional and financial advisors' fees of $31.5 million, employee-related expenses of $48.7 million and integration costs of $171.8 million. The integration costs include several adjustments resulting from the redirection of a number of strategic initiatives based on the merger with 360° and ALLTEL's expanded wireless presence. These adjustments include a write-down in the carrying value of certain in-process software development assets, costs associated with the early termination of certain service obligations and a write-down in the carrying value of certain assets resulting from a revised Personal Communications Services ("PCS") deployment plan. In addition, the Company recorded a $55 million charge related to its contract with GTE Corporation ("GTE"). Due to its pending merger with Bell Atlantic Corporation, GTE has re-evaluated its billing and customer care requirements and modified its billing conversion plans and will purchase certain software usage rights and processing services from ALLTEL for an interim period. The net income impact of these transaction and one-time charges decreased net income $234.6 million or $.85 per share in the three, nine and twelve month periods ended September 30, 1998.

During the second quarter of 1997, the Company recorded a pretax write-down of $16.9 million to reflect the fair value less cost to sell its wire and cable subsidiary, HWC. The net income impact of this write-down resulted in a decrease in net income of $11.7 million or $.04 per share in the nine and twelve month periods ended September 30, 1997.

Gain on Disposal of Assets and Other

During the third quarter of 1998, the Company recorded a pretax gain of $80.9 million from the sale of a portion of its investment in MCI WorldCom, Inc. ("MCI WorldCom") common stock. This gain increased net income $49.2 million or $.18 per share in the three month period ended September 30, 1998. In addition to including this gain, the nine and twelve month periods of 1998 also include pretax gains of $184.8 million resulting from additional sales of MCI WorldCom common stock completed in the first and second quarters of 1998, and a pretax gain of $30.5 million resulting from the sale of the Company's ownership interest in a cellular partnership serving the Omaha, Nebraska market. The gains from the transactions recorded during the first two quarters of 1998 resulted in an increase in net income of $130.6 million or $.47 in earnings per share.

During the third quarter of 1997, the Company recorded a pretax gain of $34.4 million primarily related to the sale of its investment in a software company. This gain increased net income $22.6 million or $.09 per share. In the second quarter of 1997, the Company recorded a pretax gain of $156.0 million from the sale of a portion of its investment in MCI WorldCom common stock. This transaction resulted in an increase of $88.1 million in net income and $.31 in earnings per share. During the first quarter of 1997, the Company recorded a pretax gain of $16.2 million from the sale of information services' healthcare operations. In addition, the Company recorded a pretax gain of $3.0 million from the divestiture of its ownership interest in two unconsolidated cellular partnerships. These first quarter transactions increased net income $10.8 million or $.04 per share.

See notes 3 and 4 to the unaudited consolidated financial statements for additional information regarding the merger and integration expenses and other non-recurring and unusual items recorded during 1998.

RESULTS OF OPERATIONS BY BUSINESS SEGMENT

Communications-Wireless Operations

(Dollars in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,		Twelve Months Ended September 30,	
	1998	1997	1998	1997	1998	1997
Revenues and sales	$554,738	$473,057	$1,575,308	$1,359,339	$2,054,513	$1,774,053
Operating income	$177,246	$134,920	$ 452,162	$ 342,229	$ 570,386	$ 424,967

Wireless revenues and sales increased $81.7 million or 17 percent, $216.0 million or 16 percent and $280.5 million or 16 percent for the three, nine and twelve month periods ended September 30, 1998, respectively. Operating income increased $42.3 million or 31 percent, $109.9 million or 32 percent and $145.4 million or 34 percent for the three, nine and twelve month periods ended September 30, 1998, respectively. During the past twelve month period, subscriber growth remained strong as the number of wireless customers grew to 3,862,871 from 3,366,757, an increase of 15 percent. During the first nine months of 1998, the Company placed more than 1,029,000 gross units in service, compared to nearly 985,000 gross units for the same period of 1997. Overall, the Company's market penetration rate (number of customers as a percent of the total population in ALLTEL's service areas) increased to 11.6 percent as of September 30, 1998. Customer churn (average monthly rate of customer disconnects) increased slightly and was 2.2 percent, 2.1 percent and 2.1 percent for the three, nine and twelve months ended September 30, 1998, respectively, compared to 2.0 percent for each of the same three periods in 1997.

Wireless revenues and sales increased in all periods primarily due to the growth in the Company's customer base. Increases in local airtime, roaming and long-distance revenues, reflecting higher volumes of network usage, also contributed to the growth in revenues and sales in all periods. The increased usage of the Company's network facilities boosted the average revenue per customer per month for the third quarter of 1998 to $49 compared to $48 for the third quarter of 1997. Average revenue per customer per month was $48 and $47 for the nine and twelve months ended September 30, 1998, respectively. On a comparative basis, average revenue per customer per month was $48 for both the nine and twelve month periods ended September 30, 1997. Growth in average revenue per customer per month for all periods of 1998 was affected by the industry-wide trends of decreased roaming revenue rates and continued penetration into lower-usage market segments. The Company expects these trends to continue. In addition, the growth rate of new customers is expected to decline as the Company's wireless customer base grows. Accordingly, future revenue growth will be dependent upon ALLTEL's success in maintaining customer growth in existing markets, increasing customer usage of the Company's network and providing customers with enhanced products and services.

The growth in operating income for all periods of 1998 primarily reflects the increases in revenues and sales noted above. Improved margins realized on the sale of wireless equipment, a reduction in branding and other advertising costs and a decline in losses sustained from fraud also contributed to the growth in operating income in all periods. Partially offsetting these increases in operating income in all periods were increases in sales commissions, customer service-related expenses, and general administrative expenses consistent with the overall growth in revenues and sales. In addition, depreciation and amortization expense increased in all periods primarily due to growth in wireless plant in service. The reduction in branding and other advertising costs reflects savings realized as a result of the merger, as the Company ceased promotion of the 360° brand name during the third quarter. The decline in losses sustained from fraud reflects the Company's continuing efforts to control unauthorized usage of its customers' wireless telephone numbers that results in unbillable fraudulent roaming activity.

Cost to acquire a new wireless customer was $254, $286 and $282 for the three, nine and twelve month periods ended September 30, 1998, respectively, compared to $281, $280 and $282 for the same periods of 1997. The significant decrease in the cost to acquire a new customer in the three month period was primarily due to the reduction in branding and advertising costs noted above, as well as distributing costs over a larger number of customers acquired when compared to the corresponding prior year period. The increase in the cost to acquire a new customer in the nine month period primarily resulted from increased commissions paid to national dealers, reflecting increased sales from external distribution channels. Although the Company intends to continue to utilize its large dealer network, the Company has expanded its internal sales distribution channels to include its own retail stores and kiosks located in shopping malls and other retail outlets. Incremental sales costs at a Company retail store or kiosk are significantly lower than commissions paid to national dealers. Accordingly, the Company intends to manage the costs of acquiring new customers by continuing to expand and enhance its internal distribution channels.

Communications-Wireline Operations

(Dollars in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,		Twelve Months Ended September 30,	
	1998	1997	1998	1997	1998	1997
Local service	$148,624	$135,721	$432,865	$396,109	$ 572,610	$ 524,925
Network access and long-distance	160,160	154,667	473,750	450,785	632,325	592,392
Miscellaneous	22,775	22,083	69,735	65,881	92,608	89,127
Total revenues and sales	$331,559	$312,471	$976,350	$912,775	$1,297,543	$1,206,444
Operating income	$115,483	$113,278	$347,841	$329,527	$ 468,299	$ 430,822

Wireline revenues and sales increased $19.1 million or 6 percent, $63.6 million or 7 percent and $91.1 million or 8 percent for the three, nine and twelve months ended September 30, 1998, respectively. Wireline operating income increased $2.2 million or 2 percent, $18.3 million or 6 percent and $37.5 million or 9 percent for the three, nine and twelve month periods ended September 30, 1998, respectively.

Local service revenues increased $12.9 million or 10 percent, $36.8 million or 9 percent and $47.7 million or 9 percent in the three, nine and twelve month periods ended September 30, 1998, respectively. Customer access lines increased more than 6 percent during the past twelve month period, including the sales of residential and second access lines. Growth in custom calling and other enhanced services revenues also contributed to the increases in local service revenues in all periods of 1998.

Network access and long-distance revenues increased $5.5 million or 4 percent, $23.0 million or 5 percent and $39.9 million or 7 percent for the three, nine and twelve month periods ended September 30, 1998, respectively. The increases in all periods primarily reflect higher volumes of access usage and growth in customer access lines. These increases were partially offset by a reduction in intrastate toll revenues.

Miscellaneous revenues increased $0.7 million or 3 percent, $3.8 million or 6 percent and $3.5 million or 4 percent for the three, nine and twelve month periods ended September 30, 1998, respectively. The increases in all periods reflect increases in directory advertising and equipment rental revenues.

As more fully discussed in note 8 to the unaudited interim consolidated financial statements, the Georgia Public Service Commission ("Georgia PSC") issued an order requiring that ALLTEL's wireline subsidiaries which operate within its jurisdiction reduce their annual network access charges by $24 million, prospectively, effective July 1, 1996. The Company appealed the Georgia PSC order. In November 1996, the Superior Court of Fulton County, Georgia, (the "Superior Court") rendered its decision and reversed the Georgia PSC order, finding, among other matters, that the Georgia PSC had exceeded its authority by ordering the rate reductions. The Superior Court did not rule on a number of other assertions made by the Company as grounds for reversal of the Georgia PSC order. The Georgia PSC appealed the Superior Court's decision, and in July 1997, the Georgia Court of Appeals (the "Appellate Court") reversed the Superior Court's decision. The Company appealed the Appellate Court's decision to the Georgia Supreme Court. On October 5, 1998, the Georgia Supreme Court, in a 4-3 decision, upheld the Appellate Court's ruling that the Georgia PSC had the authority to order the rate reductions. The case will now return to the Superior Court for a hearing on the merits and provide ALLTEL the opportunity to challenge the Georgia PSC's order by asserting a number of additional federal and state constitutional and other legal grounds. Since the Company believes that it will prevail in this case, the Company has not implemented any revenue reductions or established any reserves for refund related to this matter at this time.

Operating income for the three month period reflects the increases in wireline operating revenues and sales, partially offset by increases in data processing charges, network-related expenses, depreciation and amortization, and general administrative expenses. Depreciation and amortization expense increased in the three month period primarily due to growth in wireline plant in service. The growth in wireline operating income for the nine and twelve month periods of 1998 primarily reflects the increases in revenues and sales noted above.

ALLTEL's wireline subsidiaries follow the accounting for regulated enterprises prescribed by Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulation" ("SFAS 71"). If ALLTEL's wireline subsidiaries no longer qualified for the provisions of SFAS 71, the accounting impact to the Company would be an extraordinary non-cash charge to operations of an amount that could be material. Criteria that would give rise to the discontinuance of SFAS 71 include (1) increasing competition that restricts the wireline subsidiaries' ability to establish prices to recover specific costs and (2) significant change in the manner in which rates are set by regulators from cost-based regulation to another form of regulation. The Company periodically reviews these criteria to ensure the continuing application of

SFAS 71 is appropriate. As a result of the passage of the Telecommunications Act of 1996 (the "96 Act")and state telecommunications reform legislation, ALLTEL's wireline subsidiaries could begin to experience increased competition in their local service areas. To date, competition has not had a significant adverse effect on the operations of ALLTEL's wireline subsidiaries.

In August 1996, the FCC issued regulations implementing the local competition provisions of the 96 Act. These regulations established pricing rules for state regulatory commissions to follow with respect to entry by competing carriers into the local, intrastate markets of incumbent local exchange carriers ("ILECs") and addressed interconnection, unbundled network elements and resale rates. The FCC's authority to adopt such pricing rules, including permitting new entrants to "pick and choose" among the terms and conditions of approved interconnection agreements, was challenged in federal court by various ILECs and state regulatory commissions. On July 18, 1997, the U.S. Eighth Circuit Court of Appeals (the "Eighth Circuit Court") issued its decision and vacated the FCC's pricing rules including the "pick and choose" provisions, finding, among other matters, that the FCC had exceeded its jurisdiction in establishing pricing rules for intrastate communications services. In responding to petitions for rehearing of its earlier decision, the Eighth Circuit Court ruled on October 14, 1997, that ILECs are not required by the 96 Act to recombine network elements purchased by requesting carriers on an unbundled basis. The FCC asked the U.S. Supreme Court ("Supreme Court") to review two interconnection decisions of the Eighth Circuit Court, and the Supreme Court agreed to review these decisions. Oral arguments were held before the Supreme Court on October 13, 1998.

In May 1997, the FCC issued regulations relating to access charge reform and universal service. The access charge reform regulations are applicable mainly to price cap regulated local exchange companies. Since ALLTEL's wireline subsidiaries are not price cap regulated companies, the access charge regulations, with few exceptions, are not currently applicable to them. However, the FCC instituted a rulemaking in June 1998 in which it proposed to amend the access charge rules for rate-of-return LECs in a manner similar to that earlier adopted for price cap LECs. The FCC's proposal involves the modification of the transport rate structure, the reallocation of costs in the transport interconnection charge, and amendments to reflect changes necessary to implement universal service. The issue of additional pricing flexibility for rate-of-return LECs is expected to be addressed in a subsequent phase of the proceeding. Comments and reply comments on the FCC's proposal were filed August 17th and September 17th, respectively. Once the access charge rules for rate-of-return LECs are finalized, ALLTEL will assess the impact, if any, the new rules will have on its wireline operations. Based upon ALLTEL's review of the FCC's regulations concerning the universal service subsidy, it is unlikely that material changes in the universal service funding for ALLTEL's wireline subsidiaries will occur prior to 2001. In 2001, the universal service subsidy is scheduled to change from being based on actual costs to being based on a proxy model. Since the FCC has not yet determined the content of any such proxy model, the impact, if any, of this change in the universal service funding for ALLTEL's wireline subsidiaries cannot be determined at this time. The impact of the FCC's universal service order on ALLTEL's other telecommunications operations continues to be evaluated. Appeals of certain aspects of the universal service order are before the U.S. Fifth Circuit Court of Appeals.

On October 5, 1998, the FCC began a proceeding to consider a represcription of the authorized rate of return for the interstate access services of approximately 1,300 ILECs, including ALLTEL's wireline subsidiaries. The currently prescribed rate of return is 11.25 percent. The purpose of the FCC's proceeding is to determine whether the prescribed rate of return corresponds to current market conditions and whether the rate should be changed. A decision by the FCC related to this matter is not expected until 1999.

As resolution of the regulatory matters discussed above that are currently under FCC and/or judicial review is uncertain and regulations to implement other provisions of the 96 Act have yet to be issued, ALLTEL cannot predict at this time the specific effects that the 96 Act and future competition will have on its wireline operations.

Communications-Emerging Businesses

(Dollars in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,		Twelve Months Ended September 30,	
	1998	1997	1998	1997	1998	1997
Revenues and sales	$ 28,168	$13,544	$ 68,803	$ 33,410	$ 87,395	$ 39,193
Operating loss	$(12,712)	$(6,478)	$(29,881)	$(17,981)	$(34,049)	$(22,587)

Emerging businesses consist of the Company's long-distance, competitive local exchange carrier ("CLEC"), Internet access, network management and PCS operations. Long-distance and Internet access services are currently marketed to residential and business customers in the majority of states in which ALLTEL provides communications services. The Company began providing PCS service in Jacksonville, Florida in March 1998, and ALLTEL expects to begin offering PCS service in other markets in the near future. ALLTEL has begun to offer local access and network management services in select markets outside its traditional service areas to business customers.

Emerging businesses' revenues and sales increased $14.6 million or 108 percent, $35.4 million or 106 percent and $48.2 million or 123 percent for the three, nine and twelve month periods ended September 30, 1998. The growth in revenues and sales in all periods primarily reflects growth in the long-distance operations. Due to the start-up nature of these operations, operating losses sustained by emerging businesses increased $6.2 million or 96 percent, $11.9 million or 66 percent and $11.5 million or 51 percent for the three, nine and twelve month periods of 1998, respectively.

Information Services

(Dollars in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,		Twelve Months Ended September 30,	
	1998	1997	1998	1997	1998	1997
Revenues and sales	$292,169	$244,256	$856,221	$710,003	$1,120,369	$964,663
Operating income	$ 40,417	$ 34,944	$116,609	$104,202	$ 157,335	$147,420

Information services' revenues and sales increased $47.9 million or 20 percent, $146.2 million or 21 percent and $155.7 million or 16 percent for the three, nine and twelve month periods ended September 30, 1998, respectively. Growth in revenues and sales for the twelve month period was impacted by the sale of the healthcare operations completed in January 1997. Excluding the sold healthcare operations, revenues and sales would have increased $189.1 million or 20 percent in the twelve month period ended September 30, 1998. Revenues and sales increased in all periods of 1998, primarily due to growth in the financial services, international and telecommunications outsourcing operations, reflecting volume growth in existing data processing contracts and the addition of new outsourcing agreements. The increases in revenues and sales in both periods were partially offset by lost operations from contract terminations due primarily to the merger and consolidation activity in the domestic financial services market. The domestic financial services industry continues to experience consolidation due to mergers.

Operating income increased $5.5 million or 16 percent, $12.4 million or 12 percent and $9.9 million or 7 percent for the three, nine and twelve month periods ended September 30, 1998, respectively. Excluding the impact of the sold healthcare operations, operating income would have increased $15.2 million or 11 percent for the twelve months ended September 30, 1998. The increases in operating income for all periods of 1998 reflect the growth in revenues and sales noted above, additional fees collected from the early termination of contracts and improved profit margins realized from the international financial services business. The increases in operating income in all periods attributable to revenue growth, termination fees and increased profitability of the international operations were partially offset by lower margins realized by the telecommunications operations. The decrease in telecommunications operating margins reflects increases in depreciation and amortization expense and increases in software maintenance and other operating costs.

Depreciation and amortization expense increased in both periods primarily due to the acquisition of additional data processing equipment and due to an increase in amortization of internally developed software.

Other Operations

(Dollars in thousands)	Three Months Ended September 30.		Nine Months Ended September 30.		Twelve Months Ended September 30.	
	1998	1997	1998	1997	1998	1997
Revenues and sales	$178.593	$109.517	$425.155	$371.747	$532.330	$502,463
Operating income	$ 6.975	$ 5.249	$ 19.242	$ 18.187	$ 22.994	$ 25.596

Other operations consist of the Company's product distribution and directory publishing operations. Revenues and sales increased $69.1 million or 63 percent. $53.4 million or 14 percent and $29.9 million or 6 percent for the three. nine and twelve month periods ended September 30. 1998. respectively. Operating income increased $1.7 million or 33 percent. increased $1.1 million or 6 percent and decreased $2.6 million or 10 percent for the three. nine and twelve month periods ended September 30. 1998. respectively. Revenues and sales and operating income for the nine and twelve month periods of 1997 include the operating results of HWC. which was sold in May 1997. as previously discussed. Excluding the impact of the HWC operations in each period. revenues and sales would have increased $96.3 million or 29 percent and $105.9 million or 25 percent. while operating income would have increased $2.5 million or 15 percent and $0.7 million or 3 percent for the nine and twelve month periods ended September 30. 1998. respectively.

Revenues and sales increased in all periods of 1998 primarily due to growth in sales of telecommunications and data products to both affiliated and non-affiliated customers. including increased retail sales of these products at the Company's counter showrooms. Sales to affiliates increased $60.5 million, $76.1 million and $80.8 million in the three. nine and twelve month periods ended September 30, 1998. The increases in affiliate sales in all periods was primarily due to additional purchases made by the Company's wireless subsidiaries. reflecting the merger with 360° and the expansion of ALLTEL Supply's product lines to include wireless equipment. The increases in other operations' revenues and sales in the nine and twelve month periods of 1998 attributable to ALLTEL Supply's operations were partially offset by decreases in directory publishing revenues. primarily reflecting the loss of one large directory publishing contract.

Operating income increased in the three and nine month periods of 1998 primarily due to the increases in revenues and sales noted above. Growth in other operations' operating income for all periods of 1998 was impacted by lower gross profit margins realized by ALLTEL Supply, reflecting a reduction in margins earned on affiliated sales and increased competition from other distributors and from direct sales by manufacturers. Excluding the impact of the HWC operations. operating income would have increased in the twelve month period of 1998 primarily due to the increase in ALLTEL Supply's sales. partially offset by increased selling and marketing expenses and the impact of the lower gross profit margins discussed above. The increase in selling and marketing expenses reflects additional costs incurred by the Company to open several new counter showroom facilities during the last six months of 1997.

Corporate Expenses

(Dollars in thousands)	Three Months Ended September 30.		Nine Months Ended September 30.		Twelve Months Ended September 30.	
	1998	1997	1998	1997	1998	1997
Corporate operating expenses	$ 6.765	$5,686	$ 12.731	$11.106	$ 19.041	$15,378
Merger and integration expenses and provision to reduce carrying value of certain assets	307.000	-	307.000	16.874	307.000	16.874
Total corporate expenses	$313.765	$5.686	$319.731	$27.980	$326.041	$32.252

As indicated in the above table, corporate expenses for all periods of 1998 include the $307 million of merger and integration expenses and one-time charges related to changes in GTE's customer care and billing contract, as previously discussed. Corporate expenses for the nine and twelve month periods ended September 30, 1997 include the write-down of $16.9 million to reflect the fair value less cost to sell the HWC operations recorded in the second quarter of 1997. Excluding the impact of the merger and integration expenses and asset write-downs in each period, corporate expenses would have increased $1.1 million or 19 percent, $1.7 million or 15 percent and $3.7 million or 24 percent for the three, nine and twelve month periods ended September 30, 1998. Net of the merger and integration expenses and asset write-downs, the increases in corporate expenses in all periods of 1998 reflect increases in corporate advertising and employee benefit costs.

OTHER FINANCIAL STATEMENT ITEMS

Other Income, Net

Other income, net increased $12.3 million or 247 percent, $21.1 million or 303 percent and $27.3 million or 300 percent for the three, nine and twelve month periods ended September 30, 1998, respectively. The increases in all periods primarily reflect growth in equity income recognized by the Company on its investments in wireless partnerships, partially offset by an increase in the minority interest in earnings of the Company's wireless operations by others. Increases in capitalized interest costs also contributed to the growth in other income, net for the nine and twelve month periods of 1998. Capitalized interest costs increased in the nine and twelve month periods of 1998 primarily due to the acquisition of the PCS licenses, as interest related to the license cost is capitalized for those markets not yet operational.

Interest Expense

Interest expense increased $0.2 million or less than 1 percent, increased $5.0 million or 3 percent and increased $12.7 million or 5 percent for the three, nine and twelve month periods ended September 30, 1998, respectively. The increases in interest expense in the nine and twelve month periods reflect increases in both the average amount of borrowings outstanding and weighted average borrowing rates applicable to the Company's revolving credit agreement. In addition, the issuance of $100 million of 6.65 percent notes in January 1998, also contributed to the increase in interest expense in the nine and twelve month periods ended September 30, 1998.

Income Taxes

Income tax expense decreased $25.1 million or 25 percent, increased $24.7 million or 8 percent and increased $40.8 million or 11 percent for the three, nine and twelve month periods ended September 30, 1998, respectively. The changes in income tax expense in all periods primarily reflect the tax-related impact of the merger and integration expenses and the other non-recurring and unusual items previously discussed. Excluding the impact on tax expense of these items in each period, income tax expense would have increased $27.5 million or 32 percent, $63.7 million or 28 percent and $79.8 million or 27 percent in the three, nine and twelve month periods ended September 30, 1998, respectively, consistent with the overall growth in the Company's earnings from continuing operations before non-recurring and unusual items.

Average Common Shares Outstanding

The average number of common shares outstanding decreased 1 percent in each of the three, nine and twelve month periods ended September 30, 1998. The decreases in all periods were primarily due to the Company's repurchase of its common stock on the open market in 1997, partially offset by additional shares issued in connection with the acquisition of a wireline property in the State of Georgia and by additional shares issued under the Company's stock option plans.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

ALLTEL's total capital structure was $6.6 billion at September 30, 1998, reflecting 45 percent common and preferred equity and 55 percent debt. This compares to a capital structure of $6.5 billion at December 31, 1997, reflecting 42 percent common and preferred equity and 58 percent debt. The Company has adequate internal and external resources available to finance its ongoing operating requirements, including capital expenditures, business development and the payment of dividends.

Cash provided from operations continues to be ALLTEL's primary source of liquidity. Cash provided from operations was $835.6 million and $1,238.6 million for the nine and twelve month periods ended September 30, 1998, respectively, compared to $778.3 million and $1,136.7 million for the same periods in 1997. The increases in the nine and twelve month periods reflect growth in the earnings of the Company, changes in working capital requirements and the timing of additional income tax payments associated with gains realized from the sale of a portion of ALLTEL's investment in MCI WorldCom common stock.

Capital expenditures for the nine and twelve month periods of 1998 were $559.5 million and $863.0 million, respectively, compared to $523.4 million and $764.3 million for the same periods in 1997. During the past two-year period, the Company funded the majority of its capital expenditures through internally generated funds. Capital expenditures were incurred to continue to modernize and upgrade ALLTEL's telecommunications network and to expand into existing information services markets. In addition, capital expenditures were incurred to construct additional network facilities to provide PCS and to offer other communications services, including long-distance, Internet and local competitive access services. Capital expenditures are forecast at approximately $850 million for 1998, which are expected to be funded primarily from internally generated funds.

Cash flows from investing activities for the nine and twelve month periods of 1998 include cash outlays for the acquisition of property of $55.1 million and $64.1 million, respectively. Cash outlays for the nine months ended September 30, 1998, include $34.6 million related to the acquisition of two wireless properties in Georgia and $20.5 million related to the acquisition of additional ownership interests in wireless properties in North Carolina and Texas. In addition to these acquisitions, cash outlays for the twelve months ended September 30, 1998 include the purchase of a wireline property in Georgia. Cash flows from investing activities for the nine and twelve month periods of 1997 include a cash outlay of $146.5 million related to the acquisition of PCS licensing rights. The Company acquired PCS licensing rights for 73 markets in 12 states. Cash flows from investing activities for the nine month period of 1997 also include cash outlays of $103.8 million for the acquisition of two wireless properties in Alabama and the purchase of additional ownership interests in 16 wireless properties. In addition to these acquisitions, cash flows from investing activities for the twelve month period of 1997 also include a cash outlay of $243.0 million related to the acquisition of Independent Cellular Network, Inc. ("ICN"). ICN owned and operated cellular systems serving more than 140,000 customers in Ohio, Kentucky, Pennsylvania and West Virginia.

Cash flows from investing activities for both the nine and twelve month periods ended September 30, 1998 include proceeds of $290.9 million primarily from the sale of a portion of the Company's investment in MCI WorldCom common stock. Cash flows from investing activities for the nine and twelve month periods ended September 30, 1997 also include proceeds of $185.9 million from the sale of MCI WorldCom common stock. In addition, cash flows from investing activities for both the nine and twelve month periods of 1997 include proceeds of $202.3 million from the sale of property, principally consisting of three non-strategic operations. In September 1997, ALLTEL received cash proceeds of $48.7 million from the sale of an investment in a software company. In May 1997, the Company completed the sale of HWC for approximately $45.0 million in cash; and in January 1997, ALLTEL received cash proceeds of $104.9 million in connection with the sale of its healthcare operations. The proceeds from these asset sales were used primarily to reduce borrowings under the Company's revolving credit agreement.

Included in cash flows from financing activities are dividend payments and the repurchase by the Company of its common stock. Common and preferred dividend payments for the nine and twelve month periods ended September 30, 1998 were $161.0 million and $212.3 million, respectively, compared to $154.9 million and $204.4 million for the same periods in 1997. The increases in dividend payments in both periods reflect the October 1997 action of the Board of Directors to increase the quarterly common stock dividend. On October 22, 1998, the Board of Directors approved a 5.2 percent increase in the quarterly common stock dividend rate from $.29 to $.305 per share. This action raised the annualized dividend to $1.22 per share and marked the 38th consecutive year in which ALLTEL has increased its common stock dividend. Under a share repurchase program initiated in 1996 and expanded in 1997, the Company repurchased approximately 2.7 million of its common shares at a total cost of $95.2 million during the twelve month period ended September 30, 1998. ALLTEL did not repurchase any of its common stock during the first nine months of 1998. During the twelve month period ended September 30, 1997, the Company repurchased approximately 6.4 million of its common shares at a total cost of $195.2 million. Of this total, $116.8 million was spent during the first nine months of 1997.

The Company has a $1 billion line of credit under a revolving credit agreement. Borrowings outstanding under this agreement at September 30, 1998 were $633.6 million, compared to $847.9 million that were outstanding at December 31, 1997. Borrowings outstanding under this agreement at September 30, 1997 were $750.3 million. The weighted average interest rate on borrowings outstanding under this agreement at September 30, 1998, was 5.6 percent. As previously discussed, proceeds from the sales of MCI WorldCom common stock and the HWC and healthcare operations were used primarily to reduce the amount of borrowings outstanding under the revolving credit agreement. The net reduction in revolving credit borrowings for the nine and twelve months ended September 30, 1998, represents a portion of the long-term debt retired in those periods. Scheduled long-term debt retirements, net of the revolving credit agreement activity, amounted to $29.0 million and $46.7 million for the nine and twelve month periods ended September 30, 1998, respectively. As previously indicated, in January 1998, the Company issued $100 million of 6.65 percent notes due 2008. This debt issuance represents substantially all of the long-term debt issued in the nine and twelve month periods ended September 30, 1998. Long-term debt issued in the nine month period of 1997 primarily consists of the issuance of $200 million of 7.6 percent notes due 2009. Proceeds from both the $100 million and $200 million debt issues were used to reduce borrowings outstanding under the revolving credit agreement. Long-term debt issued in the twelve month period of 1997 also includes the issuance of subordinated promissory notes and other debt issued in connection with the ICN acquisition.

Year 2000 Compliance

The Year 2000 issue affects the Company's internal computer systems and infrastructure, as well as certain software, systems and services that the Company provides to its customers. The Company began its Year 2000 compliance efforts several years ago and plans to achieve Year 2000 compliance by June 30, 1999. The Company's Year 2000 plan consists of eight phases: (i) Awareness; (ii) Inventory; (iii) Third-Party Strategies; (iv) Risk Assessment; (v) Planning; (vi) Remediation; (vii) Testing; and (viii) Implementation.

For the Company's internal computer systems and software, systems and services that the Company provides to its customers and for which the Company is responsible, the Awareness and Inventory phases have been completed. The Company has commenced work on and plans to complete the Third-Party Strategies phase by November 30, 1998, the Planning phase by December 15, 1998, the Risk Assessment phase by January 15, 1999, and the Remediation, Testing and Implementation phases by June 30, 1999.

For the Company's infrastructure, including facilities and embedded technologies, the Company has completed the Awareness phase and has commenced work on and plans to complete the Third-Party Strategies, Planning and Risk Assessment phases by November 30, 1998, and the Remediation, Testing and Implementation phases by June 30, 1999.

As part of its Year 2000 plan, the Company has implemented a third party management process and is continuing to contact its vendors, suppliers and other third parties upon which the Company depends regarding their plans for making their products, services and systems Year 2000 compliant. The Company's ability to meet its target completion dates is dependent upon the timely provision of upgrades or other solutions from its vendors and suppliers. Some third party upgrades or other solutions may not be available until early 1999, which may delay the Company's completion of its Remediation, Testing, and Implementation phases. The Company is also dependant upon other third parties who provide essential services (such as utilities, interexchange carriers, etc.) to make their critical systems Year 2000 compliant in a timely manner. Generally, the Company does not have the ability to test those systems for Year 2000 compliance and, instead, must rely on the third parties' representations.

Contingency planning to maintain and restore service in the event of a natural disaster, power failure, or software related interruption has long been part of the Company's standard business practices. The Company is working to leverage this experience in the development and implementation of its Year 2000 contingency plans, which assess the potential for business disruption in various scenarios, including a possible, but unlikely, "worst case" scenario involving the interruption of telecommunications and data processing services and/or interruption of customer billing, operating and other information systems, and provide for key-operation back-up and alternative solutions for recovery. The Company expects to complete contingency planning for its critical systems by December 31, 1998.

The Company estimates the total cost of its Year 2000 efforts to be approximately $80 million. As of September 30, 1998, the Company has incurred approximately $40 million of that amount. Of the total Year 2000 cost to be incurred, approximately one-half of the cost will be capitalized and subsequently amortized over a 3 to 5 year period, including costs relating to the remediation of the Company's software products. Some Year 2000 costs are not incremental, but rather represent the redeployment of existing resources. The estimated costs associated with making customers' systems Year 2000 compliant, in those situations where the Company is obligated to do so, has been treated as a contract cost and is not included in the Company's estimated Year 2000 costs. The Company continues to evaluate the estimated costs associated with its Year 2000 efforts based on actual experience. While the efforts involve additional costs, the Company believes, based on available information, that these costs will not have a material adverse effect on its results of operations.

The above information is based on the Company's current best estimates using numerous assumptions of future events. Given the complexity of the Year 2000 issues and possible unidentified risks, actual results may vary from those anticipated and discussed above.

Other Financial Information

During the first nine months of 1998, there were no material changes in the market risks discussed in the Company's Annual Report on Form 10-K for the year ended December 31, 1997.

Recently Issued Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and for Hedging Activities", ("SFAS 133"). This Statement establishes accounting and reporting standards requiring that every derivative instrument be recorded on the balance sheet as either an asset or liability measured at fair value. SFAS 133 requires that changes in a derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item in the income statement, and requires that a company must formally document, designate and assess the effectiveness of transactions that receive hedge accounting. SFAS 133 is effective for fiscal years beginning after June 15, 1999, and cannot be applied retroactively. ALLTEL has not yet quantified the impacts of adopting SFAS 133 on its financial statements; however, SFAS 133 could increase the volatility of reported earnings and other comprehensive income once adopted.

ALLTEL CORPORATION

FORM 10-Q

Part II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) See the exhibits specified on the Index of Exhibits located at Page 19.

(b) Reports on Form 8-K:

On September 2, 1998, ALLTEL filed under Form 8-K/A, Amendment No. 1 to its Current Report on Form 8-K dated June 30, 1998, reporting under Item 7, Financial Statements, Pro Forma Financial Information and Exhibits. The Form 8-K/A included the required historical financial statements of 360° required pursuant to Rule 3-05 of Regulation S-X and the pro forma financial information required pursuant to Article 11 of Regulation S-X.

No other reports on Form 8-K have been filed during the quarter for which this report is filed.

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.

ALLTEL CORPORATION
(Registrant)

s/ Dennis J. Ferra
Dennis J. Ferra
Senior Vice President and
Chief Administrative Officer
(Principal Financial Officer)
November 13, 1998

ALLTEL CORPORATION

FORM 10-Q

INDEX OF EXHIBITS

Form 10-Q Exhibit No.	Description	Sequential Page No.
(19)	Interim Report to Stockholders and Notes to Unaudited Consolidated Financial Statements for the periods ended September 30. 1998 and 1997	20 - 30
(27)	Financial Data Schedule for the nine months ended September 30. 1998	31

EXHIBIT 19

HIGHLIGHTS (UNAUDITED)

(Dollars in thousands, except per share amounts)	Three Months Ended Sept. 30, 1998	1997	% Increase (Decrease)	Nine Months Ended Sept. 30, 1998	1997	% Increase (Decrease)	Twelve Months Ended Sept. 30, 1998	1997	% Increase (Decrease)
FROM CURRENT BUSINESSES:									
Revenues and sales:									
Wireless	$ 554,738	$ 473,057	17	$1,575,308	$1,359,339	16	$2,054,513	$1,774,053	16
Wireline	331,559	312,471	6	976,350	912,775	7	1,297,543	1,206,444	8
Emerging businesses	28,168	13,544	108	68,803	33,410	106	87,395	39,193	123
Total communications	914,465	799,072	14	2,620,461	2,305,524	14	3,439,451	3,019,690	14
Information services	292,169	244,256	20	856,221	710,003	21	1,120,369	931,290	20
Other operations	178,593	109,517	63	425,155	328,900	29	532,330	426,443	25
Total business segments	1,385,227	1,152,845	20	3,901,837	3,344,427	17	5,092,150	4,377,423	16
Less: intercompany eliminations	53,060	7,336	623	81,222	24,403	233	89,266	32,671	174
Total revenues and sales	$1,332,167	$1,145,509	16	$3,820,615	$3,320,024	15	$5,002,884	$4,344,752	15
Operating income:									
Wireless	$ 177,246	$ 134,920	31	$ 452,162	$ 342,229	32	$ 570,386	$ 431,967	32
Wireline	115,483	113,278	2	347,841	329,527	6	468,299	430,822	9
Emerging businesses	(12,712)	(6,478)	(96)	(29,881)	(17,981)	(66)	(34,049)	(22,587)	(51)
Total communications	280,017	241,720	16	770,122	653,775	18	1,004,636	833,202	21
Information services	40,417	34,944	16	116,609	104,202	12	157,335	142,097	11
Other operations	6,975	5,249	33	19,242	16,714	15	22,994	22,259	3
Total business segments	327,409	281,913	16	905,973	774,691	17	1,184,965	997,558	19
Corporate expenses	6,765	5,686	19	12,731	11,049	15	19,041	15,321	24
Total operating income	$ 320,644	$ 276,227	16	$ 893,242	$ 763,642	17	$1,165,924	$ 982,237	19
Net income	$ 157,392	$ 128,374	23	$ 428,543	$ 347,214	23	$ 560,131	$ 445,627	26
Basic earnings per share	$.57	$.46	24	$1.56	$1.25	25	$2.04	$1.60	28
AS REPORTED:									
Revenues and sales	$1,332,167	$1,145,509	16	$3,820,615	$3,362,871	14	$5,002,884	$4,451,192	12
Operating income	$ 13,644	$ 276,227	(95)	$ 586,242	$ 748,184	(22)	$ 858,924	$ 973,966	(12)
Net income (loss)	$ (27,975)	$ 150,943	(119)	$ 373,713	$ 457,793	(18)	$ 505,301	$ 560,094	(10)
Basic earnings (loss) per share	$.(10)	$.55	(118)	$1.36	$1.65	(18)	$1.84	$2.02	(9)
Weighted average common shares	274,293,000	276,467,000	(1)	274,127,000	277,321,000	(1)	274,152,000	277,454,000	(1)
Current annual dividend rate per common share	$1.16	$1.10	5						
Capital expenditures	$ 220,817	$ 187,737	18	$ 559,480	$ 523,383	7	$ 862,983	$ 764,301	13
Total assets							$8,926,844	$8,579,933	4
Wireless customers							3,862,871	3,366,757	15
Wireline customers							1,870,328	1,752,433	7
Long-distance customers							461,995	321,440	44

Current businesses excludes the sold healthcare, wire and cable operations, merger and integration expenses and provision to reduce carrying value of certain assets, and gain on disposal of assets.
Emerging businesses includes the long-distance, local competitive access, internet access, network management and PCS operations.

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(Dollars in thousands, except per share amounts)	Three Months Ended Sept. 30, 1998	Three Months Ended Sept. 30, 1997	Nine Months Ended Sept. 30, 1998	Nine Months Ended Sept. 30, 1997	Twelve Months Ended Sept. 30, 1998	Twelve Months Ended Sept. 30, 1997
REVENUES AND SALES:						
Service revenues	$1,204,528	$1,028,618	$3,425,237	$2,968,723	$4,490,325	$3,904,766
Product sales	127,639	116,891	395,378	394,148	512,559	549,426
Total revenues and sales	1,332,167	1,145,509	3,820,615	3,362,871	5,002,884	4,454,192
COSTS AND EXPENSES:						
Operations	696,635	594,003	2,022,819	1,753,812	2,646,406	2,328,985
Cost of products sold	138,073	115,162	380,962	375,981	499,518	515,308
Depreciation and amortization	176,815	160,117	523,592	468,020	691,036	619,059
Merger and integration expenses and provision to reduce carrying value of certain assets	307,000	-	307,000	16,874	307,000	16,874
Total costs and expenses	1,318,523	869,282	3,234,373	2,614,687	4,143,960	3,480,226
OPERATING INCOME	13,644	276,227	586,242	748,184	858,924	973,966
Other income, net	17,273	4,973	28,021	6,949	36,350	9,089
Interest expense	(66,296)	(66,087)	(199,052)	(194,006)	(266,816)	(254,067)
Gain on disposal of assets and other	80,901	34,413	296,150	209,651	296,150	209,651
Income before income taxes	45,522	249,526	711,361	770,778	924,608	938,639
Income taxes	73,497	98,583	337,648	312,985	419,307	378,545
Net income (loss)	(27,975)	150,943	373,713	457,793	505,301	560,094
Preferred dividends	239	251	710	765	953	1,023
Net income (loss) applicable to common shares	$ (28,214)	$150,692	$ 373,003	$ 457,028	$ 504,348	$ 559,071
EARNINGS (LOSS) PER SHARE:						
Basic	$.(10)	$.55	$1.36	$1.65	$1.84	[illegible]
Diluted	$.(10)	$.54	$1.35	$1.64	$1.82	$2.00

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(Dollars in thousands)	Nine Months Ended Sept. 30,		Twelve Months Ended Sept. 30,	
	1998	1997	1998	1997
NET CASH PROVIDED FROM OPERATIONS	$835,553	$778,326	$1,238,644	$1,136,701
CASH FLOWS FROM INVESTING ACTIVITIES:				
Additions to property, plant and equipment	(559,480)	(523,383)	(862,983)	(764,303)
Purchase of property, net of cash acquired	(55,073)	(103,834)	(64,091)	(346,754)
Additions to capitalized software development costs	(69,059)	(54,391)	(88,893)	(76,860)
Additions to other intangible assets	-	(146,526)	-	(146,526)
Additions to investments	(16,478)	(118,402)	(22,371)	(126,693)
Proceeds from the sale of/return on investments	322,084	192,097	333,624	195,443
Proceeds from the sale of assets	-	202,300	-	202,300
Other, net	(90,327)	(52,080)	(124,954)	(77,363)
Net cash used in investing activities	(468,333)	(604,219)	(829,668)	(1,140,756)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Dividends on preferred and common stock	(160,952)	(154,937)	(212,327)	(201,446)
Reductions in long-term debt	(243,283)	(38,300)	(163,410)	(244,847)
Purchase of common stock	-	(116,827)	(95,185)	(195,246)
Distributions to minority investors	(58,056)	(28,856)	(74,263)	(47,215)
Preferred stock redemptions and purchases	(637)	(793)	(717)	(772)
Long-term debt issued	107,304	198,391	107,304	707,995
Common stock issued	18,770	7,297	23,161	7,024
Net cash provided from (used in) financing activities	(336,854)	(134,025)	(415,437)	22,493
Increase (decrease) in cash and short-term investments	30,366	40,082	(6,461)	18,438
CASH AND SHORT-TERM INVESTMENTS:				
Beginning of period	19,683	16,428	56,510	38,072
End of period	$ 50,049	$ 56,510	$ 50,049	$ 56,510

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

ASSETS (Dollars in thousands)	Sept. 30, 1998	Dec. 31, 1997	Sept. 30, 1997
CURRENT ASSETS:			
Cash and short-term investments	$ [illegible],049	$ 19,683	$ 56,510
Accounts receivable (less allowance for doubtful accounts of $30,605, $25,164 and $28,586, respectively)	775,440	723,999	703,660
Materials and supplies	34,851	14,237	15,563
Inventories	91,860	85,631	78,859
Prepaid expenses and other	60,681	37,241	37,023
Total current assets	1,002,881	880,791	891,615
Investments	1,362,227	1,249,414	1,348,262
Goodwill and other intangibles	1,641,080	1,637,393	1,724,032
PROPERTY, PLANT AND EQUIPMENT:			
Wireline	4,058,431	3,909,756	3,823,404
Wireless	2,533,567	2,303,215	2,211,944
Information services	608,741	539,743	519,545
Other	180,487	169,754	145,777
Under construction	418,530	358,323	279,092
Total property, plant and equipment	7,799,756	7,280,791	6,979,762
Less accumulated depreciation	3,292,756	2,901,382	2,765,135
Net property, plant and equipment	4,507,000	4,379,409	4,214,627
Other assets	413,656	444,100	401,397
TOTAL ASSETS	$8,926,844	$8,591,107	$8,579,933

LIABILITIES AND SHAREHOLDERS' EQUITY	Sept. 30, 1998	Dec. 31, 1997	Sept. 30, 1997
CURRENT LIABILITIES:			
Current maturities of long-term debt	$ 49,683	$ 48,028	$ 41,302
Accounts and notes payable	415,106	497,142	416,261
Advance payments and customer deposits	132,194	115,994	110,427
Accrued taxes	116,956	92,527	118,466
Accrued dividends	79,825	55,012	52,694
Other current liabilities	305,685	195,789	180,542
Total current liabilities	1,099,449	1,004,492	919,692
Long-term debt	3,566,429	3,699,519	3,620,668
Deferred income taxes	809,111	710,723	812,983
Other liabilities	448,605	452,941	442,589
Preferred stock, redeemable	5,018	5,625	5,695
SHAREHOLDERS' EQUITY:			
Preferred stock	9,125	9,155	9,165
Common stock	274,429	273,411	275,481
Additional capital	826,682	801,936	875,567
Unrealized holding gain on investments	367,413	300,671	363,357
Retained earnings	1,520,583	1,332,634	1,254,736
Total shareholders' equity	2,998,232	2,717,807	2,778,306
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$8,926,844	$8,591,107	$8,579,933

1. **Financial Statement Presentation:**

The consolidated financial statements at September 30, 1998 and 1997 and for the three, nine and twelve month periods then ended are unaudited and reflect all adjustments (consisting only of normal recurring adjustments) which are, in the opinion of management, necessary for a fair presentation of the financial position and operating results for the interim periods. Certain prior year amounts have been reclassified to conform with the 1998 financial statement presentation.

2. **Merger:**

On July 1, 1998, ALLTEL completed its merger with 360° Communications Company ("360°") under a definitive merger agreement entered into on March 16, 1998. Under the terms of the merger agreement, 360° became a wholly-owned subsidiary of ALLTEL, and each outstanding share of 360° common stock was converted into the right to receive .74 shares of ALLTEL common stock, 89.8 million common shares in the aggregate. The merger qualified as a tax-free reorganization and has been accounted for as a pooling of interests. The accompanying interim financial statements have been restated to include the accounts and results of 360° for all periods presented. The combined results include certain eliminations and reclassification adjustments to conform the accounting and financial reporting policies of ALLTEL and 360°. Separate and combined results of operations for certain interim periods are as follows:

(In thousands, except per share amounts)	Six Months Ended June 30, 1998	Three Months Ended September. 30, 1997	Nine Months Ended September 30, 1997	Twelve Months Ended September 30, 1997
Revenues and sales:				
ALLTEL	$1,781,454	$ 813,746	$2,414,931	$3,221,232
360°	753,448	347,509	994,617	1,294,945
Eliminations and reclassifications	(46,454)	(15,746)	(46,677)	(61,985)
Combined	$2,488,448	$1,145,509	$3,362,871	$4,454,192
Net income:				
ALLTEL	$ 320,449	$ 122,064	$ 397,662	$ 494,594
360°	81,239	28,879	60,131	65,500
Eliminations and reclassifications	-	-	-	-
Combined	$ 401,688	$ 150,943	$ 457,793	$ 560,094
Combined earnings per share:				
Basic	$1.46	$.55	$1.65	$2.02
Diluted	$1.45	$.54	$1.64	$2.00

3. **Merger and Integration Expenses and Provision to Reduce Carrying Value of Certain Assets:**

During the third quarter of 1998, the Company recorded transaction costs and one-time charges totaling $307 million related to the closing of its merger with 360° and to changes in a customer care and billing contract with a major customer. The merger and integration expenses, which total $252 million on a pretax basis, include professional and financial advisors' fees of $31.5 million, severance and employee-related expenses of $48.7 million and integration costs of $171.8 million. The Company's merger and integration plan, as approved by ALLTEL's Board of Directors, provides for a reduction of 447 employees, primarily in the corporate support functions, to be completed by the first quarter of 1999. As of September 30, 1998, the Company had paid $4.2 million in severance and employee-related expenses and 40 out of the total 447 employee reductions had been completed. The integration costs include several adjustments resulting from the redirection of a number of strategic initiatives based on the merger with 360° and ALLTEL's expanded wireless presence. These adjustments include a write-down in the carrying value of certain in-process software development assets, costs associated with the early termination of certain service obligations and a write-down in the carrying value of certain assets resulting from a revised Personal Communications Services deployment plan. The Company expects to complete its integration plan by the end of 1999. The following is a summary of activity related to the Company's merger and integration accrual:

	(In Millions)
Total merger and integration costs	$252.0
Cash outlays	(68.7)
Noncash write-down of assets	(74.8)
Accrued reserve balance at September 30, 1998	$108.5

During the third quarter, the Company recorded a non-recurring operating expense associated with a contingency reserve on an unbilled receivable of $55 million related to its contract with GTE Corporation ("GTE"). Due to its pending merger with Bell Atlantic Corporation, GTE has re-evaluated its billing and customer care requirements and modified its billing conversion plans.

The net income impact of these transaction and one-time charges decreased net income $234.6 million or $.85 per share.

4. **Gain on Disposal of Assets and Other:**

During the third quarter of 1998, the Company recorded a pretax gain of $80.9 million from the sale of a portion of its investment in MCI WorldCom, Inc. (formerly WorldCom, Inc.). Proceeds from this sale amounted to $87.6 million. This transaction increased net income $49.2 million or $.18 per share. During the second quarter of 1998, the Company recorded a pretax gain of $148.2 million from the sale of a portion of its investment in MCI WorldCom, Inc. common stock. Proceeds from this sale amounted to $162.6 million. This transaction increased net income $90.2 million or $.33 per share. During the first quarter of 1998, the Company recorded a pretax gain of $36.6 million primarily from the sale of a portion of its investment in MCI WorldCom, Inc. common stock. Proceeds from the sale of stock amounted to $40.7 million. In addition, the Company recorded a pretax gain of $30.5 million from the sale of its ownership interest in a cellular partnership serving the Omaha, Nebraska market. The gains from these transactions resulted in an increase of $40.4 million in net income and $.14 in earnings per share.

5. **Earnings per Share:**

A reconciliation of the net income and number of shares used in computing basic and diluted earnings per share for the three, nine and twelve month periods ended September 30, 1998 and 1997 was as follows:

(In thousands, except per share amounts)	Three Months Ended September 30,		Nine Months Ended September 30,		Twelve Months Ended September 30,	
	1998	1997	1998	1997	1998	1997
Basic earnings (loss) per share:						
Net income (loss) applicable to common shares	$ (28,214)	$ 150,692	$ 373,003	$ 457,028	$ 504,348	$ 559,071
Weighted average common shares outstanding for the period	274,293	276,467	274,127	277,321	274,152	277,454
Basic earnings (loss) per share	$.(10)	$.55	$1.36	$1.65	$1.84	$2.02
Diluted earnings (loss) per share:						
Net income (loss) applicable to common shares	$ (28,214)	$ 150,692	$ 373,003	$ 457,028	$ 504,348	$ 559,071
Adjustments for convertible securities:						
Preferred stocks	45	51	129	157	178	211
Net income applicable to common shares assuming conversion of above securities	$ (28,169)	$ 150,743	$ 373,132	$ 457,185	$ 504,526	$ 559,282
Weighted average common shares outstanding for the period	274,293	276,467	274,127	277,321	274,152	277,454
Increase in shares which would result from:						
Exercise of stock options	2,303	1,248	2,384	1,304	2,195	1,274
Conversion of convertible preferred stocks	465	520	471	533	476	538
Weighted average common shares assuming conversion of above securities	277,061	278,235	276,982	279,158	276,823	279,266
Diluted earnings (loss) per share	$.(10)	$.54	$1.35	$1.64	$1.82	$2.00

6. **Comprehensive Income:**
Effective January 1, 1998, ALLTEL adopted Statement of Financial Accounting Standards No. 130 "Reporting Comprehensive Income" ("SFAS 130"). Annual financial statements of ALLTEL for prior periods will be reclassified to conform to SFAS 130's presentation requirements. Comprehensive income for the three, nine and twelve month periods ended September 30, 1998 and 1997 was as follows:

(Dollars in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,		Twelve Months Ended September 30,	
	1998	1997	1998	1997	1998	1997
Net income (loss)	$(27,975)	$150,943	$373,713	$457,793	$505,301	$560,094
Other comprehensive income (loss):						
Unrealized holding gains on investments arising during the period	57,649	64,209	376,912	170,380	275,981	295,227
Income tax expense	22,624	25,186	148,725	71,085	110,480	111,878
	35,025	39,023	228,187	99,295	165,501	183,349
Less: Reclassification adjustments for gains included in net income	(80,901)	-	(265,644)	(155,993)	(265,644)	(155,993)
Income tax expense	31,733	-	104,199	68,188	104,199	68,188
	(49,168)	-	(161,445)	(87,805)	(161,445)	(87,805)
Other comprehensive income (loss) before taxes	(23,252)	64,209	111,268	14,387	10,337	139,234
Income tax expense (benefit)	(9,109)	25,186	44,526	2,897	6,281	43,690
Other comprehensive income (loss)	(14,143)	39,023	66,742	11,490	4,056	95,544
Comprehensive income (loss)	$(42,118)	$189,966	$440,455	$469,283	$509,357	$655,638

7. **Business Segment Information:**
In 1997, the FASB issued Statement of Financial Accounting Standards No. 131 "Disclosures about Segments of an Enterprise and Related Information" ("SFAS 131"), which requires reporting segment information consistent with the way management internally disaggregates an entity's operations to access performance and to allocate resources. As permitted, the Company early adopted the provisions of SFAS 131 in its interim financial statements for the periods ended September 30, 1998 and 1997; and ALLTEL has restated its prior year segment information to conform to SFAS 131's requirements.

ALLTEL disaggregates its business operations based upon differences in products and services. The Company's communications operations consists of its wireless, wireline and emerging businesses segments. Wireless communications and paging services are provided in 22 states in four major markets: Southeast, Mid-Atlantic, Midwest and West. The Company's wireline subsidiaries provide primary local service and network access in 14 states. Emerging businesses include the Company's long-distance, local competitive access, internet access, network management and PCS operations. Long-distance and internet access services are marketed in the majority of states in which ALLTEL provides communications services. The Company is currently providing local competitive access, PCS and network management services in select areas within its geographically focused communications markets. Information services provides information processing, outsourcing services and application software primarily to financial and telecommunications customers. The principal markets for information services' products and services are commercial banks, financial institutions and telecommunications companies in the United States and major international markets. Other operations consist of the Company's product distribution and directory publishing operations. Corporate items represent general corporate expenses, headquarters facilities and equipment, investments, goodwill and other non-recurring and unusual items not allocated to the segments.

The accounting policies used in measuring segment assets and operating results are the same as those used in preparing the interim consolidated financial statements. The non-recurring and unusual items discussed in Notes 3 and 4 are not allocated to the segments and are included in corporate operations. The Company evaluates performance of the segments based on segment operating income, excluding non-recurring and unusual items. The Company accounts for intersegment sales at current market prices or in accordance with regulatory requirements.

The wireline subsidiaries purchase equipment and materials from ALLTEL Supply, Inc. The cost of such equipment and materials is included, principally in wireline plant in the consolidated financial statements. ALLTEL Information Services, Inc. provides data processing services to the wireline subsidiaries. Directory publishing services are provided to the wireline subsidiaries by ALLTEL Publishing Corporation ("Publishing"). Wireline revenues and sales include directory royalty payments received from Publishing. Intercompany profit, to the extent not offset by depreciation on the capitalized cost of equipment and materials, has not been eliminated in preparing the consolidated financial statements, because prices charged by the supply and information services subsidiaries are recovered through the regulatory process.

Business Segment Information, (continued):

Segment operating results were as follows:

(In thousands)	Three Months Ended September 30, 1998	Three Months Ended September 30, 1997	Nine Months Ended September 30, 1998	Nine Months Ended September 30, 1997	Twelve Months Ended September 30, 1998	Twelve Months Ended September 30, 1997
Revenues and Sales from External Customers:						
Wireless	$ 554.738	$ 473.057	$1.575.308	$1.359.339	$2.054.513	$1,774,053
Wireline	322.877	304,043	950.617	887.814	1.263.275	1,173,488
Emerging businesses	28.168	13.544	68.803	33.410	87.395	39.193
Total communications	905.783	790,644	2.594,728	2.280.563	3,405,183	2,986,734
Information services	254.662	212,002	740,626	613.472	972,458	837,511
Other operations	91.072	82.496	255.937	278.619	332.923	384.588
Total business segments	$1.251.517	$1.085.142	$3.591.291	$3.172.654	$4.710.564	$4.208.833
Intersegment Revenues and Sales:						
Wireless	$ -	$ -	$ -	$ -	$ -	$ -
Wireline	8,682	8,428	25,733	24,961	34,268	32,956
Emerging businesses	-	-	-	-	-	-
Total communications	8,682	8,428	25,733	24.961	34,268	32,956
Information services	37.507	32,254	115,595	96.531	147,911	127,152
Other operations	87.521	27,021	169.218	93.128	199,407	117,875
Total business segments	$ 133.710	$ 67.703	$ 310.546	$ 214.620	$ 381.586	$ 277.983
Total Revenues and Sales:						
Wireless	$ 554.738	$ 473.057	$1.575,308	$1.359.339	$2.054,513	$1,774,053
Wireline	331,559	312,471	976,350	912.775	1,297,543	1,206,444
Emerging businesses	28.168	13.544	68.803	33.410	87.395	39.193
Total communications	914,465	799,072	2,620,461	2,305.524	3,439,451	3,019,690
Information services	292,169	244,256	856,221	710,003	1,120,369	964,663
Other operations	178.593	109,517	425,155	371,747	532,330	502,463
Total business segments	1,385,227	1,152,845	3,901,837	3,387.274	5,092,150	4,486,816
Less: intercompany eliminations	53.060	7,336	81,222	24.403	89,266	32,624
Consolidated revenues and sales	$1.332.167	$1.145.509	$3.820.615	$3.362.871	$5.002.884	$4.454.192
Operating Income (Loss):						
Wireless	$ 177.246	$ 134,920	$ 452,162	$ 342.229	$ 570,386	$ 424,967
Wireline	115.483	113,278	347,841	329.527	468,299	430,822
Emerging businesses	(12.712)	(6.478)	(29.881)	(17.981)	(34,049)	(22.587)
Total communications	280.017	241,720	770,122	653.775	1.004,636	833.202
Information services	40.417	34,944	116,609	104.202	157,335	147,420
Other operations	6.975	5.249	19.242	18.187	22.994	25.596
Total business segments	327.409	281.913	905.973	776.164	1.184.965	1.006.218
Corporate operating expenses	(6,765)	(5,686)	(12,731)	(11.106)	(19,041)	(15,378)
Merger and integration expenses and provision to reduce carrying value of certain assets	(307.000)	-	(307.000)	(16.874)	(307.000)	(16.874)
Total corporate expenses	(313.765)	(5.686)	(319.731)	(27.980)	(326.041)	(32.252)
Consolidated operating income	$ 13.644	$ 276.227	$ 586.242	$ 748.184	$ 858.924	$ 973.966

7. **Business Segment Information. (continued):**

Segment assets as of September 30, 1998 and 1997 were as follows:

	(In thousands)	
	1998	1997
Wireless	$4,128,253	$3,990,993
Wireline	2,751,781	2,728,641
Emerging businesses	79,616	27,428
Total communications	6,959,650	6,747,062
Information services	865,975	767,709
Other operations	193,173	133,517
Total business segments	8,018,798	7,648,288
Add: Corporate assets not allocated to segments:		
Headquarters fixed assets, net of accumulated depreciation	129,860	110,514
Investments	680,627	729,918
Goodwill, net of amortization	105,679	91,563
Other assets	58,352	39,802
Less: elimination of intersegment receivables	(66,472)	(40,152)
Consolidated assets	$8,926,844	$8,579,933

8. **Litigation-Claims and Assessments:**

On July 12, 1996, the Georgia Public Service Commission ("Georgia PSC") issued an order requiring that ALLTEL's wireline subsidiaries which operate within its jurisdiction reduce their annual network access charges by $24 million, prospectively, effective July 1, 1996. The Georgia PSC's action was in response to the Company's election to move from a rate-of-return method of pricing to an incentive rate structure, as provided by a 1995 Georgia telecommunications law. The Company appealed the Georgia PSC order. On November 6, 1996, the Superior Court of Fulton County, Georgia, (the "Superior Court") rendered its decision and reversed the Georgia PSC order, finding, among other matters, that the Georgia PSC had exceeded its authority by conducting a rate proceeding after the Company's election of alternative regulation. The Superior Court did not rule on a number of other assertions made by the Company as grounds for reversal of the Georgia PSC order. The Georgia PSC appealed the Superior Court's decision, and on July 3, 1997, the Georgia Court of Appeals reversed the Superior Court's decision. On August 5, 1997, the Company filed with the Georgia Supreme Court a petition for writ of certiorari requesting that the Georgia Court of Appeals' decision be reversed. On October 5, 1998, the Georgia Supreme Court, in a 4-3 decision, upheld the Georgia Court of Appeals' ruling that the Georgia PSC had the authority to order the rate reductions. The case will now return to the Superior Court for a hearing on the merits and provide ALLTEL the opportunity to challenge the Georgia PSC's order by asserting a number of additional federal and state constitutional and other legal grounds. Since the Company believes that it will prevail in this case, the Company has not implemented any revenue reductions or established any reserves for refund related to this matter at this time.

TO ALLTEL STOCKHOLDERS:

ALLTEL's record third quarter 1998 financial results from current businesses, which exclude one-time adjustments, produced revenues and earnings per share growth of 16 percent and 24 percent, respectively, to $1.3 billion and 57 cents per share.

For the first time, results include the operations of the former 360° Communications, which merged with ALLTEL July 1. Prior periods have been restated to reflect 360° Communications' operations.

Among the highlights from current businesses in the third quarter:

- Net income grew to $157 million, an increase of 23 percent from the same quarter last year.
- Communications and Information Services produced double-digit revenue growth of 14 percent and 20 percent, respectively.
- Wireless average revenue per customer increased 2 percent over third quarter of last year.
- The company rebranded the 360° markets in nearly 200 cities to reflect the ALLTEL brand.
- Wireless operations added 100,173 customers.
- Wireline access line growth exceeded 6 percent for the fourth consecutive quarter.
- Operating income from Information Services grew 16 percent.

We are pleased to report record revenues and earnings per share from current businesses. We believe these results demonstrate our ability to execute our chosen strategy, while integrating the former 360° operations. We are excited about the outstanding results and progress we have achieved since the merger. And we remain committed to delivering the merger's many benefits to our customers and stockholders. Through the merger, we have continued to enhance our ability to deliver bundled communications services across our geographically focused markets, and we remain on track to realize forecasted savings related to the merger synergies.

ALLTEL's wireless operations made a significant contribution to the company's third quarter performance. Thousands of customers per day are purchasing our wireless services, and many are choosing to buy additional products like long-distance, paging, local phone service and Internet access from ALLTEL. Today, ALLTEL's wireless business serves 3.9 million customers, up 15 percent from 3.4 million at Sept. 30, 1997.

In almost every category of performance we exceeded expectations and produced outstanding wireless results. The company reported a market penetration rate of 11.6 percent, compared with 10.3 percent at Sept. 30, 1997. The average monthly churn rate was 2.2 percent, compared to 2.0 percent in the third quarter of 1997.

ALLTEL continues to aggressively introduce digital wireless service in many of our markets. During the third quarter, the company launched digital wireless service in six markets including: Norfolk and Richmond, Va.; Greensboro, N.C.; Greenville, S.C.; Toledo, Ohio; and Gainesville, Fla. By year-end, ALLTEL will have digital service in 13 of our largest markets.

ALLTEL grew wireline access lines more than 6 percent for the fourth consecutive quarter. The company serves more than 1.8 million access lines in 14 states. The growth in access lines was partially driven by the increase in second access lines that customers use for purposes such as fax machines, Internet access, and teen lines.

Revenue from emerging businesses grew more than 100 percent during the third quarter when compared to the same quarter last year, driven by ALLTEL's CLEC, PCS and long-distance services. These emerging businesses continue to be a key part of ALLTEL's growth strategy in delivering a bundled array of products and services to our customers.

ALLTEL's Information Services business continues to produce double-digit growth in revenue and operating income. This growth is coming from existing and new customers such as Green Tree Financial Corp. and Grupa Pekao SA, Poland's largest bank.

ALLTEL's reported results for the third quarter include an $81 million pre-tax gain resulting from the company's sale of 1.7 million shares of MCI WorldCom stock.

Third quarter reported results also include approximately $307 million in one-time, pre-tax charges related to the 360° merger and changes in GTE's customer care and billing contract with ALLTEL. Included in this charge is $55 million related to ALLTEL's contract with GTE Corp. Due to its pending merger with Bell Atlantic, GTE has re-evaluated its billing and customer care requirements and will purchase certain software usage rights and processing services from ALLTEL for an interim period.

The merger-related expenses, which total $252 million pre-tax, include professional and financial advisors' fees, employee-related expenses and other integration costs. The one-time expenses also include several adjustments resulting from the redirection of a number of strategic initiatives based on the merger with 360° and ALLTEL's expanded wireless presence.

These adjustments include an adjustment in the carrying value of certain duplicate software assets as well as costs from the early termination of certain service obligations. Results also include adjustments resulting from the company's PCS deployment schedule.

In total, the one-time items reduced third quarter earnings per share by 67 cents, after taxes.

Our record results for the third quarter from current operations exceeded expectations. Our team, while integrating two successful companies, continued to focus on the business — delivering strong financial results and bringing additional products and services to our customers.

Board Increases Dividends

ALLTEL's Board of Directors increased the regular quarterly common dividend from 29 cents to 30.5 cents per share. The new indicated annual dividend rate will be $1.22 per common share, an increase of 6 cents or approximately 5.2 percent over the previous rate. This is the 38th consecutive annual dividend increase since the company's founding.

The 30.5 cent dividend is payable January 4, 1999 to stockholders of record as of December 7, 1998.

Dividends were also declared on all series of the Company's preferred stock. Preferred dividends are payable December 15, 1998 to stockholders of record as of November 20, 1998.

Joe T. Ford
Chairman and Chief Executive Officer
October 22, 1998