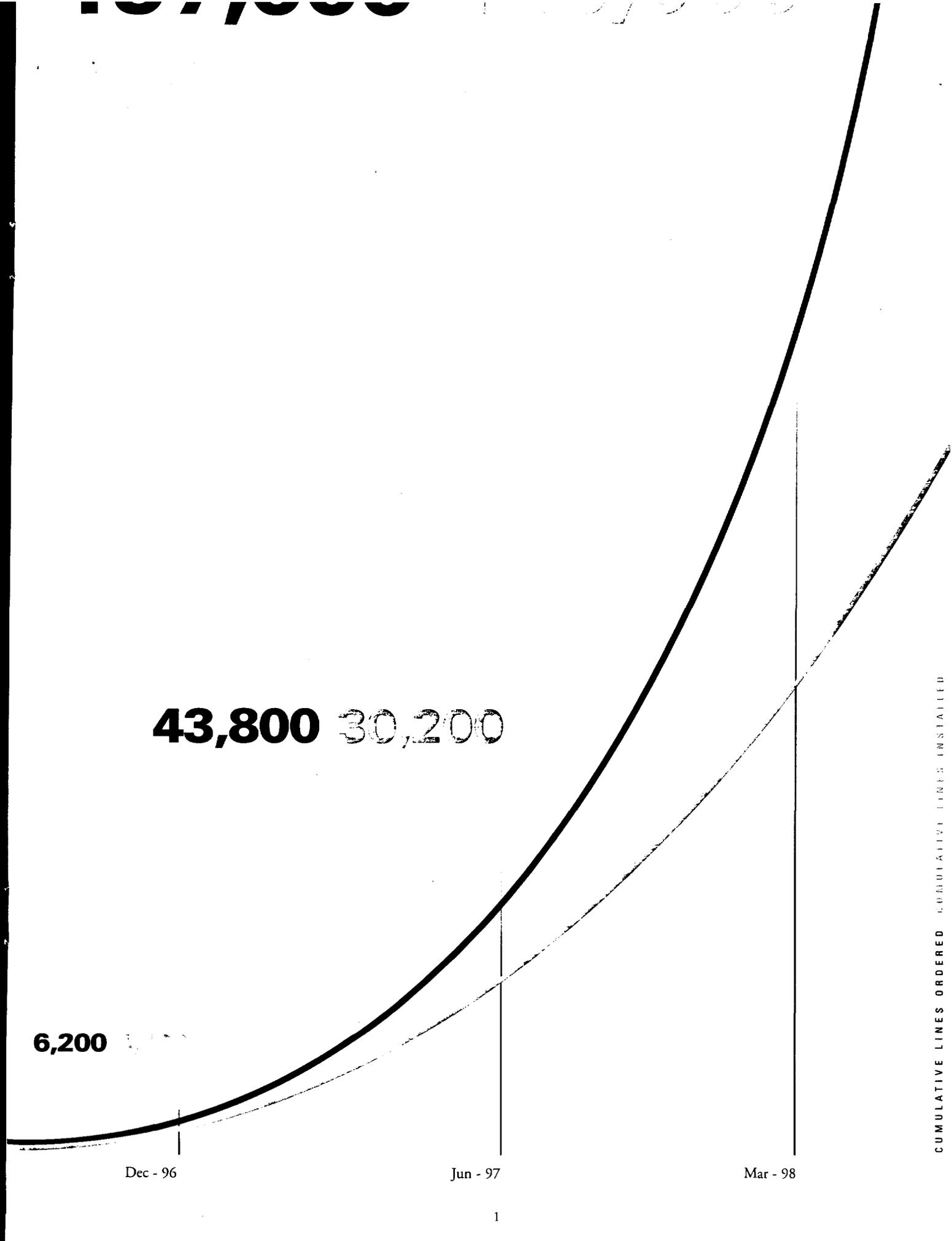


Hello, You've Reached The **Future**



107,000

107,000



43,800 30,200

6,200 3,100

Dec - 96

Jun - 97

Mar - 98

CUMULATIVE LINES ORDERED CUMULATIVE LINES INSTALLED

Delivering the next generation of telecommunications

WinStar Communications provides broadband telecommunications services to customers in major metropolitan markets throughout the United States. The company's integrated data and voice network, utilizing fixed wireless circuits in the 38 GHz band, can deliver high-speed communications to thousands of buildings and customers not being served by other broadband communications carriers.

WinStar's 38 GHz spectrum licenses represent the largest single holding of bandwidth in the U.S. They enable the company to quickly and cost efficiently extend its wireless broadband network to customer buildings. WinStar's spectrum licenses cover all 50 of the largest markets in the country, and more than 100 other cities, encompassing a total population of approximately 200 million.

WinStar's services are marketed through a rapidly growing direct sales force and service organization of more than 800 professionals. The company is passionate about customer satisfaction, and emphasizes individual solutions to telecommunications needs backed by personal service, the most advanced information systems and a network which is establishing new benchmarks for reliability.

Beyond providing local, long distance, broadband data and Internet services, WinStar develops specialized valued-added information content for customers linked to its digital network and for other users. The company's broadband network capacity enables customers to efficiently access this information.

The company employs more than 2,200 people and is headquartered in New York City.

Statistical Profile

March 31, 1998

Annualized Revenues	\$230 million
Cumulative CLEC Lines Installed	148,000
Cumulative CLEC Lines Ordered	199,000
Customers with Installed Lines	7,100
Markets Served	21





WILLIAM J. ROUHANA, JR.

In 1997, we got our first view of just how vast the demand for broadband telecommunications capacity is in the U.S., and how uniquely positioned WinStar is to meet this demand and translate it into a meaningful business opportunity.

Our accomplishments over the past year extended to every corner of the company. They highlighted the superiority of our Wireless Fiber™ solution for extending fiber networks, and they propelled us to a position where we are ready to grow our business significantly. By year end, we had gained the critical mass of people, systems, network and marketing firepower necessary to establish a large and successful phone company. The investment community began to take active note of the progress we made, and WinStar's share price has

5-14-1964

"Our employees are totally committed to WinStar's mission: bringing people into the information age through high-quality wireless broadband services, and helping our customers use our network to productively share information with each other."

WILLIAM J. ROUHANA, JR.
CHAIRMAN & CHIEF EXECUTIVE OFFICER



more than tripled since I last wrote to you. Although we were pleased by this turn of events, we believe WinStar's current stock price has only begun to reflect the true value of our company.

A Strong Emphasis on Rapid & Robust Growth

The major expansion of WinStar's network over the past year shows our strong emphasis on rapid growth. Today, WinStar is offering services in 21 major metropolitan markets, in contrast to one at the close of 1996. By the end of 1998, we expect to provide switched services in 30 cities, 12 months ahead of our original schedule.

Our network is not only larger than it was a year ago, it's far more robust, providing for the high-speed transport of broadband data and voice traffic. In January 1998, we acquired GoodNet, a Tier I Internet service provider with a national backbone and points-of-presence in 27 cities across the country. We are incorporating its network of ATM data switches into our national local network. We also acquired the PacNet data network the same month, adding 17 frame relay switches plus a direct connection to the Unispan consortium which routes frame relay traffic throughout the U.S. and internationally. Now WinStar can provide customers with a choice of Internet, ATM and frame relay modes of data transmission, in addition to a full complement of local and long distance voice services.

WinStar's network will further evolve in 1998, as we take steps to aggregate voice and data traffic onto a leased long distance fiber backbone that will interconnect *all* our switches. We should realize substantial economies and efficiencies from this integration.

Using a Successful & Superior Networking Model

We believe that our fixed wireless broadband solution for networking customer buildings is clearly superior to the approach used by companies that rely on fiber-based connections. There are several key reasons for this: our lower deployment costs, our ability to reach thousands of buildings that fiber cannot serve economically, and the high percentage of customer traffic we'll be able to carry on our own network. We estimate that, over time, at least two thirds of our lines will be on our own network, and therefore unaffected by provisioning systems and cost issues impacting lines leased from the incumbent local exchange carrier. These on-net lines will give us excellent profitability and greater control over the type and quality of service we provide to customers.

Our recent experience in our first market, New York City, demonstrates that our model works, and works exceptionally well. We began by reselling long distance services while we were building our switch, establishing hub sites and obtaining roof rights. We then gradually moved an increasing percentage of our lines onto our network as it was built. By year-end 1997, 13 months after we launched our service, more than 50% of our New York lines were on our own network; and an even greater percentage of lines were installed on our Lucent 5ESS switch. We expect this experience to be repeated in each of our cities as WinStar extends its network to a total of 40 markets by the end of 1999.

Extending Our Service Capabilities to the 50 Largest U.S. Markets

The value of our radio spectrum holdings, which represent WinStar's core asset, was substantially enhanced in 1997 and early 1998. This came about through the addition of new spectrum licenses, and favorable rulings from the FCC on how we can use our spectrum. In the fall of 1997, the FCC set out new rules permitting 38 GHz licensees to hold up to the full 1,400 MHz of



spectrum available in a given market, while also allowing utilization of that spectrum for a wide range of fixed or mobile communications services.

As a result of license acquisitions, grants, and our participation in the LMDS auction, WinStar's potential service area has been extended to include all 50 of the largest U.S. markets. Our bandwidth holdings in those key markets now average approximately 740 MHz. WinStar's coverage area encompasses *more than 200 million people* and over one billion channel pops (covered population times the number of 100 MHz equivalent channels).

Setting a New Standard with a Point-to-Multipoint System

The competitive value and utility of our spectrum holdings will be further enhanced beginning in the latter part of 1998, when we expect to start deploying our point-to-multipoint wireless network on a commercial basis. This is a major development for the company and an entirely new paradigm for our industry.

Point-to-multipoint systems will enable us to install radios with 155 Mbps data rates and higher on a customer building for a capital cost of as little as \$4,000 per incremental building as our rollout reaches national scale in 1999. This data rate is triple the speed of current point-to-point radios which have capital costs of about \$20,000 per building. Our point-to-multipoint technology has many other important benefits, including an ATM over-the-air interface to carry voice, video and data traffic over a single network, and the ability to provide bandwidth on demand to our customers.

Our successful advanced testing of the technology reinforces our belief that we can deliver a rich blend of essential services, ranging from voice and data communications, LAN-LAN interconnections and MPEG-2 video, to high-speed Internet access and distance learning. This will be the *Information Superhighway* in operation.

Building Toward a Much Bigger Future

The national deployment of services, systems, switches, and people on the large scale and accelerated schedule we are pursuing is expensive. However, the infrastructure we are putting in place today will support the needs of the far larger company we expect to become over the next several years. We have met with great success in raising the capital to build our network. Between January 1997 and April 1998 alone we secured more than \$1.4 billion in debt and equity financing. The receptivity to our securities offerings is a solid vote of confidence in our business plans and investment decisions.

During 1997, we also saw significant growth in WinStar's New Media business which develops information content targeted to the business, educational and consumer markets. Their services help drive usage of the bandwidth we provide our customers and differentiate us from other telecommunications companies. They also strengthen the loyalty of our customers by helping them become more productive through our broadband connectivity and improved access to interactive services. This is how we enable the true convergence of broadband connectivity, computer technology and content.

In 1997, we also added significant depth and breadth to our already strong management team. This led, among other things, to the formation of a stand-alone broadband services unit to spearhead the development of our data business, and to the creation of a new division concentrating on the acquisition of building access rights. In a related vein, the deployment of a new sales force to call on large businesses expanded our focus to a previously unaddressed market segment.



These initiatives gave us three major sources of telecommunications revenues: voice services for small and medium-sized businesses, voice services for large businesses, and broadband data services. WinStar's now broadened universe of potential customers is quickening the pace of our orders and installations.

Addressing Our Business Priorities for 1998

For 1998, our priorities focus on executing our plan to deploy WinStar's network and systems to 30 cities. The valuable lessons we learned in 1997 are being applied in 1998. We expect to increase efficiency as we add sales volume to our growing infrastructure. We will also continue to analyze potential acquisitions that can lead to greater utilization of our network or enhance our service offerings. At the same time, we remain extremely focused on the goal of gradually reducing EBITDA losses from the inflection point we reached in the fourth quarter of 1997.

During 1998, we also expect to begin leveraging our expertise in creating fixed wireless communications networks in markets *outside* the U.S. The demand for bandwidth is a global phenomenon, and our approach to meeting it is not limited to national boundaries. Over the near term, we will likely seek spectrum rights in Canada, Europe and other regions. We could be in a position to launch some operational networks in 1999.

Our employees are totally committed to WinStar's mission: bringing people into the information age through high-quality wireless broadband services, and helping our customers use our network to productively share information with each other. Of the more than 180 million local loop connections that make up the U.S. telecommunications network, only a fraction have been upgraded to broadband status. This means we have an amazingly large business opportunity.

I look forward to keeping you updated on how WinStar is taking advantage of this great opportunity, and transforming it into value for our shareholders, customers, employees and community. In the meantime, I would like to thank all of you, and particularly our employees, for your tremendous enthusiasm and support, and for sharing WinStar's vision of the future, a future we are beginning to turn into a reality.



WILLIAM J. ROUHANA, JR.
CHAIRMAN & CHIEF EXECUTIVE OFFICER

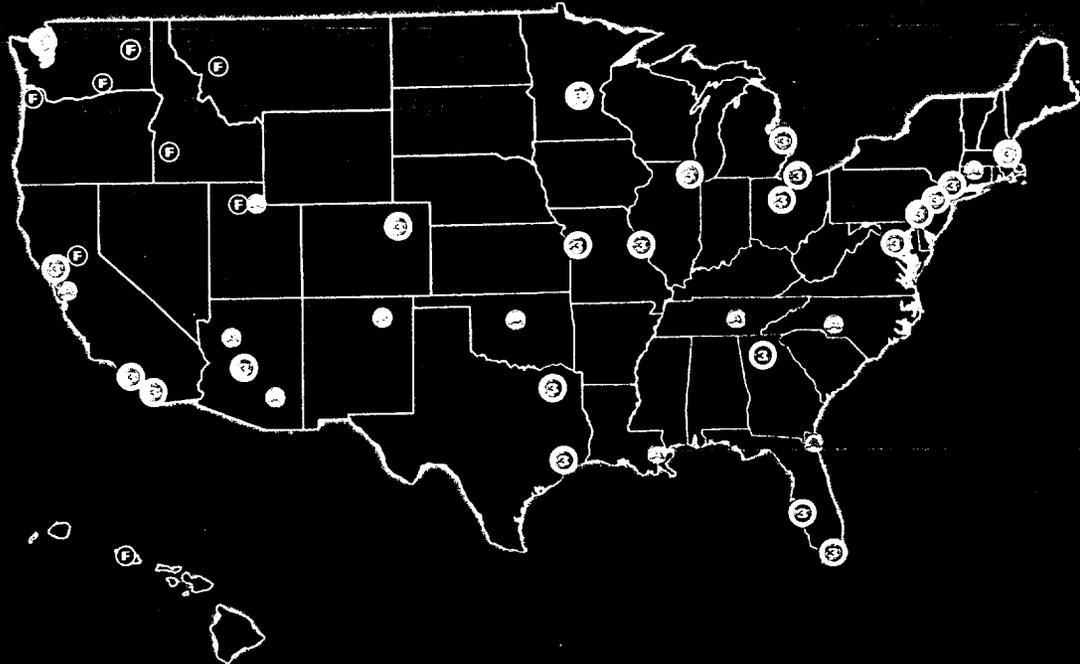
April 24, 1998

Table 1.1.1.1.1.1

Report on Operations

WINSTAR'S NATIONAL NETWORK

(Illustration includes switches planned for deployment in 1998)



ⓕ FRAME RELAY SWITCH

● ATM SWITCH

③ VOICE SWITCH, FRAME RELAY SWITCH
AND ATM SWITCH PRESENT

We're Making Excellent Progress with Operations Nationwide.

We made excellent progress developing WinStar's nationwide operations in 1997, and equally impressive strides in the first months of 1998. WinStar has extremely ambitious goals, and our employees are rising to these challenges with great enthusiasm and ingenuity.

Looking at revenues, our core telecommunications business began to take on significant scale in 1997: we ended the calendar year at a \$62 million annualized revenue run rate, as the growth in CLEC operations more than compensated for an anticipated \$21 million decline in our residential long distance business, which is no longer an area of focus for the company.

It was also an outstanding year for WinStar's information services business, where sales soared 182%, or almost \$27 million over 1996. This was due to excellent demand for information content developed by our New Media subsidiary, and to the acquisition of Telebase, a leading developer of online business information services.

Total operating revenues reached approximately \$80 million, a gain of more than 60% from the prior year. At the end of the 1998 first quarter, the revenue run rate for our consolidated operations had risen to \$230 million as a result both of internal growth and acquisitions.





NATHAN KANTOR

WinStar's telecommunications *network* has grown substantially since the installation of our first local network switch only 17 months ago. Looking toward the end of this year, we plan to have 23 Lucent 5ESS switches installed, and an additional 29 ATM switches and 17 frame relay switches in service. This extensive switching capability should increase again in 1999.

We're Fielding a Direct Sales Force of Trained Professionals

To generate traffic for WinStar's expanding network, we've built a professional field sales force to call directly on potential business customers. More than 800 WinStar sales and service representatives have been trained to assist customers with total solutions to their telecommunications needs; including data specialists and salespeople concentrating solely on large businesses.

The rewards of this investment have come in the form of continually rising flows of line orders and installations. Cumulative line orders reached 118,000 at the end of 1997, an encouraging conclusion for a 12-month period that started with only about 6,000 ordered lines. We achieved further gains in the first quarter of 1998, when cumulative orders rose to nearly 200,000. Our base of installed lines expanded over thirty-fold, from 4,400 at the beginning of 1997, to 82,000 as of December 31, to 145,000 at the end of the first quarter of 1998. The cumulative orders and installations reported for March 1998 included some 24,500 lines acquired with our new broadband data businesses. However, WinStar's ongoing rate of installation already exceeds 40,000 lines per quarter. The number of quarterly installations should continue to rise as our services come on stream in additional major cities.

We're Gaining Momentum with Hub Sites, Access Rights & Interconnect Agreements

Creating hub sites, to collect traffic from customer buildings and route it to our switches, is essential to the successful buildout of our network. From no completed hubs at the beginning of 1997, within 15 months we had over 50 in service. Meeting our target for 1998 will bring the total to more than 100.

Wireless connectivity to our hubs hinges on our success in obtaining building access rights to install a small antenna and radio atop customer buildings. This makes access rights a second critical factor in deploying our wireless network nationwide. Accordingly, we're giving this effort a significant amount of focused attention. During 1997, the number of building access rights held by WinStar climbed to 2,100, versus 800 in 1996. We are finding that building owners increasingly recognize the value of having broadband telecommunications services available to tenants within their buildings. In 1998, we're broadening our rights acquisition program to include negotiations with REITs and other property owners and managers who control large numbers of commercial office buildings. By year-end, we expect to have gained access to a total of 4,000 locations.



Clearly, WinStar's network cannot be of true value without connecting it to the national telecommunications system. Doing so requires us to negotiate individual agreements with the Regional Bell Operating Companies (RBOCs) and other established local and long distance carriers. It's well worth noting that WinStar has made interconnect agreements that today cover 44 of the top 50 U.S. markets. Additionally, the company has peering arrangements with more than 130 U.S. and foreign Internet service providers.

CLEC authorizations represent a fourth crucial building block for a national telecommunications provider like WinStar, and our progress here has been very satisfactory. We currently have authorizations applying to 48 of the largest markets in the country. That's up considerably from 30 markets at the end of 1996.

We're Investing Heavily in Customers and the Future

The fact is, WinStar's combination of innovative service offerings, value-based pricing and passion for customer satisfaction is being met with great enthusiasm in the marketplace. We have quickly built a solid base of more than 7,000 customers. Our rate of customer acquisition remains on a strong upswing, and our services are being enhanced by the most advanced operational and business support systems in the industry. This is a critical area for the company, and we continue to make substantial investments in order entry, order provisioning, billing and network management systems. We have also designed new network elements to support the deployment of WinStar's point-to-multipoint technology, commencing later this year. It is equally gratifying to report that WinStar's wireless network achieved a 99.999% ("five-nines") level of availability in 1997. This accomplishment proved that our unique approach to providing broadband connectivity is of the utmost quality and reliability.

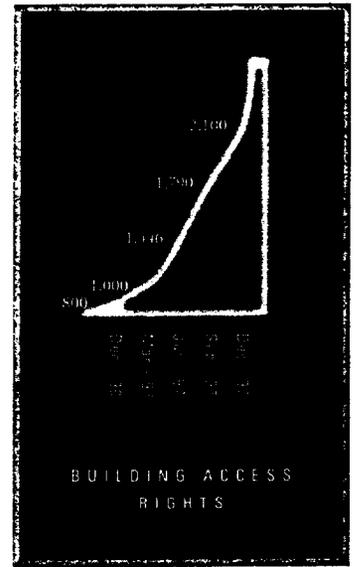
WinStar's success is being further supported by an aggressive marketing program which incorporates media advertising and a wide range of special activities conducted inside our target buildings. Our marketing themes differentiate WinStar from other service providers and encourage heightened expectations among our potential customers. Once they experience WinStar's services, we work with our customers to handle an increasing amount of their communications requirements, and integrate WinStar into their business. This approach has been highly effective.

We're looking ahead and working toward even greater achievements in 1998. We're supremely confident about the unique and talented group of employees we have at WinStar, and the bright new people we are attracting, who are delivering on our promise: "See things from a phone company you've never seen before."



NATHAN KANTOR
PRESIDENT & CHIEF OPERATING OFFICER

April 24, 1998





With the deployment of our revolutionary point-to-multipoint (PMP) technology, there are hundreds of thousands of buildings we can reach and connect with high-speed telecommunications services. We're going to bring the people in those buildings all the features and benefits of today's and tomorrow's Information Superhighway.

This rich, new and extremely robust networking approach significantly expands our ability to service many more customers, and dramatically lowers the cost of reaching them. It also creates a totally new paradigm for broadband local networks, marking the first time that voice, data and video capabilities have been integrated into one network.

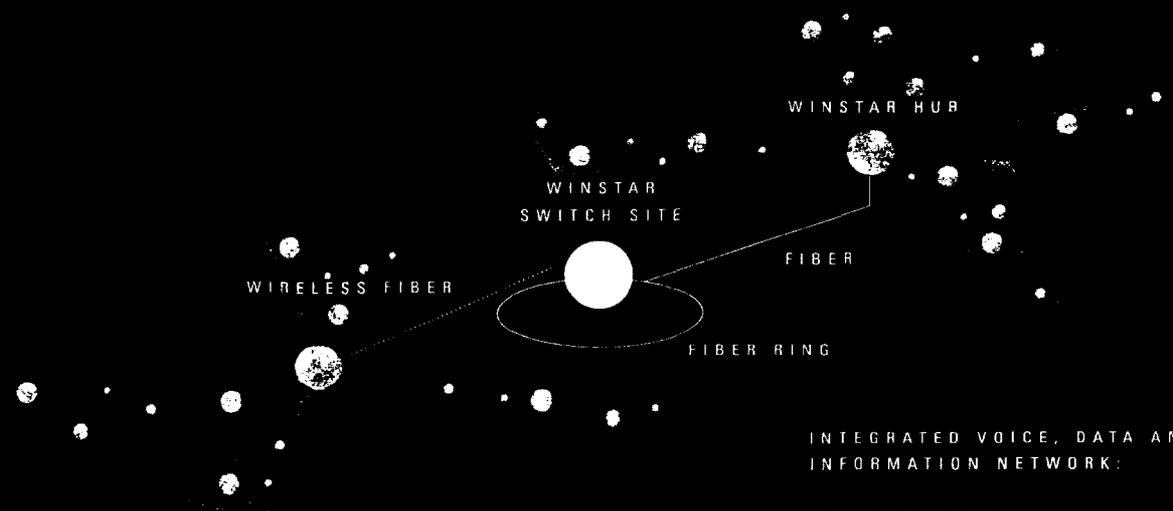
Point-to-Multipoint is a *line-of-sight* technology. It begins at our hub sites, where we have a universe of buildings in our sight, a universe that includes customers located in buildings as small as 20,000 square feet. It's an affordable and relatively easy-to-install alternative to the higher cost, old wireline technology systems offered by the country's entrenched monopoly carriers. When the buildout of the company's hubs is complete in our 50 major target markets, we'll be able to see from our hub sites and reach close to 75% of all commercial office buildings in these cities.

Lacking broadband connectivity, these buildings can be classified as "access disadvantaged." As such, they're perfect candidates to benefit from our PMP "on ramp," which will be able to connect them - with bandwidth-on-demand - to the nation's telecommunications infrastructure, and to the current and future Information Superhighway.

WinStar's hub sites each provide line-of-sight to hundreds of buildings which can be served by the company's wireless broadband network.

Fixed wireless broadband communications is not cellular service. It's a high capacity communications channel that matches the performance and quality of fiber-based networks and systems. Connections are made through the air by way of antennae on building roofs. Service is delivered faster and less expensively than by fiber, and isn't vulnerable to construction-related outages involving cut cables. With point-to-multipoint technology, WinStar doesn't have to build specific pipes to each building, or try to fill them. Our virtual "pipe" can get bigger or smaller as demand increases or lessens; the cost to our customer is based on actual bandwidth use, not on capacity that is unused. These significant cost advantages, coupled with our strong service edge, make a compelling argument for customers to switch to WinStar from other local exchange carriers.

10/10/10



INTEGRATED VOICE, DATA AND INFORMATION NETWORK:

- VOICE TELEPHONE
- FAX
- HIGH-SPEED INTERNET
- FIXED OR VARIABLE-RATE DATA
- NATIVE LAN TO LAN
- VIDEO CONFERENCING
- INFORMATION SERVICES



Students and teachers at The Holy Name of Jesus School in New York City use specialized software developed by WinStar to take maximum advantage of the educational content available through the Internet.



WINSTAR COMMUNICATIONS, INC. AND SUBSIDIARIES

(In thousands, except per share data)

	FOR THE TEN MONTHS ENDED DECEMBER 31,		FOR THE YEAR ENDED DECEMBER 31,
	1995	1996	1997
Operating revenues			
Telecommunications services — commercial	\$ 130	\$ 4,487	\$ 29,796
Telecommunications services — residential	13,007	29,482	8,481
Information services	2,648	14,650	41,354
Total operating revenues	15,785	48,619	79,631
Operating expenses			
Cost of services and products	12,073	38,233	81,017
Selling, general and administrative expenses	13,617	62,365	156,959
Depreciation and amortization	1,027	4,501	29,701
Total operating expenses	26,717	105,099	267,677
Operating loss	(10,932)	(56,480)	(188,046)
Other (expense) income			
Interest expense	(7,186)	(36,748)	(77,257)
Interest income	2,890	10,515	17,577
Other (expense) income	(866)	—	2,219
Loss from continuing operations before income tax benefit	(16,094)	(82,713)	(245,507)
Income tax benefit	—	—	2,500
Loss from continuing operations	(16,094)	(82,713)	(243,007)
Income (loss) from discontinued operations	237	(1,010)	(6,477)
Net loss	(15,857)	(83,723)	(249,484)
Preferred stock dividends	—	—	(5,879)
Net loss applicable to common stockholders	\$(15,857)	\$ (83,723)	\$(255,363)
Basic and diluted income (loss) per share:			
From continuing operations	\$ (0.71)	\$ (2.96)	\$ (7.49)
From discontinued operations	0.01	(0.04)	(0.19)
Net loss per share	\$ (0.70)	\$ (3.00)	\$ (7.68)
Weighted average shares outstanding	22,770	27,911	33,249

(Please refer to the company's Form 10-K for complete financial information)

(In thousands)

	DECEMBER 31, 1996	DECEMBER 31, 1997
ASSETS		
Current assets		
Cash and cash equivalents	\$ 95,490	\$ 402,359
Short term investments	26,997	16,903
Cash, cash equivalents and short term investments	122,487	419,262
Investments in equity securities	688	—
Accounts receivable, net of allowance for doubtful accounts of \$852 and \$3,819, respectively	13,150	30,328
Inventories	5,009	10,296
Prepaid expenses and other current assets	15,969	8,985
Net assets of discontinued operations	3,814	2,105
Total current assets	161,117	470,976
Property and equipment, net	62,572	284,835
Licenses, net	27,434	174,763
Intangible assets, net	12,955	14,293
Deferred financing costs, net	10,535	27,463
Other assets	4,176	4,071
Total assets	\$ 278,789	\$ 976,401
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities		
Current portion of long-term debt	\$ 19,901	\$ 386
Account payable and accrued expenses	29,442	97,714
Current portion of capitalized lease obligations	3,110	6,848
Total current liabilities	52,453	104,948
Capitalized lease obligations, less current portion	10,846	21,823
Long-term debt, less current portion	265,161	768,469
Deferred income taxes	—	24,000
Total liabilities	328,460	919,240
Series C exchangeable redeemable preferred stock, liquidation preference of \$175,000 plus accumulated dividends	—	175,553
Commitments and contingencies		
Stockholders' equity (deficit)		
Series A preferred stock issued and outstanding 3,910 shares at December 31, 1997	—	39
Common stock, par value \$.01; authorized 200,000 shares, issued and outstanding 28,989 and 34,610, respectively	290	346
Additional paid-in-capital	75,436	255,741
Accumulated deficit	(125,034)	(374,518)
Unrealized loss on investments	(49,308)	(118,392)
Unrealized loss on investments	(363)	—
Total stockholders' deficit	(49,671)	(118,392)
Total liabilities, exchangeable redeemable preferred stock and stockholders' deficit	\$ 278,789	\$ 976,401

(Please refer to the company's Form 10-K for complete financial information)

(In thousands)

	FOR THE TEN MONTHS ENDED		FOR THE YEAR ENDED	
	DECEMBER 31,		DECEMBER 31,	
	1995	1996	1996	1997
Cash flows from operating activities:				
Net loss	\$ (15,857)	\$ (83,723)	\$ (249,484)	
Adjustments to reconcile net loss to net cash used in operating activities:				
Net (income) loss from discontinued operations	(237)	1,010	6,477	
Depreciation and amortization	1,117	5,977	32,360	
Deferred income tax benefit	—	—	(2,500)	
Provision for doubtful accounts	855	1,562	5,674	
Equity in unconsolidated results of AGT	866	—	—	
Non cash interest expense	6,151	35,040	53,506	
Decrease (increase) in operating assets:				
Accounts receivable	(4,216)	(3,838)	(24,026)	
Inventories	(991)	(1,897)	(9,217)	
Prepaid expenses and other current assets	(2,342)	(13,442)	510	
Other assets	(865)	(1,940)	(178)	
Increase in accounts payable and accrued expenses	4,911	9,795	50,306	
Net assets provided by (used in) discontinued operations	90	(1,481)	(4,559)	
Other, net	179	186	—	
Net cash used in operating activities	(10,339)	(52,751)	(141,131)	
Cash flows from investing activities:				
Investment in and advances to AGT	(5,704)	—	—	
Decrease (increase) in short-term investments, net	(73,594)	46,597	10,094	
Decrease (increase) in other investments, net	(7,497)	6,447	—	
Purchase of property and equipment, net	(8,138)	(47,842)	(213,356)	
Acquisition of licenses and other	—	(2,121)	(40,190)	
Other, net	(499)	(1,619)	2,494	
Net cash (used in) provided by investing activities	(95,432)	1,462	(240,958)	
Cash flows from financing activities:				
Proceeds from (repayments) of long-term debt, net	224,200	(2,778)	410,585	
Net proceeds from redeemable preferred stock	—	—	168,138	
Net proceeds from equity transactions	11,259	6,295	104,781	
Proceeds from equipment lease financing	6,998	8,345	9,912	
Payment of capital lease obligations	(676)	(2,080)	(4,141)	
Other, net	(898)	(1,010)	(317)	
Net cash provided by financing activities	240,883	8,772	688,958	
Net increase (decrease) in cash and cash equivalents	135,112	(42,517)	306,869	
Cash and cash equivalents at beginning of period	2,895	138,007	95,490	
Cash and cash equivalents at end of period	138,007	95,490	402,359	
Short-term investments at end of period	73,595	26,997	16,903	
Cash, cash equivalents and short-term investments at end of period	\$211,602	\$122,487	\$ 419,262	

(Please refer to the company's Form 10-K for complete financial information)

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Corporate Information

Board of Directors

William J. Rouhana, Jr.
Chairman & Chief Executive Officer
WinStar Communications, Inc.

Nathan Kantor
President & Chief Operating Officer
WinStar Communications, Inc.

Steven G. Chrust
Vice Chairman
WinStar Communications, Inc.

James I. Cash, Jr.
The James E. Robison Professor of
Business Administration
Graduate School of Business
Administration
Harvard University

Steven B. Magyar
Financial Consultant

William J. vanden Heuvel
Of Counsel
Stroock & Stroock & Lavan
Sr. Advisor
Allen & Company

Bert W. Wasserman
Executive Vice President &
Chief Financial Officer (retired)
Time Warner

Officers

William J. Rouhana, Jr.
Chairman & Chief Executive Officer

Nathan Kantor
President & Chief Operating Officer

Steven G. Chrust
Vice Chairman

Charles T. Dickson
Executive Vice President &
Chief Financial Officer

Timothy R. Graham
Executive Vice President &
General Counsel

David W. Ackerman
Executive Vice President
Business Development

Robert K. McGuire
President & Chief Operating Officer
WinStar Wireless

Stuart B. Rekant
President
WinStar New Media

David R. Schmiege
President & Chief Operating Officer
WinStar Telecommunications

Howard E. Taylor
President & Chief Operating Officer
WinStar Broadband Services

Richard J. Uhl
President & Chief Operating Officer
WinStar for Buildings

Ruth A. Shields
Executive Vice President &
Chief Operating Officer
WinStar New Media

SEC FORM 10-K AND STOCKHOLDER INQUIRIES

Copies of the Company's Form 10-K for the fiscal year ended December 31, 1997, as filed with the Securities and Exchange Commission, can be obtained without charge upon written request to: Manager of Investor Relations, WinStar Communications, Inc., 230 Park Avenue, Suite 2700, New York, New York 10169 Tel. (212) 584-4053 Fax. (212) 867-1565

INDEPENDENT AUDITORS

Grant Thornton LLP, New York, New York

TRANSFER AGENT AND REGISTRAR

Continental Stock Transfer and Trust Company, New York, New York

ANNUAL MEETING

Shareholders are invited to WinStar's Annual Meeting which will be held at 10:00 a.m. on Wednesday, June 10, 1998 at the Hotel Inter-Continental, 111 East 48th Street, New York, New York 10017

Except for any historical information contained herein, the matters discussed in this document contain forward-looking statements that involve risks and uncertainties which are described in the company's SEC reports, including the 10-K for the period ended December 31, 1997.

WinStar is a registered trademark, and Wireless Fiber is a service mark of WinStar Communications, Inc.

Design: Meyer Design Associates, Inc./Wilton, CT
Editorial consultant: Colin Goedecke, FreeFold Limited/NYC





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Fax: 212.867.1565

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JANUARY 15, 1999

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www.wirelessreview.com

REVIEW

INTELLIGENCE FOR COMPETITIVE PROVIDERS™



WinStar's Kantor & Rouhana

Stirring Up Competition

Wireless 1999
Preview

Avoiding Call
Center Casualties

XXXXXXXXXXXXXXXXXXXX

Rouhana and Kantor are bringing WinStar Communications to a building near you.

The purchase of WinStar Communications by the Dallas-based MCI Telecommunications Corporation is a landmark success story in the wireless communications marketplace.

With millions of dollars invested, WinStar could have been sold to Bell, Ericsson or CIO World. But it isn't. It's the company of the local service provider. He's the one who understands the needs of the world.

It's the one who can create the most powerful product that has ever been made in the wireless marketplace. It's the one who is proud of a product that United Nations relief and emergency services have used during disasters around the world. It's the one who is proud of a product that American and European firefighters use to save lives.

It's the one who has a product that is the most powerful & cost-effective in the marketplace. It's the one who is leading the way in the marketplace. It's the one who is leading the way in the marketplace. It's the one who is leading the way in the marketplace.

Rouhana's vision extends beyond the 28GHz and 38GHz bands and encompasses the entire wireless marketplace.

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learning, education for inner city schools and interactive video communications.

The Team

WinStar is off to a good start. True to its long-range goals, the one accomplishment it seems most proud of has more to do with people's lives than business or technology. On Veterans Day last year, WinStar launched The Virtual Wall (www.virtualwall.org), an interactive web site where friends and family can leave messages and graphics in tribute to Vietnam veterans. With recognition from Vice President Al Gore, WinStar is definitely getting noticed.

If history repeats itself, Rouhana has selected a second man who could help make WinStar the next MCI.

Rouhana and Kantor are relying on past experience to continue that trend. Kantor is no stranger to challenges. In 1972, he left a comfortable life with a blue-chip company to join a small fledgling 200-employee microwave-technology company called MCI. He joined Bill McGowan in the battle to compete against AT&T and bring competition to the long-distance monopoly.

Global Reach

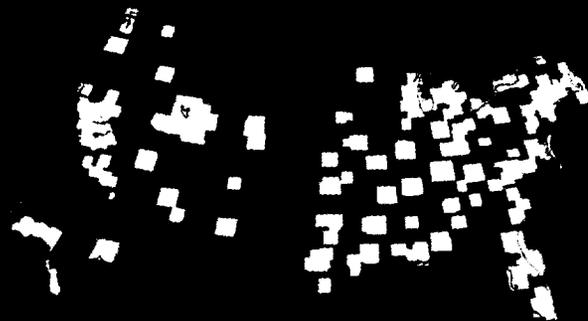
Pioneer Consulting predicts global LMDS business will grow from \$157 million in 1998 to more than \$11.5 billion by 2007. WinStar plans to own a piece of that business. The company's recent agreement with Lucent has created the resources to build globally.

"(Lucent and WinStar) are a perfect fit for international goals," Kantor said.

WinStar has identified 50 cities (25 in Europe) around the world as targets for broadband expansion. Part of WinStar's strategy in 1999 will be to help countries leapfrog landline and go directly to broadband wireless.

Pioneer's recent report agreed that in Asia LMDS will be a viable solution where building fiber networks in underdeveloped countries is too costly. Pioneer also said that by 2000, Asia-Pacific and Latin America markets will be adopting fixed-wireless applications, and in Europe the demand for alternate local-access services will drive LMDS. If that prediction holds true, WinStar may be on easy street to global success.

**WinStar's Spectrum Holdings
Cover the Nation's Business Market**



- Covered Population of Almost 200 Million
- Largest Holder of Bandwidth
- Over 80% of Nation's Business Market Covered

WinStar holds broadband licenses in all of the top 50 U.S. markets.

Twenty-three years later, Kantor had once again settled into a comfortable life — this time with a consulting practice — when he got a call from another fledgling company. At the time, WinStar had around 200 employees, and Rouhana was positioning the company to take on the local monopolies. In the 1970s, he helped break up the long-distance market; now Kantor was preparing to break up the local market.

If history repeats itself, Rouhana has selected a second man who could help make WinStar the next MCI, something Rouhana has been thinking about since the 1980s. With a career spanning investments, law, film and cable, Rouhana wondered, "What (will be) the next technology to impact the way we get information?" Before Information Superhighway was even a term, Rouhana's mind was racing.

"In the late 1980s, I started trying to understand how all of this would come together. I thought it (would be) something important and started investing in telecom companies to understand its impact."

That's when the evolution to broadband became clear. By 1993 Rouhana was growing

frustrated with the Bells' inability to implement advanced telecom solutions. So, he created WinStar Communications. With Kantor at his side, Rouhana assembled a team (now more than 2,600 employees) to make his goals "a reality, not a possibility."

Ambition

Although Rouhana would like "to help solve problems worldwide," his first task is to stir up local competition. That has not been easy. With anything new comes skepticism, and broadband wireless has had its share.

Investors have taken a wait-and-see approach, and the telecom industry is watching with an eagle eye. Not everyone is convinced there is a true business case for microwave, point-to-multipoint services. After financial woes of C-block providers and the flood of telecom competition, investors are wary of backing more players. After all, investors want to know that broadband providers can do more than just offer services; they must be able to bring in revenue. And WinStar has not done much of the latter. But Rouhana is optimistic. Although the company still is losing money, he expects cash flow to break even in 2000.



Figure 1. WinStar's stock took an upward turn in October.

The real challenge is gaining recognition with customers.

"What we lose is investment spending," he said.

Still, it has taken several years of hard work to educate people on the opportunities of broadband services such as LMDS. According to Rouhana, WinStar had the curse of being first.

"They used to laugh at us," Rouhana said. "Now they get it."

In October, WinStar got the credibility it needed when Lucent Technologies announced a 5-year agreement to provide up to \$2 billion in equipment financing. WinStar's shares rose $\$6\frac{3}{16}$ to $\$25\frac{7}{8}$ immediately following the announcement. (See Figure 1.)

Rouhana believes that for the most part, the industry finally is ready to accept the opportunities. As proof, other providers have started to follow WinStar's lead. Rouhana is not modest about WinStar's role in that evolution.

"(They are) all trying to be like us," he said.

So what is the business case? What are "they" all trying to get at? It all comes down to capacity and lots of it, quickly and cheaply.

According to WinStar, it costs more than \$300,000 to connect fiber to a building. The cost for connecting a microwave point-to-point system averages about \$20,000 per building. With the latest advancement of point-to-multipoint technology, the cost

can be as little as \$4,500 a building.

Another attractive concept is pay as you grow. Instead of paying a flat rate for access, WinStar customers pay depending on how much broadband capacity they use. If they need more capacity one month, they can purchase what they need and then revert back. Or as a customer adds employees and tenants, it can increase capacity immediately. For additional fiber, it would take months.

The real difference between fiber and broadband wireless is construction vs. technology, Kantor said. Fiber is 20% technology and 80% construction. Wireless broadband is 80% technology and 20% construction.

Although broadband wireless

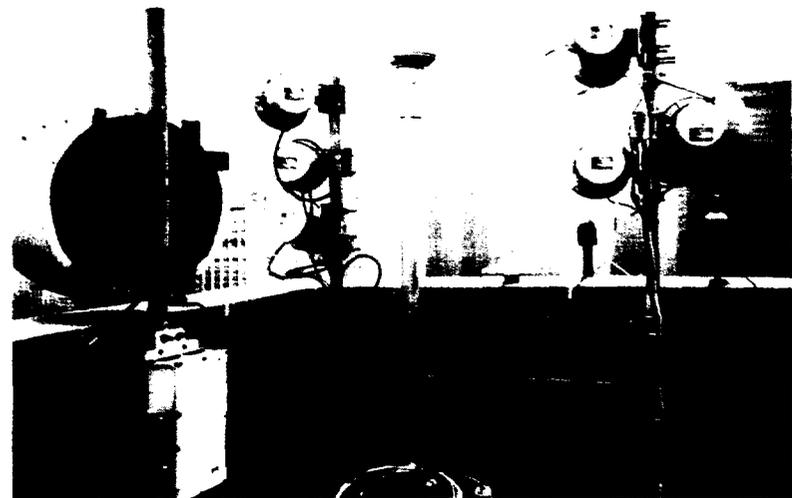
providers don't have the construction issues of digging for installation, they do need access to rooftops for technology placement. Because point-to-multipoint systems rely on one hub site for microwave antenna and a fiber connection to reach surrounding buildings, rooftop access is crucial. But Kantor said working with landlords hasn't been an issue. In New York alone, WinStar has five working hub sites, two under construction, and is looking for more locations to meet increased demand.

Confidence

The real challenge is gaining recognition with customers. The technology is a "no-brainer," Kantor said. Testing has proved it viable. But the thousands of potential customers (schools and businesses) have never heard of WinStar or its technology. So WinStar is positioning its service as Wireless Fiber, a winning combination, according to Kantor, because wireless is a hot term and fiber conveys reliability and quality.

But more than understanding technology, small- and medium-size businesses (the majority of WinStar's customers) want customer service.

"They have been ignored and abused," Kantor said.



WinStar's hub site at the "switch hotel" in lower Manhattan

1998

Total Revenues from LMDS Markets (In Millions)

	Small	Medium	Large	Total
1999	\$151.07	32.23	58.19	241.49
2000	523.26	137.39	133.33	793.98
2005	3,225.99	809.27	459.17	4,494.43

Pioneer Consulting projects revenues at \$4.5 billion by 2005.

Surveys indicate that office managers claim the worst thing to do in a day is to call a LEC for anything, he said. WinStar is using that as ammunition. Building customer relationships is its competitive weapon. It wants to change the existing paradigm that telephone companies don't need to worry about customer service.

"It's simple; just talk to the customer," Kantor said.

WinStar has created a company philosophy around this concept.

It opened a National Customer Satisfaction Center in Dublin, OH, and has trained salespeople to help customers analyze bills and even help them set up web sites.

Establishing relationships with businesses, building owners and companies such as Devnet, which controls physical access rights to more than 400 office buildings, are critical to its business.

The company's strategy is a building-centric approach. WinStar has access rights to 3,500 buildings across the country. Only two other companies have more, and WinStar plans to change that. It expects to have access rights to 8,000 buildings by year-end 1999. WinStar's strategy is to first target buildings with more than 100,000 square feet, build out equipment and then sell to the businesses in those buildings. With the Lucent deal under its belt, the company now expects to exceed its original plan of a 40-city launch by year-end 1999.

That won't be easy. WinStar may be "The New Phone Company," but, it's not the *only* new phone company. There are many other CLECs, including LMDS and PCS companies, also wanting a piece of the local market. Teligent is the one competitor that frequents media and analyst comparisons. One futurist even expects Teligent to leapfrog WinStar.

"Teligent really impresses me ... They seem to have their act together better than WinStar ... WinStar is doing too many things, so it can't focus on the huge opportunity in wireless data to business residences ... Teligent is going to burst ahead of them," said George Gilder, Gilder Technology Group president.

Rouhana and Kantor aren't concerned.

"He is absolutely wrong ... I don't worry about Teligent," Kantor said.

According to Kantor, Teligent

...and the award for best performance in a dual role goes to...

ES TELECOM

Dual-Band: Cellular/PCS Vehicular Antennas
Available in "On-Glass" and magnet mount options
Answers customer needs for dual-band car kits, portable phones

Dual System: Cellular/GPS Vehicular Antennas
Capitalizes on patented technology with built-in GPS options
Requires only one installation for both applications

ISO 9001



has no funding, no access and is two years behind WinStar. WinStar has more spectrum and licenses than anybody else and is in more places than anyone else (averaging more than 700MHz per market). Teligent's heavy-weight, former AT&T President Alex Mandl, doesn't intimidate either.

"Bill invented the industry, not Alex," Kantor said.

Although Rouhana won't credit Teligent as a direct competitor, he does consider its presence a compliment.

After WinStar builds out the top 50 markets for commercial services, it will progress to the residential segment.

"Teligent existing is the ultimate flattery," Rouhana said. "It adds credibility to the market because it is copying what WinStar is doing."

In fact, WinStar seems to think it's in a class of its own.

"The LEC is my competitor," Kantor said. "Not the CLECs."

If that is the case, how can WinStar expect to become the leader in a field of local incumbents? It's simple, Rouhana said: "We've got a better mousetrap."

Visions of Success

Part of that mousetrap lies in WinStar's marketing campaigns, which include direct mailings to target buildings, and personal delivery gimmicks such as a



The Kiosk Network

Free Local Phone Service For Your Business Starting Now.

Location Is Everything. And you couldn't be in a better location, because businesses in your location will receive FREE Local Phone Service until the Year 2000, up to \$1,000 each month, when you sign with us.

You're in the Right Place at the Right Time. We're bringing this one-of-a-kind offer to thousands of win and businesses to introduce you to WinStar and make your decision to try us that much easier.

This is a unique chance to do business with a phone company which offers significant savings every month and delivers personal attention for your business 24 hours a day, seven days a week.

Start Saving Today!

- Free Local Phone Service until 2000 (three year term agreement)
- Free Local Phone Service for eight months (1st year term agreement)
- Free Local Phone Service for four months (one year term agreement)

You Can't Lose. If for any reason you are not satisfied with WinStar within the first 30 days, we'll pay for the cost of your old local phone service until the 30th day of the month.

WinStar

Project Millennium offers free local phone service until 2000.

baseball promotion box with a Louisville slugger and an invitation to meet with WinStar. If the recipient agrees to the meeting, he receives tickets to the baseball game.

Other personal deliveries include WinStar breakfast bags with coffee and bagels.

Lobby programs also are a strategic marketing tool. The company often holds events in building lobbies and serves treats such as ice cream in the afternoon.

The company is testing another value-added feature in its own buildings. The multimedia Kiosk Network features live AP news headline tickers, forecasts, an interactive building directory for tenant listings, area restaurants and city maps. These programs are key in getting the company's name circulated. They leave the perception that WinStar owns the building.

"We want people to ask 'Why don't we have WinStar in our building?'" Kantor said.

These tools also increase value for the tenants. They will make businesses look at broadband like they do air conditioners, Kantor said.

"They will realize they can't do business without broadband capacity," he said.

Late last year, the company also launched its nationwide marketing campaign, Project Millen-

nium. WinStar is picking up local phone service (up to \$1,000 per month) until 2000 for first-time customers that sign a 3-year contract between Oct. 31, 1998 and Jan. 31, 1999.

The offer extends to more than 1,000 newly connected commercial buildings in 13 markets including Atlanta, Dallas, Denver, Los Angeles and New York.

To generate revenue, WinStar will use this promotion as a hook and then go back and sell more services. But WinStar is not stopping there.

Despite analyst predictions that broadband services such as LMDS will be limited mostly to the business market, Rouhana plans to go further. After WinStar builds out the top 50 markets for commercial services, it will progress to the residential segment.

"Toward the end of 2000, we will have the ability to serve a significant (portion of the) residential market from a network perspective," Rouhana said. "We will try to do that. The broadband network will go to the home."

He believes that video conferencing and Internet usage will drive the demand for broadband capacity to homes. If it succeeds, WinStar will be one step closer to reaching Rouhana's high expectations — changing the way people across the world communicate. ■



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WINSTAR COMPLETES ACQUISITION OF NATIONWIDE SPECTRUM RIGHTS IN ARGENTINA

Broadband Wireless Leader Continues Expansion Into Top 50 International Markets

Service Planned for Buenos Aires in 1999, One of The Fastest-Growing Data Markets in Latin America

NEW YORK - FEBRUARY 16, 1999 - WINSTAR COMMUNICATIONS, INC. (NASDAQ: WCII) announced today it has completed the purchase of 95% of Macrocom SA, a company holding a nationwide license for 400 MHz of spectrum in the 38 GHz band in Argentina. The acquisition marks the next step in WinStar's plan to expand its broadband network into the top 50 international markets within the next five years by strategically accumulating spectrum assets in a cost-effective manner. The licenses obtained through this purchase cover all of Argentina, including Buenos Aires, which is one of Latin America's premier business markets and the eighth largest international market outside the United States. WinStar plans to launch service in Buenos Aires by September 1, 1999.

By acquiring spectrum rights in Argentina, WinStar gains access to more than 88 million channel pops in that country's large cities and 48 million in Buenos Aires alone. Argentina's rapidly growing data services market, which is estimated to exceed \$500 million annually, provides WinStar with an opportunity to build a broadband network capable of delivering high-speed data and information services to large multinational business customers and medium-sized companies. In addition, the opening of the country's local and long distance markets in November 2000 will provide further opportunities for WinStar.

WinStar's Argentine network will feature the company's state-of-the-art point-to-multipoint technology. The company will also draw upon the expertise and resources of Lucent Technologies as part of the strategic alliance formed by the two companies last October.

William J. Rouhana, Jr., WinStar's Chairman and Chief Executive Officer, said, "We are pleased and excited to be bringing wireless broadband connectivity to Buenos Aires, one of the most important business markets in Latin America, as well as to other major cities in Argentina.

Winstar Communications, Inc.

1146 19th Street, N.W. • Suite 200 • Washington, D.C. 20036 • TEL 202 833 5678 • FAX 202 659 1931

Acquiring these spectrum rights is a key part of our plan to serve our multinational customers and to extend our industry leadership by expanding the availability of WinStar's broadband network to the international marketplace."

WinStar has already obtained spectrum licenses in the Netherlands, and has filed for spectrum rights in major business markets throughout Western Europe. Last month, WinStar, KDD and Sumitomo formed a joint venture company, of which WinStar owns 35%, to obtain spectrum rights and build a wireless broadband communications network beginning in Tokyo later this year.

WinStar Communications, Inc. is a pioneer in providing business customers with broadband communications services, including local and long distance phone service, as well as high-speed data, Internet access and information services. WinStar provides these Wireless FiberSM services over its own end-to-end broadband network in over 30 U.S. markets, using its licenses in the 28 and 38 GHz spectrum.

Except for any historical information contained herein, the matters discussed in this press release contain forward-looking statements that involve risks and uncertainties, which are described in the company's SEC reports, including the 10-K for the period ended December 31, 1997 and the 10-Q for the period ended September 30, 1998.

WinStar is a registered trademark, and Wireless Fiber is a service mark of WinStar Communications, Inc.

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The following was released this morning

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WINSTAR, KDD AND SUMITOMO ESTABLISH JOINT VENTURE TO SERVE MAJOR JAPANESE MARKETS WITH BROADBAND NETWORK

Partnership Will Acquire Fixed Wireless Spectrum in Key Japanese Cities, Beginning with Tokyo

NEW YORK - JANUARY 5, 1999, WINSTAR COMMUNICATIONS, INC. (NASDAQ: WCII), KDD CORPORATION AND SUMITOMO CORPORATION announced today they have formed a joint venture to pursue deployment of fixed wireless service in Japan beginning in Tokyo later this year. The three companies have established a new Japanese corporation, KDD WinStar Corporation, to secure spectrum rights and build a broadband network capable of delivering high-speed data and information services in major Japanese markets. WinStar will own a 35% interest in the new corporation.

Under this joint venture, KDD WinStar Corporation will draw upon WinStar's experience and expertise in providing high-speed local access to businesses over its own fixed wireless network, KDD's experience in the marketing and provision of telecommunications services throughout Japan, and Sumitomo's expertise as one of Japan's leading integrated trading companies. As spectrum rights are secured, KDD WinStar Corporation will market its broadband service to businesses with high-speed data transmission needs, including Internet service providers and others.

William J. Rouhana, Jr., WinStar's Chairman and Chief Executive Officer, said, "We are pleased and excited to join with KDD and Sumitomo to secure spectrum and build a high-speed, end-to-end network capable of delivering a wide range of broadband data and information services to businesses throughout Japan. Together we have the global expertise, the vision and the financial resources to replicate WinStar's U.S. build-out and bring wireless broadband connectivity to Japanese business. WinStar will continue to seek additional partners in the global markets we have targeted in order to penetrate them with locally-delivered bandwidth for a variety of data and information needs."

Winstar Communications, Inc.

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Tadashi Nishimoto, President of KDD Corporation, said, "Local access networks will play an increasingly important role in the competitive telecommunications environment in Japan. KDD considers fixed wireless systems a promising means for providing such access networks. The partnership with WinStar, which has a successful experience in the USA, will accelerate the business expansion in Japan in combination with KDD's advanced technology in wireless telecommunications systems."

Atsushi Nishijo, Managing Director of Sumitomo Corporation, said, "Last mile access for data and information services will be realized by a combination of various methods, out of which fixed wireless is the most cost-effective. We are very encouraged by this partnership with WinStar, which has a wealth of fixed wireless experience, and we believe that our new company will become a great success. "

WinStar, which currently provides Wireless FiberSM services to businesses in 30 major U.S. markets over its own end-to-end network, last month announced it would begin to provide data and information services to six international markets in 1999 and a total of 50 global markets outside the U.S. within five years. WinStar also announced its accelerated plan to provide fixed wireless services to the top 60 U.S. markets within five years.

WinStar Communications, Inc. is a pioneer in providing business customers with broadband communications services, including local and long distance phone service, as well as high-speed data, Internet access and information services. WinStar provides these Wireless FiberSM services over its own end-to-end broadband network in 30 U.S. markets, using its licenses in the 28 and 38 GHz spectrum.

KDD Corporation is a comprehensive global communications company providing information and communications services at the highest level in the world.

Sumitomo Corporation is a globally integrated trading company, which works with its partners to provide trade, value-added services and business investments.

Except for any historical information contained herein, the matters discussed in this press release contain forward-looking statements that involve risks and uncertainties, which are described in WinStar's SEC reports, including the 10-K for the period ended December 31, 1997 and the 10-Q for the period ended September 30, 1998.

WinStar is a registered trademark, and Wireless Fiber is a service mark of WinStar Communications, Inc.

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**WINSTAR AND HUGHES NETWORK SYSTEMS ENTER STRATEGIC
RELATIONSHIP FOR NATIONWIDE DEPLOYMENT OF
POINT-TO-MULTIPOINT BROADBAND FIXED WIRELESS NETWORKS**

**Second Generation Technology Lowers Network Costs and
Expands Market Opportunity**

NEW YORK - August 10, 1998, WINSTAR COMMUNICATIONS, INC. (NASDAQ-WCII) and Hughes Network Systems (HNS, a unit of Hughes Electronics) have announced an agreement for Hughes to provide second generation point-to-multipoint equipment for nationwide deployment in WinStar's broadband fixed wireless network.

"The Hughes equipment, when deployed later this year, will provide WinStar's voice and data network with the most advanced point-to-multipoint technology available," said Nathan Kantor, WinStar's President and Chief Operating Officer. "Based on our specifications and HNS' significant TDMA system experience, the new equipment will significantly increase the transmission capacity of our spectrum while reducing network deployment and operating costs."

This agreement follows two years of collaboration between Hughes and WinStar, the nation's leading provider of broadband fixed wireless telecommunications services. WinStar, in cooperation with other equipment suppliers, successfully tested point-to-multipoint technology in Florida during 1997, and is currently operating a demonstration network in Washington, D.C. and Tysons Corner, Virginia, prior to commercial deployment in late 1998.

The Hughes second generation TDMA point-to-multipoint system improves the utilization of the company's spectrum, allowing WinStar to provide up to four full duplex DS-3 clear channel circuits of capacity per 100 MHz channel, while permitting the centralization of service provisioning, configuration management and network monitoring functions. A fully networked point-to-multipoint infrastructure offers unprecedented versatility in services provided as well as improved operational efficiency. Customers will benefit from the provision of such varied services as enhanced voice, video conferencing, native LAN-LAN interconnections, MPEG-2 video and high-speed Internet access on a single fully integrated local metropolitan area ATM transport network. Point-to-multipoint fixed wireless technology combines the benefits of end-to-end ATM transport with bandwidth on demand for high capacity bi-directional voice, data and video services.

WinStar Communications, Inc.

230 Park Avenue, Suite 2700 New York, NY 10169 • Tel 212 584 4000 Fax 212 867 1565

"Point-to-multipoint technology and economics significantly expand WinStar's addressable market by enabling WinStar to cost-effectively serve customers in a much greater number of buildings." Kantor added. "For the first time, the resources and features of the much-heralded information superhighway will be affordable to nearly everyone, at speeds in excess of 200 megabits per second. Such speeds have previously been associated only with high-capacity, high-cost private corporate data networks."

"WinStar's real world experience providing wireless broadband communications services to customers, coupled with Hughes' wireless networking systems expertise, provide a unique combination to create a world-class broadband system solution," said Pradeep Kaul, Executive Vice President at HNS. "HNS is excited about the opportunity and the potential it creates for leading the industry into a new paradigm for delivery of broadband services."

The Hughes equipment is compatible with all of WinStar's existing point-to-point and point-to-multipoint equipment and continues WinStar's strategy of using multiple vendors. It will be incorporated into WinStar's existing demonstration network in Washington, D.C. by November of this year.

WinStar Communications, Inc. is a national local communications company serving business customers, long-distance carriers, fiber-based competitive access providers, mobile communications companies, local telephone companies and other customers with broadband local communications needs. The company provides its Wireless FiberSM services using its licenses in the 28 and 38 GHz spectrum. The company also provides long distance and information services.

Headquartered near Washington, DC, with international sales and support offices worldwide, Hughes Network Systems (www.hns.com) is a leading provider of wireless, satellite and enterprise network solutions. HNS is a unit of Hughes Electronics Corporation. The earnings of Hughes Electronics are used to calculate the earnings per share to GMH (NYSE symbol) common stock.

Except for any historical information contained herein, the matters discussed in this press release contain forward-looking statements that involve risks and uncertainties which are described in the company's SEC reports, including the 10-K for the period ended December 31, 1997, and the 10-Q for the period ended March 31, 1998.

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**WINSTAR REPORTS LINE ORDERS AND INSTALLATIONS FOR
1998 SECOND QUARTER**

Line Orders Exceeded 75,000

Line Installations Reached 50,000

NEW YORK – July 15, 1998, WINSTAR COMMUNICATIONS, INC. (NASDAQ-WCII) reported today that continued demand for its competitive local exchange carrier (CLEC) services led to further gains in line orders and installations during the second quarter ended June 30, 1998. Line orders for the period exceeded 75,000, an increase of over 30% from the first quarter of 1998. Line installations rose to 50,000 during the second quarter, representing approximately 20% sequential growth over the first quarter of 1998.

Nathan Kantor, WinStar's President and Chief Operating Officer, said today, "WinStar's cumulative lines installed have risen to over 195,000 from just 30,000 a year ago, thus providing further evidence of the demand for our services. In addition, we are pleased that, for the first time in a quarterly period, we acquired in excess of 500 roof rights. This achievement reflects the initial success of our focus on REITs, national and other large portfolios of commercial buildings as we extend WinStar's reach to more customer buildings."

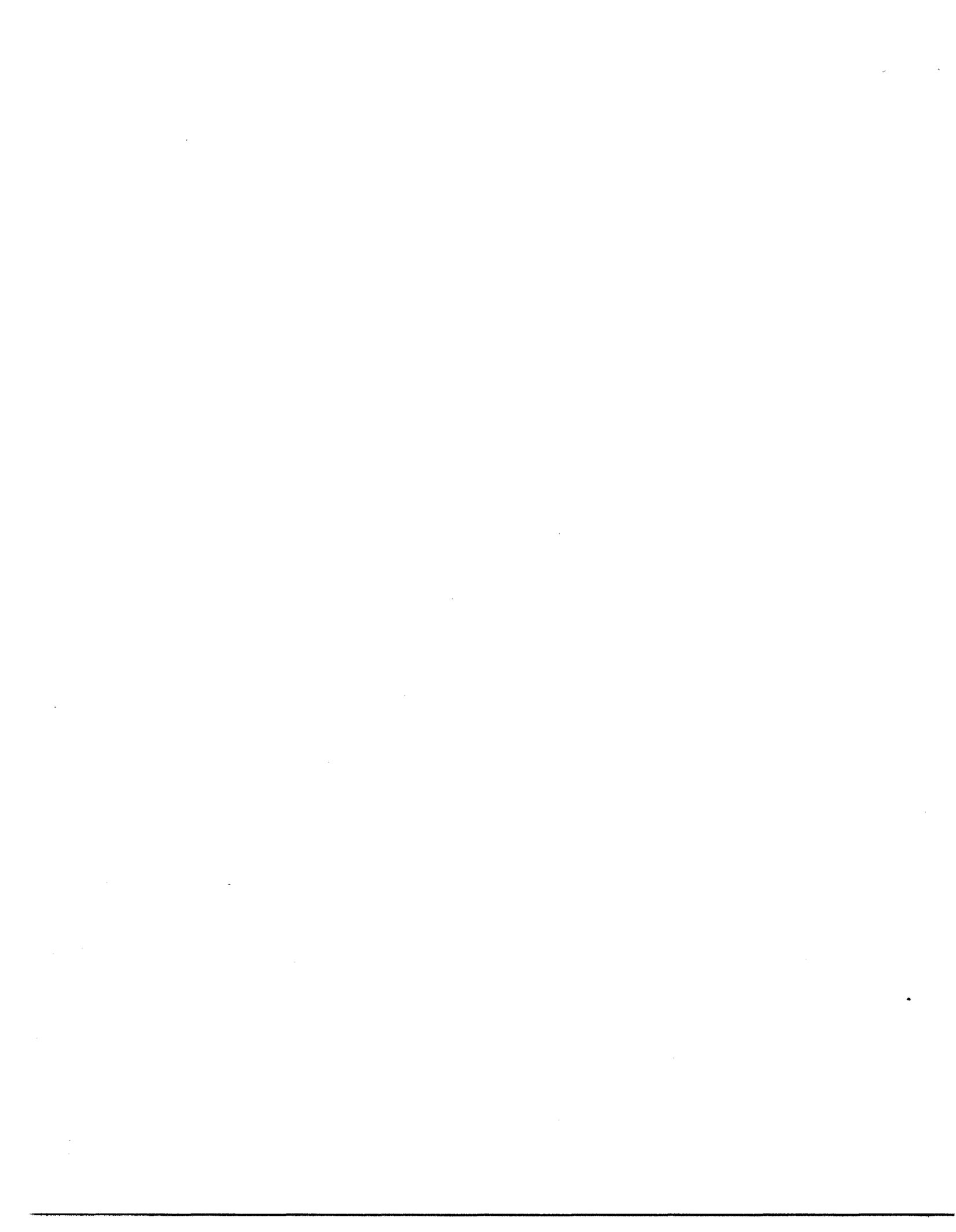
WinStar Communications, Inc. is a national local communications company, serving business customers, long distance carriers, fiber-based competitive access providers, mobile communications companies, local telephone companies, and other customers with broadband local communications needs. The company provides its Wireless FiberSM services using its licenses in the 28 and 38 GHz spectrum. The company also provides long distance, Internet, data and information services.

Except for any historical information contained herein, the matters discussed in this press release contain forward-looking statements that involve risks and uncertainties which are described in the company's SEC reports, including the 10-K for the period ended December 31, 1997, and the 10-Q for the period ended March 31, 1998.

WinStar is a registered trademark and Wireless Fiber is a service mark of WinStar Communications, Inc.

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WINSTAR ADDS 7 NEW CLEC MARKETS

**Deployment of Network to 30 Major Metropolitan Areas Remains
One Year Ahead of Original Schedule**

NEW YORK - MAY 7, 1998 – WINSTAR COMMUNICATIONS, INC. (NASDAQ-WCID) today announced it has reached its initial 1998 goal for expanding its telecommunications network, with the company now providing Competitive Local Exchange Carrier (CLEC) services in 24 of the largest U.S. markets. The company is also on schedule to meet its accelerated goal of having its network deployed to 30 major markets by end of this year. WinStar's original schedule called for CLEC services to be available in 30 markets by the end of 1999.

WinStar's services were launched during the first four months of 1998 in seven markets: Baltimore, Denver, Detroit, Houston, Tampa, Phoenix and Seattle. The company had previously introduced its CLEC services in Atlanta, Boston, Chicago, Dallas, Fort Worth, Los Angeles, Milwaukee, New York, Newark, Oakbrook, IL, Orange County, CA, Oakland, Philadelphia, San Diego, San Francisco, Stamford and Washington, DC.

"Our ability to be one year ahead of schedule is the result of a variety of factors, including the acquisitions of U.S. One and Midcom, and our excellent operating managers and systems. The company's growth continues to be fueled by the demand for broadband connectivity and WinStar's unique combination of speedy installation, attractive pricing and our emphasis on personalized customer satisfaction," said William J. Rouhana, Jr., WinStar Chairman and Chief Executive Officer. "The speed to market we've been able to accomplish in the past year should provide for substantial revenue growth throughout 1998," Rouhana noted.

WinStar has targeted six additional markets for the introduction of CLEC services during the remainder of the year: Columbus, Miami, St. Louis, Cleveland, Kansas City, and Minneapolis.

To support its expanded deployment, WinStar now has a direct sales force and service organization of more than 800, of which over 400 are commissioned sales people. The company has paved the way for its growth by obtaining CLEC authorizations which now cover 48 of the top 50 markets, and interconnect agreements applicable to 44 of the 50 largest markets.

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WinStar Communications, Inc. is a national local communications company, serving business customers, long distance carriers, fiber-based competitive access providers, mobile communications companies, local telephone companies, and other customers with broadband local communications needs. The company provides its Wireless FiberSM services using its licenses in the 28 and 38 GHz spectrum. The company also provides long distance, Internet data and informational services.

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WinStar is a registered trademark, and Wireless Fiber is a service mark of WinStar Communications, Inc.



The following was released December 17, 1998

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WINSTAR ANNOUNCES PLAN TO EXTEND INDUSTRY LEADERSHIP

Will Expand Into 110 Markets Worldwide Over Next Five Years

Reports Substantial Progress on Several Fronts, Including Multipoint Commercial Launch, International Expansion, Building Access Rights and Project Millennium Marketing Campaign

New Agreements with Williams Communications Demonstrate Value of Network Expansion

NEW YORK, DECEMBER 17, 1998 - WINSTAR COMMUNICATIONS (NASDAQ: WCII) today announced its plan to extend its industry leadership by making its broadband network widely available to business customers in 110 markets worldwide.

In a day-long meeting with financial analysts and investors, WinStar reported substantial progress across all aspects of its business, demonstrating why it is uniquely positioned to achieve broadband ubiquity and popularize a full suite of broadband applications, including high-speed Internet access, full motion video conferencing and bandwidth on demand.

Significant WinStar announcements included:

- WinStar plans to double the U.S. reach of its broadband network to 60 major markets over the next two years and to serve an additional 50 major international markets within five years. During 1999, WinStar will expand to 45 U.S. and six international markets. In pursuing this accelerated build-out, WinStar will take advantage of the resources and expertise of Lucent Technologies under their \$2 billion strategic alliance announced in October.**
- WinStar demonstrated the value of its network expansion by selling two percent of its long-term broadband capacity for \$400 million to Williams Communications, Inc. It also purchased from Williams national fiber capacity, previously obtained by WinStar at a higher cost, for \$640 million.**

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- WinStar commercially deployed its state-of-the-art multipoint technology in Washington, D.C. and will expand its multipoint capability nationwide in 1999. This will significantly lower the cost of its network build-out and enable WinStar to serve far more customers in each of its markets.

- The company is off to a quick start in its international expansion and will commercially launch its Wireless FiberSM service in Amsterdam beginning in February 1999. It also revealed a plan to add the following additional cities to its network in 1999: Paris, London, Tokyo, Sydney and Buenos Aires.

- The company's Project Millennium marketing campaign accelerated "on-net" line orders in targeted markets. In New York City, WinStar's largest market, more than 93% of new line orders in November were in newly connected "on-net" WinStar buildings.

- In the fourth quarter of 1998, WinStar obtained access rights to an additional 700 buildings, for a total of more than 4,200 to date, exceeding its target of 4,000.

William J. Rouhana, Jr., Chairman and Chief Executive Officer, said, "Through our stepped-up network build-out, WinStar is extending its leadership in broadband services, while accelerating the delivery of low-cost, next generation communications and information applications to business customers around the world. Together with our partners, we've achieved the necessary critical mass in terms of spectrum, infrastructure, financing, technology and management to advance our timetable in response to the fast-growing global demand for increased bandwidth. Over the next few years, millions of business users will benefit from services such as high-speed Internet access, full motion video conferencing and bandwidth on demand.

"The global market opportunity for broadband services is enormous. By being first to market, WinStar will dramatically increase the value of our network at limited real cost," Rouhana added. "We expect this competitive advantage to enable us to build substantial additional shareholder value."

The company also summarized the financial impacts of its market expansion and other initiatives. The company expects the following impacts:

- The expansion to 70 additional markets worldwide will create a value of \$3-\$4 billion, based upon a ten-year projection of discounted cash flows.

- The expansion will require an estimated EBITDA investment of \$350-\$400 million over a three-year period. The fourth quarter of 1998 will include \$25-\$35 million of this investment.

- Williams Communications' purchase of two percent of WinStar's wireless capacity along with additional WinStar services will generate an expected \$400-\$450 million in additional revenue for WinStar over the life of the agreement. It will generate an expected \$350-\$400 million in additional EBITDA to WinStar over the life of the agreement. The expected incremental cash flow to WinStar will be approximately \$400 million over the next five years.

WinStar Communications, Inc. is a pioneer in providing business customers with broadband communications services, including local and long distance phone service, as well as high-speed data, Internet access and information services. WinStar provides these Wireless FiberSM services over its own end-to-end broadband network in 30 U.S. markets, using its licenses in the 28 and 38 GHz spectrum.

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WINSTAR AND WILLIAMS COMMUNICATIONS ANNOUNCE MAJOR AGREEMENTS

Williams Communications Signs \$400 Million Deal to Obtain Wireless FiberSM Capacity Representing Two Percent of WinStar's Broadband Network

WinStar Signs \$640 Million Deal to Obtain National Network Capacity From Williams

NEW YORK - DECEMBER 17, 1998, WINSTAR COMMUNICATIONS, INC. (NASDAQ: WCII) and WILLIAMS COMMUNICATIONS, INC., a subsidiary of WILLIAMS (NYSE: WMB) announced two major agreements today to optimize the value of their respective telecommunications networks. Williams Communications President and Chief Executive Officer, Howard E. Janzen, and WinStar Chairman and Chief Executive Officer, William J. Rouhana, Jr., announced the agreements at a WinStar meeting for analysts and investors in New York City.

Under the agreements, Williams Communications will obtain two percent of the long-term capacity of WinStar's expanding fixed wireless broadband network for \$400 million. WinStar will obtain nationwide dark fiber backbone assets from Williams Communications for \$640 million. Williams will make pro rata payments to WinStar over four years as WinStar completes its hub construction obligations under the agreement, which are based on WinStar's already planned network expansion. WinStar will make payments to Williams over seven years.

These agreements call for WinStar to construct a total of 270 hubs by the end of 2001. Approximately 60 of these hubs, which are already constructed, will be made available to

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Williams immediately. Williams, which will complete a 32,000 route mile network in 2000, will provide approximately 60,000 fiber miles, consisting of four strands of fiber over approximately 15,000 route miles, to WinStar, together with other network-related items, which WinStar had previously obtained at a higher cost. Prior to the lighting of the fiber, Williams will also provide all of WinStar's long-haul transport requirements. Williams will remain WinStar's preferred network provider on an ongoing basis.

The agreements will enable the companies, which have complementary strategies, to operate optimal end-to-end broadband networks combining the inherent cost advantages of broadband fixed wireless to provide local services, with Williams Communications' award winning multiservice network being used for long haul transport. WinStar, which has pioneered the use of Wireless FiberSM technology to provide broadband communications services, currently operates in 30 major markets across the U.S., and plans to expand to 60 by 2000, focusing on selling to business customers. Williams Communications has deployed market leading broadband products and services targeted exclusively to wholesale customers. This unique specialization is a critical component in the evolution of the domestic carrier marketplace.

The agreements give each company the opportunity to serve a radically larger addressable market with a full suite of broadband telecommunications, information and Internet services and applications.

Howard E. Janzen, President and CEO of Williams, said, "We believe the agreement allows Williams Communications to expand the significant set of broadband products it offers as part of its unique wholesale focus. WinStar's proven ability to provide wireless T-1's, together with Williams' technologically advanced fiber-optic network, offers Williams' carrier customers an unmatched end-to-end solution."

William J. Rouhana, Jr., Chairman and CEO of WinStar, said, "These transactions are a major step forward for WinStar. We are unlocking the value of our network and demonstrating its extraordinary capacity by driving increased usage of the network we are otherwise building to serve our retail customers. We will become one of few carriers to provide end-to-end broadband services for business customers nationally. The transactions will increase revenue, extend our cost advantage, improve our EBITDA and increase our cash flow."

Williams, through its subsidiaries, provides a full range of traditional and leading-edge communications and energy services, and is the nation's largest volume transporter of natural gas. Williams Communications offers wholesale fiber-optic network services, North American single-source business communications systems integration, international video satellite and fiber-optic transmission, multipoint video and audio conferencing and satellite business applications. Williams information is available at "www.twc.com and www.wilcom.com.

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28 and 38 GHz spectrum.

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**WINSTAR LAUNCHES BREAKTHROUGH MARKETING PROGRAM
Free Local Phone Service Until the Year 2000
Company Unveils Extensive Built-Out Network in Over 1,000 Newly Connected Buildings
in Key Markets**

NEW YORK - OCTOBER 27, 1998, WINSTAR COMMUNICATIONS, INC. (NASDAQ: WCID) today launched an unprecedented breakthrough marketing campaign - "Project Millennium" - that will include free local phone service to business customers until the year 2000. This exciting offer will be made to customers in more than 1,000 newly connected commercial buildings in 13 of the 27 markets in which WinStar currently provides fixed wireless broadband telecommunications and information services, allowing WinStar to share the overwhelming cost advantages of its network with its customers.

Even beyond the year 2000, participating customers will continue to enjoy double-digit savings every day over the local exchange carriers' base rates. Project Millennium WinStar customers will also receive a flat long distance rate of 9 cents per minute, 24-hours a day, with no conditions.

As part of its ambitious national network rollout, WinStar is extending this offer to more than 1,000 specially targeted buildings that are newly connected to its network. WinStar will pick up the tab on local phone service -- up to \$1,000 per month -- until the year 2000 for first-time customers in designated "WinStar buildings" who sign a three year contract between October 31, 1998 and January 31, 1999.

"Project Millennium is a leapfrog strategy that will make WinStar the undeniable marketing leader in the local phone business," said Nathan Kantor, WinStar's President and Chief Operating Officer. "Project Millennium will be as powerful to the local business customer as 'Friends and Family' was to the long distance customer and it will forever change the way that telecommunications services are sold in the local market. People already know us for our innovative building-centric marketing strategies, such as our lobby events and our very targeted attention-grabbing direct mail, and Project Millennium will take us to a whole new level.

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"Because these specially targeted buildings are now on the WinStar network, we will be able to add new customers quickly and efficiently," Mr. Kantor continued. "Consequently, Project Millennium will allow us to share the overwhelming cost advantages of our network with our customers and give them a true alternative to the local exchange companies."

WinStar currently has over 3,500 building access rights in its 27 markets. Over 1,000 of these buildings were chosen to be part of the campaign in 13 of those cities. As a result of this program, WinStar expects to significantly increase its penetration in these buildings and dramatically raise the overall percentage of customer lines on its network.

"Until today, no one outside WinStar knew how extensively we had built out our network or that we had set aside these buildings for this special promotion," said William J. Rouhana, Jr., WinStar's Chairman and Chief Executive Officer. "By increasing the number of on-net customer lines through this promotion, we will dramatically increase gross margins, which will contribute immediately to WinStar's bottom line. Project Millennium, combined with our new \$2 billion partnership with Lucent, gives us a powerful one-two punch. By providing us the financial muscle to expand our network buildout to even more buildings in even more cities, the Lucent partnership makes every year a new Millennium for us."

WinStar recently entered into a \$2 billion strategic relationship with Lucent Technologies to expand the buildout of its broadband network to 100 cities worldwide. The Lucent relationship propels WinStar to the leadership position among independent telecommunications companies that are challenging the local exchange carriers at the local level because it gives WinStar the flexibility and resources to build the world's first end-to-end broadband network.

Cities involved in the promotion include:

Atlanta, GA	Chicago, IL	Houston, TX	Philadelphia, PA
Baltimore, MD	Dallas, TX	Los Angeles, CA	San Diego, CA
Boston, MA	Denver, CO	New York, NY	San Francisco, CA
Washington, DC			

WinStar Communications, Inc. is a facilities-based national local communications company, serving business customers in major markets throughout the U.S. The company provides local and long distance phone service and high speed data, Internet access and information services. WinStar provides these Wireless FiberSM services over its own network, using its licenses in the 28 and 38 GHz spectrum.

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**\$2 BILLION WINSTAR / LUCENT STRATEGIC AGREEMENT
TO EXPAND WINSTAR'S BROADBAND NETWORK**

NEW YORK - OCTOBER 22, 1998, WINSTAR COMMUNICATIONS, INC. (NASDAQ: WCII) and LUCENT TECHNOLOGIES (NYSE: LU) today announced that they have entered into a long term strategic relationship to build out WinStar's fixed wireless broadband telecommunications network in major domestic and international markets. Lucent will provide world class technology, network design, integration and buildout services and the vast majority of the communications hardware and software for WinStar's global network.

Over the life of the five-year agreement, Lucent will also provide up to \$2 billion in equipment financing to fund the buildout of the world's first global end-to-end broadband network. WinStar may draw this financing in tranches not to exceed \$500 million at any one time in accordance with mutually agreed upon terms.

Through its Wireless FiberSM services, WinStar's network provides customers with a single, reliable source of local and long distance phone service, as well as a full array of high speed data, Internet and information services. The agreement gives WinStar, which was already fully funded to complete its 40 market buildout by the end of 1999, additional resources which will allow it to complete the national deployment of its wireless broadband network ahead of schedule. These resources will also enable WinStar to increase the number of U.S. cities to which it will bring its network, and to build networks internationally.

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William J. Rouhana, Jr., Chairman and Chief Executive Officer of WinStar, said, "This is a defining moment for WinStar. Lucent's major commitment of expertise and financing, combined with the overwhelming speed-to-market and cost advantages of WinStar's business model, clearly propels us to the top of the competitive local exchange carrier industry. With Lucent's network knowledge behind us, we are positioned to be the first competitive carrier to create a nearly ubiquitous end-to-end broadband network in the top 100 world markets.

"WinStar was already fully financed to build out its 40 city plan and achieve positive EBITDA by the year 2000," Rouhana continued. "We are now at a new level, with enough capital to achieve positive net income and control over when we build out our network in up to 100 cities around the world. We now have the opportunity to aggressively plan for our expansion into the top 50 domestic markets and into the international marketplace as well."

Carly Fiorina, group president of Lucent's Global Service Provider business, said, "We are proud and excited that WinStar selected Lucent to design and build the kind of feature-rich network that will enable it to serve its customers better. WinStar is revolutionizing the way that businesses receive and use broadband telecommunications services and we are excited about furthering that revolution through this strategic relationship. This complete network solution will showcase the breadth of Lucent's product lines, the value of Bell Labs innovations and our unmatched expertise in helping customers design, build and turn up their networks quickly and profitably."

Nathan Kantor, President and Chief Operating Officer of WinStar, said, "With its world class technology, scale, and state-of-the-art expertise, Lucent is the most prestigious and desirable company with which to have this kind of strategic relationship. WinStar and Lucent will work hand in hand in every aspect of our network buildout. Lucent has the broad resources necessary to ensure that we maintain the highest standards of quality and reliability throughout our expansion, which will enable us to increase our focus on building the customer base and to achieve national ubiquity faster than anyone thought possible."

Under the agreement:

- Lucent will provide network design, integration and buildout services for WinStar's end-to-end global network, encompassing a flexible, scalable architecture to accommodate WinStar's present and future voice and data service offerings. WinStar will continue to operate and maintain final design authority for its network.

- Lucent will provide its superior technology and equipment for this state-of-the-art network. Lucent will also access, test and integrate all elements in WinStar's network, including equipment from other manufacturers.



WinStar plans to implement a nationwide fixed wireless broadband local network that will be integrated with an optical network that will use Lucent's 80-channel dense wave division multiplexing (DWDM) optical networking equipment. Lucent's WaveStar™ OLS 400G dramatically boosts the capacity of fiber optic networks by transporting up to 80 wavelengths, or channels, of voice, data and video traffic simultaneously on a single fiber.

The network solution also includes Lucent's flagship product, the 5ESS® AnyMedia™ switch and the AnyMedia™ Access FAST digital loop carrier. Lucent will also supply PortMaster™ Internet protocol remote access technology, remote access concentrators, its network management software and professional services as well as power equipment.

Lucent Technologies, headquartered in Murray Hill, N.J., designs, builds and delivers a wide range of public and private networks, communications systems and software, data networking systems, business telephone systems and microelectronic components. Bell Labs is the research and development arm for the company. For more information on Lucent Technologies, visit our web site at <http://www.lucent.com>.

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**WINSTAR GAINS ACCESS TO OFFICE BUILDINGS THROUGH
AGREEMENT WITH CIGNA INVESTMENTS, INC.**

**Agreement Enables Installation of Rooftop Antennas to Provide
Wireless FiberSM Broadband Services to Building Tenants**

NEW YORK - May 21, 1998, WINSTAR COMMUNICATIONS, INC. (NASDAQ-WCII) announced today it has signed a master agreement with CIGNA Investments, Inc., the investment subsidiary of CIGNA Corporation. The agreement permits WinStar to deliver its Wireless FiberSM service to buildings owned or managed by CIGNA. CIGNA's portfolio consists of 96 commercial office buildings located in various markets nationwide. WinStar intends to immediately install its wireless links in CIGNA buildings located in Chicago, IL; Washington, D.C.; Houston, TX; San Diego, CA and Irvine, CA.

"WinStar's Wireless FiberSM technology is an integral part of CIGNA's program to transform these buildings into communications powerhouses that will give CIGNA's tenants the competitive advantage they need to compete in today's global economy," said Gabe Cole, President of the Boston-based RTE Group, who represented CIGNA in connection with this agreement to bring broadband connectivity to over 12 million square feet of rental space.

"We are pleased that the commercial real estate community, including major national ownership groups, property managers, consultants and real estate brokers, is recognizing the value added to their properties by advanced communications services," said Richard Uhl, President of WinStar for Buildings. WinStar's Wireless Fiber service provides high-speed digital connections through the airwaves rather than laying costly fiber-optic lines underground. The result is an advanced "plug and go" system that allows tenants immediate access to their choice of communications applications.

CIGNA Investment Management, the real estate investment arm of CIGNA Corporation, makes debt and equity real state investments on behalf of pension funds, foundations, and endowments and CIGNA Corporation on a national basis and currently manages \$14 billion in commercial real estate assets.

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RTE Group was established in 1993 and provides consultation services on telecommunications infrastructure and service requirements, as well as strategic positioning of property assets for more than a dozen clients nationwide.

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**WINSTAR TO ACQUIRE 850 MHZ OF BANDWIDTH IN NEW YORK CITY
FROM CELLULARVISION USA**

**Purchase Will Increase WinStar's Spectrum Holdings in
Largest U.S. Telecommunications Market to 1,750 MHz**

NEW YORK - JULY 13, 1998 - WINSTAR COMMUNICATIONS, INC. (NASDAQ - WCII) today announced it has agreed to purchase 850 MHz of bandwidth in New York City from CellularVision USA, Inc. (NASDAQ - CVUS). The bandwidth is being disaggregated from CellularVision's LMDS license for the New York area, and will be combined with WinStar's existing 38 GHz licenses to establish a total spectrum position of 1,750 MHz.

"Through this transaction, WinStar will have an unprecedented capability to bring 21st century communications services to the most important business and financial market in the world," said William J. Rouhana, Jr., WinStar's Chairman and Chief Executive Officer. "This is the largest amount of spectrum ever held in a single city, and we expect it will enable us to provide a comprehensive range of high-speed voice, video and data services. Additionally, when the company's point-to-multipoint network architecture is deployed in New York, it will leverage these spectrum assets and enable WinStar to bring fiber-equivalent broadband services to thousands of office buildings and multiple dwelling units which have not been directly connected to the emerging information superhighway," added Rouhana. The purchase further solidifies WinStar's industry leadership at a national level, raising the company's average bandwidth in the top 50 U.S. markets above 750 MHz.

WinStar's enhanced bandwidth holdings in New York will cover a population of more than 8 million and total approximately 145 million channel pops (covered population times the number of 100 MHz equivalent channels). WinStar has agreed to pay CellularVision \$32.5 million in cash for the additional spectrum. The transaction is expected to close in the fourth quarter of 1998, after FCC approval has been obtained. Additionally, WinStar has agreed to lend \$3.5 million to CellularVision as soon as lenders' consents are obtained, and an additional \$2.0 million upon the receipt of the approval of the transaction by CellularVision's stockholders and the completion of required FCC filings. The acquired spectrum will not be used to support any of the ongoing services or operations of CellularVision.

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**WINSTAR REPORTS FIRST QUARTER REVENUES
MORE THAN TRIPLED OVER 1997**

CLEC Revenues Reached \$89 Million Run Rate

EBITDA Losses Declined From 1997 Fourth Quarter

NEW YORK - MAY 12, 1998, WINSTAR COMMUNICATIONS, INC. (NASDAQ - WCII) reported today revenues for the first quarter ended March 31, 1998 rose to more than \$47 million, 58% above the preceding quarter's \$30 million and more than triple the year earlier amount of \$13.1 million. The revenue gains continued to be driven by increased demand for the company's competitive local exchange carrier (CLEC) services, as well as by contributions from recently acquired businesses.

"The company continued to deliver significant growth while simultaneously integrating the GoodNet, PacNet and MIDCOM businesses into the WinStar organization during the first quarter," said Nathan Kantor, President and Chief Operating Officer. "That integration has gone well, and the positive trend in revenues should continue throughout the year as we realize the benefits of WinStar's expanding sales channels and entry into additional markets around the country," added Kantor.

Revenues from CLEC operations increased to \$18.6 million, a jump of 83% over fourth quarter revenues of \$10.2 million. CLEC revenues at the end of March reached an annual run rate of \$89 million versus \$46.2 million at the end of December and just \$10.4 million a year ago. This progress was aided by significant growth in the company's new broadband data business, as well as substantial increases in the number of lines in service.

Revenues from other telecommunications services, including wholesale operations, residential long distance and MIDCOM long distance voice services, amounted to \$16.9 million compared to \$4.2 million in the preceding quarter and \$5.1 million in the year ago first quarter. The increase for the most recent period resulted primarily from revenues attributable to MIDCOM's long distance operations, which were acquired in January, 1998, and are not included in the company's CLEC operating results.

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Consolidated telecommunications revenues reached \$35.5 million in the most recent period versus \$14.4 million in the 1997 fourth quarter and \$7.1 million in the year ago first quarter.

Information services revenues increased more than 95% from the 1997 first quarter in response to higher demand for WinStar's specialized information content. As expected, revenues were lower than in the 1997 fourth quarter due to normal seasonal demand factors impacting other parts of the information services business.

The company's EBITDA loss was reduced as planned from the \$49.5 million peak experienced in the 1997 fourth quarter to \$48.9 million. WinStar expects subsequent quarters to continue a trend of modest improvement in EBITDA performance. WinStar recorded a net loss applicable to common stockholders of \$93.2 million or \$2.60 per share for the 1998 first quarter.

"WinStar has begun to move toward a positive EBITDA level just 17 months after initiating switched services in its first city," said William J. Rouhana, Jr., Chairman and Chief Executive Officer. "This accomplishment is but one example of the benefits provided by the company's wireless approach to broadband connectivity. We believe we have a superior financial model which will enable the company to grow rapidly while also improving its bottom line performance."

Major Gains in Line Orders and Installations

WinStar's CLEC operations continued to acquire new customers and line orders at a very rapid rate during the first three months of 1998. Line orders for the period exceeded 55,000, an increase of 42% from the fourth quarter of 1997. Installations of CLEC lines rose to more than 41,000 during the first quarter, representing greater than 40% sequential growth from the final quarter of 1997.

In addition, WinStar added approximately 24,500 lines through the acquisitions of the GoodNet and PacNet data businesses in January 1998. Including these lines with the 1998 first quarter results, cumulative line orders approximated 200,000 at March 31, while cumulative installations increased to more than 145,000.

WinStar also expanded its CLEC services and network infrastructure during the first quarter. Services were being provided in 21 markets at the end of the period versus 17 at December 31. On May 7, 1998, WinStar announced that the number of markets being served had risen to 24. Additionally, the number of CLEC customers with installed lines moved above 7,000 compared to slightly less than 5,000 three months earlier. Building access rights which enable WinStar to install its transceivers on customer buildings reached about 2,440, an increase of approximately 330 from December 31.

Other Major Developments

The ongoing deployment of WinStar's network gave rise to these additional developments since the beginning of the year:

- WinStar added substantially to its spectrum assets during the first quarter. The company was the high bidder for 15 LMDS licenses in the recent auction conducted by the FCC. These licenses included 1,150 MHz channels in 8 of the top 50 markets, bringing the company's average bandwidth in the 50 largest markets to approximately 740 MHz. Combined with additional purchases of 38 GHz licenses during the quarter, WinStar's total license coverage now extends to more than 200 million people and represents more than one billion channel pops (covered population times the number of 100 MHz equivalent channels).
- During the first quarter, WinStar activated a full-duplex, ATM-based, point-to-multipoint (PMP) broadband, fixed wireless trial network carrying voice, data, and video services in Washington, D.C. This network incorporates three hub locations networked to nine different buildings located in five sectors. The PMP network has been connected to the national telecommunications system, and is functioning at a high level of efficiency while demonstrating the company's ability to operate a fully featured system.
- WinStar's New Media subsidiary progressed with the development of an independent base of capital to fund the expansion of its business. In addition to obtaining a \$15 million line of credit during the quarter, WinStar New Media raised \$10 million in April 1998 through the sale of a 10% equity stake to a group of private investors.
- In March, the company completed a private placement of \$200 million in preferred stock, convertible into common stock at \$49.61 per share, and \$450 million in notes. WinStar currently has cash resources of approximately \$800 million.
- Earlier this month, WinStar provisioned its first customers in Chicago with local number portability, enabling the company to begin signing on customers while retaining their original phone numbers.
- The company obtained CLEC authority in Alabama, Montana, Nevada, and South Carolina, bringing the total number of such authorizations to 33, representing 48 of the largest U.S. markets.
- In April, WinStar was awarded a \$40 million broadband backbone service contract from AboveNet, a San Jose, CA, based Internet service provider.

- The company signed interconnect agreements with Ameritech for the states of Ohio and Wisconsin, and with U.S. West for the state of New Mexico. WinStar now has interconnect agreements applicable to 44 of the top 50 markets.
- The total number of employees increased to almost 2,100 from 1,479 at December 31. This increase included the impact of recent acquisitions.
- WinStar's direct sales and field support organization grew to in excess of 800 during the quarter as the company positioned itself to sell an enhanced portfolio of voice and data services to small, medium, and large businesses. Over half of this organization is commissioned sales people.
- In April, WinStar executed a \$42 million leasing facility with BNY Capital Resources Corporation for seven switches acquired in a transaction with U.S. One Communications Corp. The company elected to exercise its option to make a final \$20 million payment in cash as opposed to stock in light of the stock's price of \$42 per share.
- WinStar signed an agreement to purchase from certain stockholders 14.9% of the outstanding common stock of Advanced Radio Telecom (ART), a company holding spectrum licenses in the 38 GHz band.

Rouhana concluded his comments by saying, "We are very pleased by our accomplishments during the first quarter, and are especially gratified by the fact that WinStar was able to achieve this outstanding growth while also dealing successfully with the complex task of integrating GoodNet, PacNet and MIDCOM into our operations. Based on its first quarter performance, WinStar is positioned to attain its major objectives for the year. These include expansion of our network to 30 cities, the establishment of a broadband data communications business and further reductions in quarterly EBITDA losses."

WinStar Communications, Inc. is a national local communications company, serving business customers, long distance carriers, fiber-based competitive access providers, mobile communications companies, local telephone companies, and other customers with broadband local communications needs. The company provides its Wireless FiberSM services using its licenses in the 28 and 38 GHz spectrum. The company also provides long distance, Internet, data and information services.

Except for any historical information contained herein, the matters discussed in this press release contain forward-looking statements that involve risks and uncertainties which are described in the company's SEC reports, including the 10-K for the period ended December 31, 1997.

WinStar is a registered trademark, and Wireless Fiber is a service mark of WinStar Communications, Inc.

WinStar Communications, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations
(in thousands, except per share data)
(unaudited)

	For the Three Months Ended	
	March 31,	
	<u>1997</u>	<u>1998</u>
Operating revenues		
Telecommunications services		
CLEC	\$ 1,979	\$ 18,635
Other	<u>5,084</u>	<u>16,852</u>
Total telecommunications services	7,063	35,487
Information services	<u>6,014</u>	<u>11,949</u>
Total operating revenues	<u>13,077</u>	<u>47,436</u>
Operating expenses		
Cost of services and products	12,959	42,775
Selling, general and administrative expenses	29,553	53,611
Depreciation and amortization	<u>3,501</u>	<u>11,399</u>
Total operating expenses	<u>46,013</u>	<u>107,785</u>
Operating loss	(32,936)	(60,349)
Other (expense) income		
Interest expense	(10,798)	(28,656)
Interest income	<u>2,235</u>	<u>4,928</u>
Loss from continuing operations before income tax benefit	(41,499)	(84,077)
Income tax benefit	<u>-</u>	<u>1,100</u>
Loss from continuing operations	(41,499)	(82,977)
Loss from discontinued operations	<u>(477)</u>	<u>(1,982)</u>
Net loss	(41,976)	(84,959)
Preferred stock dividends	<u>-</u>	<u>(8,198)</u>
Net loss applicable to common stockholders	<u>\$ (41,976)</u>	<u>\$ (93,157)</u>
Basic and diluted loss per share:		
From continuing operations	\$ (1.27)	\$ (2.54)
From discontinued operations	<u>(0.02)</u>	<u>(0.06)</u>
Net loss per share	<u>\$ (1.29)</u>	<u>\$ (2.60)</u>
Weighted average shares outstanding	<u>32,610</u>	<u>35,899</u>

WinStar Communications, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(in thousands)

	December 31, 1997	March 31, 1998 (unaudited)
ASSETS		
Current assets		
Cash and cash equivalents	\$ 402,359	\$ 825,466
Short-term investments	<u>16,903</u>	<u>27,899</u>
Cash, cash equivalents and short-term investments	419,262	853,365
Accounts receivable, net	30,328	62,509
Inventories	10,296	10,506
Prepaid expenses and other current assets	8,985	32,476
Net assets of discontinued operations	<u>2,105</u>	<u>2,105</u>
Total current assets	470,976	960,961
Property and equipment, net	284,835	304,074
Licenses, net	174,763	218,101
Intangible assets, net	14,293	123,558
Deferred financing costs, net	27,463	39,442
Other assets	<u>4,071</u>	<u>2,277</u>
Total assets	<u>\$ 976,401</u>	<u>\$1,648,413</u>
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities		
Current portion of long-term debt	\$ 386	\$ 1,733
Accounts payable and accrued expenses	97,714	94,238
Current portion of capitalized lease obligations	<u>6,848</u>	<u>12,554</u>
Total current liabilities	104,948	108,525
Capitalized lease obligations, less current portion	21,823	47,089
Long-term debt, less current portion	768,469	1,236,972
Deferred income taxes	<u>24,000</u>	<u>22,900</u>
Total liabilities	<u>919,240</u>	<u>1,415,486</u>
Series C exchangeable redeemable preferred stock	175,553	181,779
Series D senior cumulative convertible redeemable preferred stock	-	200,000
Commitments and contingencies		
Stockholders' equity (deficit)		
Series A preferred stock	39	40
Common stock, par value \$.01; authorized 200,000 shares, issued and outstanding 34,610 and 37,111, respectively	346	371
Additional paid-in-capital	255,741	310,214
Accumulated deficit	<u>(374,518)</u>	<u>(459,477)</u>
Total stockholders' deficit	<u>(118,392)</u>	<u>(148,852)</u>
Total liabilities, redeemable preferred stock, and stockholders' deficit	<u>\$ 976,401</u>	<u>\$1,648,413</u>