Frontier Communications Reports 2010 Fourth Quarter and Full Year Results

-Increased broadband availability to 240,000 new households in the quarter

-Sequential quarterly improvement of high-speed internet subscriber growth

-Improved residential customer churn, revenue per customer and products per customer

-Strong commercial sales winbacks, including over 100 businesses in West Virginia

-Fourth quarter operating cash flow margin of 46%; 49% for the full year; as adjusted

-2010 full year dividend payout ratio of 63% of free cash flow

STAMFORD, Conn., Feb 23, 2011 (BUSINESS WIRE) --

Frontier Communications Corporation (NYSE: FTR) today reported fourth-quarter 2010 revenue of $1,358.7 million, operating income of $239.7 million and net income attributable to common shareholders of Frontier of $46.0 million, or $0.05 per share. After excluding $11.3 million for acquisition and integration costs, net income attributable to common shareholders of Frontier for the fourth quarter of 2010 would have been $53.0 million, or $0.05 per share.

"I am pleased with the solid progress we continue to make after the Verizon acquisition. Our focus on streamlining processes and local engagement resulted in strong customer metrics - including reduced churn of access line customers, and improvements in high-speed internet, video and commercial sales," said Maggie Wilderotter, Chairman and CEO of Frontier Communications. "We also increased our broadband availability in the new markets by 240,000 households, are well into our conversion planning for the next 4 states and took an additional $52 million of annualized synergies out of the business."

Revenue for the fourth quarter of 2010 was $1,358.7 million as compared to $521.0 million in the fourth quarter of 2009. Revenue of $857.9 million is attributable to the July 1, 2010 acquired properties for the three months ended December 31, 2010. The decline of $20.2 million for our Frontier legacy operations results from decreases in local and long distance services revenue and switched access revenue, partially offset by an increase of $9.4 million in data and internet services revenue.

At December 31, 2010, the Company had 3,445,200 **residential customers** and 343,800 **business customers**. The Company grew its **high-speed internet customers** by approximately 5,600during the fourth quarter of 2010, consisting of 1,500 net additions for Frontier legacy operations and 4,100 net additions for the acquired properties, and had 1,697,200 high-speed internet customers at December 31, 2010. The Company had net additions of approximately 15,800 **video customers** during the fourth quarter of 2010, and had 531,400 video customers at December 31, 2010.

Network access expenses and other operating expenses for the fourth quarter of 2010 were $755.0 million as compared to $246.7 million in the fourth quarter of 2009. Network access expenses and other operating expenses of $507.6 million are associated with the acquired properties.

Depreciation and amortization for the fourth quarter of 2010 was $352.8 million as compared to $102.9 million in the fourth quarter of 2009. The fourth quarter of 2010 includes $130.0 million of depreciation expense and $123.1 million of amortization expense as a result of the acquired properties.

Acquisition and integration costs of approximately $11.3 million ($0.01 per share after tax) were incurred and expensed during the fourth quarter of 2010, as compared to approximately $13.9 million ($0.03 per share after tax) in the fourth quarter of 2009, in connection with our acquisition of approximately 4.0 million access lines (as of July 1, 2010). These costs in the fourth quarter of 2010 were incurred in connection with our activities to complete the integration of the West Virginia operations, commence the conversion of remaining systems and other ongoing integration work.

Operating income for the fourth quarter of 2010 was $239.7 million and operating income margin was 17.6 percent as compared to operating income of $157.5 million and operating income margin of 30.2 percent in the fourth quarter of 2009. The fourth quarter 2010 increase of $82.2 million is primarily the result of incremental operating income from the recently acquired properties.

Interest expense for the fourth quarter of 2010 was $167.5 million as compared to $94.2 million in the fourth quarter of 2009, a $73.3 million increase. Interest expense was higher in 2010 due to the $3.5 billion of additional debt assumed in connection with the acquisition of the acquired properties.

Income tax expense for the fourth quarter of 2010 was $26.2 million as compared to $4.6 million in the fourth quarter of 2009, a $21.6 million increase.

Net income attributable to common shareholders of Frontier was $46.0 million, or $0.05 per share, as compared to $4.4 million, or $0.01 per share, in the fourth quarter of 2009. The fourth quarter of 2010 includes acquisition and integration costs of $11.3 million ($7.0 million or $0.01 per share after tax). The fourth quarter 2010 increase is primarily the result of incremental operating income from the recently acquired properties and higher other income (as the fourth quarter of 2009 reflected a loss of $53.7 million ($33.8 million or $0.11 per share after tax) recognized on the early retirement of debt), partially offset by increased interest expense and income tax expense. The change in basic net income per share was primarily due to the higher net income, as discussed above, mostly offset by the increase in weighted average shares outstanding as a result of the issuance of 678.5 million shares in connection with our acquisition of the acquired properties.

Capital expenditures were $247.6 million for the fourth quarter of 2010 and $577.9 million for the full year of 2010, including $19.1 million for the fourth quarter of 2010 and $97.0 million for the full year of 2010 related to integration activities.

Operating cash flow, as adjusted and defined by the Company in the attached Schedule B, was $622.3 million for the fourth quarter of 2010 resulting in an operating cash flow margin of 45.8 percent. Operating cash flow, as reported, of $592.5 million has been adjusted to exclude $11.3 million of acquisition and integration costs, $15.8 million of non-cash pension and other postretirement benefit costs, and $2.7 million of severance and early retirement costs for the fourth quarter of 2010.

Free cash flow, as defined by the Company in the attached Schedule A,was $212.9 million for the fourth quarter of 2010 and $838.3 million for the full year of 2010. The Company's dividend represents a payout of 63 percent of free cash flow for the full year of 2010.

For the full year of 2011, the Company's expectations for capital expenditures and free cash flow, excluding acquisition/integration costs and capital expenditures, to be within a range of $750 million to $780 million and $1.15 billion to $1.2 billion, respectively. We expect that in 2011 our cash taxes will be approximately $50 million to $75 million.

The Company's next regular quarterly cash dividend of $0.1875 per share of common stock will be paid on March 31, 2011 to shareholders of record on March 9, 2011.

Pro Forma Information

As a convenience to investors, the Company furnished today on a Current Report on Form 8-K unaudited pro forma combined historical financial and operating data for the Company, including financial and operating data for the acquired properties, updated to reflect the actual financial and operating data for the fourth quarter of 2010.

The Company uses certain non-GAAP financial measures in evaluating its performance. These include free cash flow and operating cash flow. A reconciliation of the differences between free cash flow and operating cash flow and the most comparable financial measures calculated and presented in accordance with GAAP is included in the tables that follow. The non-GAAP financial measures are by definition not measures of financial performance under GAAP and are not alternatives to operating income or net income reflected in the statement of operations or to cash flow as reflected in the statement of cash flows and are not necessarily indicative of cash available to fund all cash flow needs. The non-GAAP financial measures used by the Company may not be comparable to similarly titled measures of other companies.

The Company believes that the presentation of non-GAAP financial measures provides useful information to investors regarding the Company's financial condition and results of operations because these measures, when used in conjunction with related GAAP financial measures, (i) together provide a more comprehensive view of the Company's core operations and ability to generate cash flow, (ii) provide investors with the financial analytical framework upon which management bases financial, operational, compensation and planning decisions and (iii) presents measurements that investors and rating agencies have indicated to management are useful to them in assessing the Company and its results of operations. In addition, the Company believes that free cash flow and operating cash flow, as the Company defines them, can assist in comparing performance from period to period, without taking into account factors affecting cash flow reflected in the statement of cash flows, including changes in working capital and the timing of purchases and payments. The Company has shown adjustments to its financial presentations to exclude $11.3 million and $13.9 million of acquisition and integration costs in the fourth quarters of 2010 and 2009, respectively, and $137.1 million and $28.3 million of acquisition and integration costs in the full year of 2010 and 2009, respectively, because the Company believes that such costs in the fourth quarters and full years of 2010 and 2009 are unusual, and that the magnitude of such costs in the full year of 2010 materially exceed the comparable costs in the full year of 2009. In addition, the Company has shown adjustments to its financial presentations to exclude $15.8 million and $9.4 million of non-cash pension and other postretirement benefit costs in the fourth quarters of 2010 and 2009, respectively, and

$40.1 million and $34.2 million of non-cash pension and other postretirement benefit costs in the full years of 2010 and 2009, respectively, and $2.7 million and $1.2 million of severance and early retirement costs in the fourth quarters of 2010 and 2009, respectively, and $10.4 million and $3.8 million of severance and early retirement costs in the full years of 2010 and 2009, respectively, because investors have indicated to management that such adjustments are useful to them in assessing the Company and its results of operations.

Management uses these non-GAAP financial measures to (i) assist in analyzing the Company's underlying financial performance from period to period, (ii) evaluate the financial performance of its business units, (iii) analyze and evaluate strategic and operational decisions, (iv) establish criteria for compensation decisions, and (v) assist management in understanding the Company's ability to generate cash flow and, as a result, to plan for future capital and operational decisions. Management uses these non-GAAP financial measures in conjunction with related GAAP financial measures.

These non-GAAP financial measures have certain shortcomings. In particular, free cash flow does not represent the residual cash flow available for discretionary expenditures, since items such as debt repayments and dividends are not deducted in determining such measure. Operating cash flow has similar shortcomings as interest, income taxes, capital expenditures, debt repayments and dividends are not deducted in determining this measure. Management compensates for the shortcomings of these measures by utilizing them in conjunction with their comparable GAAP financial measures. The information in this press release should be read in conjunction with the financial statements and footnotes contained in our documents filed with the U.S. Securities and Exchange Commission.

Conference Call and Webcast

The Company will host a conference call today at 9:00 A.M.. Eastern Time. The conference call will be Webcast and may be accessed at:

http://phx.corporate-ir.net/phoenix.zhtml?p=irol-eventDetails&c=66508&eventID=3672210

A telephonic replay of the conference call will be available for one week beginning at 11:00 A.M. Eastern time, February 23, 2011 via dial-in at 888-203-1112 for U.S. and Canadian callers or, outside the U.S. and Canada, at 719-457-0820, passcode 7769564. A Webcast replay of the call will be available at www.frontier.com/ir.

About Frontier Communications

Frontier Communications Corporation (NYSE: FTR) offers voice, High-Speed Internet, satellite video, wireless Internet data access, data security solutions, bundled offerings, specialized bundles for small businesses and home offices, and advanced business communications Access Solutions for medium and large businesses in 27 states and with approximately 14,800 employees. More information is available at www.frontier.com and www.frontier.com/ir.

Forward-Looking Statements

This press release contains forward-looking statements that are made pursuant to the safe harbor provisions of The Private Securities Litigation Reform Act of 1995. These statements are made on the basis of management's views and assumptions regarding future events and business performance. Words such as "believe," "anticipate," "expect" and similar expressions are intended to identify forward-looking statements. Forward-looking statements (including oral representations) involve risks and uncertainties that may cause actual results to differ materially from any future results, performance or achievements expressed or implied by such statements. These risks and uncertainties are based on a number of factors, including but not limited to: our ability to successfully integrate the operations of the Acquired Business into Frontier's existing operations; the risk that the growth opportunities and cost synergies from the Transaction may not be fully realized or may take longer to realize than expected; our indemnity obligation to Verizon for taxes which may be imposed upon them as a result of changes in ownership of our stock may discourage, delay or prevent a third party from acquiring control of us during the two-year period ending July 2012 in a transaction that stockholders might consider favorable; the effects of increased expenses incurred due to activities related to the Transaction and the integration of the Acquired Business; our ability to maintain relationships with customers, employees or suppliers; the effects of greater than anticipated competition requiring new pricing, marketing strategies or new product or service offerings and the risk that we will not respond on a timely or profitable basis; Reductions in the number of our access lines that cannot be offset by increases in HSI subscribers and sales of other products and services; the effects of ongoing changes in the regulation of the communications industry as a result of federal and state legislation and regulation, or changes in the enforcement or interpretation of such legislation and regulation; the effects of changes in the availability of federal and state universal funding to us and our competitors; the effects of competition from cable, wireless and other wireline carriers; our ability to adjust successfully to changes in the communications industry and to implement strategies for growth; adverse changes in the credit markets or in the ratings given to our debt securities by nationally accredited ratings organizations, which could limit or restrict the availability, or increase the cost, of financing; continued reductions in switched access revenues as a result of regulation, competition or technology substitutions; our ability to effectively manage service quality in our territories and meet mandated service quality metrics; our ability to successfully introduce new product offerings, including our ability to offer bundled service packages on terms that are both profitable to us and attractive to customers;

changes in accounting policies or practices adopted voluntarily or as required by generally accepted accounting principles or regulations; our ability to effectively manage our operations, operating expenses and capital expenditures, and to repay, reduce or refinance our debt; the effects of changes in both general and local economic conditions on the markets that we serve, which can affect demand for our products and services, customer purchasing decisions, collectability of revenues and required levels of capital expenditures related to new construction of residences and businesses; the effects of customer bankruptcies and home foreclosures, which could result in difficulty in collection of revenues and loss of customers; the effects of technological changes and competition on our capital expenditures and product and service offerings, including the lack of assurance that our network improvements will be sufficient to meet or exceed the capabilities and quality of competing networks; the effects of increased medical, retiree and pension expenses and related funding requirements; changes in income tax rates, tax laws, regulations or rulings, or federal or state tax assessments; the effects of state regulatory cash management practices that could limit our ability to transfer cash among our subsidiaries or dividend funds up to the parent company; our ability to successfully renegotiate union contracts expiring in 2011 and thereafter; declines in the value of our pension plan assets, which would require us to make increased contributions to the pension plan in 2011 and beyond; limitations on the amount of capital stock that we can issue to make acquisitions or to raise additional capital until July 2012; our ability to pay dividends on our common shares, which may be affected by our cash flow from operations, amount of capital expenditures, debt service requirements, cash paid for income taxes and liquidity; the effects of any unfavorable outcome with respect to any current or future legal, governmental or regulatory proceedings, audits or disputes; and the effects of severe weather events such as hurricanes, tornados, ice storms or other natural or man-made disasters. These and other uncertainties related to our business are described in greater detail in our filings with the Securities and Exchange Commission, including our reports on Forms 10-K and 10-Q, and the foregoing information should be read in conjunction with these filings. We do not intend to update or revise these forward-looking statements to reflect the occurrence of future events or circumstances.