

## Windstream reports first-quarter earnings results

- Generates \$215 million in net cash from operations, same as year ago
- Raises expected free cash flow guidance for 2009 to between \$705 million and \$775 million
- Adds approximately 31,000 new high-speed Internet customers, nearly double the number added in previous quarter
- Repurchases 4.1 million shares for \$33 million year-to-date
- Ends quarter with \$312 million in cash and cash equivalents

Release date: May 8, 2009

LITTLE ROCK, Ark. – Windstream Corporation (NYSE: WIN) today reported first-quarter earnings results driven by increased high-speed Internet sales and disciplined management of overall cash expenses.

“I am pleased with our results for the first quarter, particularly our operating metrics and cash flow. While our revenue decline year-over-year was affected somewhat by the challenging economic environment, our operating metrics continue to lead the industry. Further, our team has done a great job managing overall expenses, despite higher expenses this quarter repairing damage from a severe ice storm,” said Jeff Gardner, president and CEO.

Windstream’s first-quarter results under Generally Accepted Accounting Principles (GAAP) include the following items, which lowered earnings per share by roughly 4 cents:

- \$5 million in after-tax non-cash amortization expense of wireline franchise rights;
- \$7 million for a non-cash adjustment of a deferred tax asset related to a state net operating loss; and
- Approximately \$4 million in after-tax expense related to ice storm damage in late January.

In addition, results this quarter include incremental non-cash pension expense of approximately \$14 million, net of tax, or 3 cents per share, which affects year-over-year comparisons.

The company announced in February that it expects to incur roughly \$90 million in increased pension expense during 2009. This pension expense is a non-cash charge and does not affect free cash flow. The increase reflects negative plan returns in 2008 and the company’s accounting policy to accelerate recognition of the effects of large changes in plan asset valuations. Based on preliminary

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estimates, the company does not expect to make any cash contribution to the pension plan in 2009.

**First-quarter financial results:**

Under GAAP:

- Revenues were \$755 million, a 5.6 percent decrease from a year ago.
- Operating income was \$253 million, a decrease of 15 percent year-over-year.
- Net income was \$88 million, a 29 percent decrease from a year ago, or 20 cents of diluted earnings per share.
- Net cash provided from operations was \$215 million, essentially the same as a year ago.
- Average service revenue per customer was \$79.68, essentially the same as a year ago.
- Capital expenditures were \$63 million, a 13 percent increase year-over-year.

Under pro forma results from current businesses:

- Operating income before depreciation and amortization (OIBDA) was \$385 million, an 8 percent decline year-over-year. Excluding the incremental pension expense and ice storm related expenses, OIBDA declined by approximately one percent year-over-year, resulting in an OIBDA margin of nearly 55 percent, the highest since the company was formed.

Windstream ended the quarter with \$312 million in cash and cash equivalents. The company generated \$152 million in free cash flow, which is defined as net cash from operations less capital expenditures, during the quarter.

**First-quarter operating results:**

Windstream added approximately 31,000 new high-speed Internet customers during the first quarter, nearly double the number of new customers added in the fourth quarter, bringing its total broadband customer base to more than 1 million customers, an increase of almost 11 percent year-over-year. Overall broadband penetration is now 34 percent of total access lines and residential broadband penetration is approximately 52 percent of primary residential lines.

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Windstream added more than 21,000 digital TV customers in the quarter, bringing its total customer base to approximately 295,000, or 17 percent penetration of primary residential lines.

Total access lines declined by approximately 44,000, or 5.3 percent year-over-year. Total lines at the end of the quarter were 2.99 million.

**Share repurchase plan:**

Windstream has repurchased approximately 4.1 million shares for \$33 million, at an average price of \$7.94 per share, this year to date as part of a \$400 million share repurchase plan authorized by the board of directors in February 2008. The company repurchased approximately \$200 million in shares in 2008. The share repurchase authorization expires at the end of 2009.

**2009 projected free cash flow:**

With the tax benefits associated with the federal stimulus package, Windstream now expects to generate between \$705 million and \$775 million in free cash flow during 2009, an increase of \$20 million from previous guidance, resulting in an expected dividend payout ratio between 57 percent and 63 percent.

**Conference call**

Windstream will hold a conference call at 7:30 a.m. CDT today to review the company's first-quarter earnings results.

**To access the call:**

Interested parties can access the call by dialing 1-877-356-2910, conference ID 94485395, 10 minutes prior to the start time.

The international dial-in number is 1-660-422-4943, conference ID 94485395.

**To access the call replay:**

A replay of the call will be available beginning at 10:30 a.m. CDT today and ending at midnight CDT on June 8. The replay can be accessed by dialing 1-800-642-1687, conference ID 94485395.

The international dial-in number for the replay is 1-706-645-9291, conference ID 94485395.

**Webcast information:**

The conference call also will be streamed live over the company's Web site at [www.windstream.com/investors](http://www.windstream.com/investors). Financial, statistical and other information related to the call will be posted on the site. A replay of the webcast will be available on the Web site beginning at 10:30 a.m. CDT today.

**About Windstream**

Windstream Corporation is an S&P 500 company that provides digital phone, high-speed Internet and high-definition video and entertainment services to residential and business customers in 16 states. The company has approximately 3 million access lines and about \$3.2 billion in annual revenues. Windstream is ranked 4th in the 2009 BusinessWeek 50 ranking of the best performing U.S. companies. For more information about Windstream, visit [www.windstream.com](http://www.windstream.com).

Pro forma results from current businesses adjusts results of operations under GAAP for the effects of merger and integration costs related to the acquisition of CT Communications, Inc. in 2007. A reconciliation of pro forma results from current businesses to the comparable GAAP measures is included in the following financial schedules.

Windstream claims the protection of the safe-harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. Forward-looking statements, including statements regarding Windstream's financial guidance for 2009, are subject to uncertainties that could cause actual future events and results to differ materially from those expressed in the forward-looking statements. These forward-looking statements are based on estimates, projections, beliefs and assumptions that Windstream believes are reasonable but are not guarantees of future events and results. Actual future events and results of Windstream may differ materially from those expressed in these forward-looking statements as a result of a number of important factors. Factors that could cause actual results to differ materially from those contemplated above include, among others: further adverse changes in economic conditions in the markets served by Windstream; the extent, timing and overall effects of competition in the communications business; continued access line loss; the impact of new, emerging or competing technologies; the adoption of intercarrier compensation and/or universal service reforms by the Federal Communications Commission or Congress that results in a significant loss of revenue to Windstream; the risks associated with the integration of acquired businesses or the ability to realize anticipated synergies, cost savings and growth opportunities; the availability and cost of financing in the corporate debt markets; the potential for adverse changes in the ratings given to Windstream's debt securities by nationally accredited ratings organizations; the effects of federal and state

legislation, rules and regulations governing the communications industry; material changes in the communications industry generally that could adversely affect vendor relationships with equipment and network suppliers and customer relationships with wholesale customers; unexpected results of litigation; unexpected rulings by state public service commissions in proceedings regarding universal service funds, intercarrier compensation or other matters that could reduce revenues or increase expenses; the effects of work stoppages; the impact of equipment failure, natural disasters or terrorist acts; earnings on pension plan investments significantly below our expected long term rate of return for plan assets; and those additional factors under the caption "Risk Factors" in Windstream's Form 10-K for the year ended Dec. 31, 2008. In addition to these factors, actual future performance, outcomes and results may differ materially because of more general factors including, among others, general industry and market conditions and growth rates, economic conditions, and governmental and public policy changes. Windstream undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. The foregoing review of factors that could cause Windstream's actual results to differ materially from those contemplated in the forward-looking statements should be considered in connection with information regarding risks and uncertainties that may affect Windstream's future results included in Windstream's filings with the Securities and Exchange Commission at [www.sec.gov](http://www.sec.gov).

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