

## Windstream reports fourth-quarter earnings results

- Generated \$379 million in net cash from operations
- Produced \$288 million in free cash flow – a 14 percent increase year-over-year – and \$823 million in free cash flow for 2009 – an 8 percent increase from a year ago
- Reduced dividend payout ratio of free cash flow to 53 percent for the year – the lowest rate since company’s formation
- Added more than 27,000 new high-speed Internet customers and about 10,000 new digital TV customers
- Delivered second consecutive quarter of decelerating access line loss with 4.8 percent decline year-over-year

Release date: Feb. 18, 2010

LITTLE ROCK, Ark. – Windstream Corporation (NASDAQ: WIN) today reported fourth-quarter and full-year results highlighted by strong free cash flow growth and the lowest dividend payout ratio of free cash flow since the company was formed in 2006.

Free cash flow, defined as net cash provided from operations minus capital expenditures, was \$288 million for the quarter and \$823 million for the year, an increase of almost \$60 million year-over-year, largely due to expense management initiatives and lower cash taxes. Windstream returned approximately \$560 million, or 68 percent of its free cash flow, to shareholders in the form of dividends and share repurchases in 2009. The company’s dividend payout ratio of free cash flow was 53 percent for the year, the lowest rate in the company’s history.

“I am very pleased with our performance for the quarter and all of 2009,” said Jeff Gardner, Windstream president and CEO. “We significantly improved the company’s strategic and competitive positions through very targeted acquisitions that will help us sustain revenue and cash flow over time. We also reduced our credit market risk by raising the capital needed to fund our announced acquisitions and extending the vast majority of our bank debt maturities.

“In spite of a tough economy, we improved key operating metrics, increased margins and met our financial guidance for the year in two very important areas. We also further lowered our dividend payout ratio of free cash flow to enhance the sustainability of our dividend, which is so important to the total return to our stockholders,” Gardner said.

**Windstream reports fourth-quarter earnings results**  
**Page Two**

Windstream's fourth-quarter results under Generally Accepted Accounting Principles (GAAP) include the following items, which lowered earnings per share by roughly 8 cents:

- \$15 million in after-tax non-cash pension expense;
- \$12 million in after-tax merger and integration costs;
- \$5 million in after-tax non-cash amortization expense of franchise rights; and
- \$1 million in after-tax restructuring charges.

**Fourth-quarter financial results:**

Under GAAP:

- Revenues were \$754 million, a 3 percent decrease from a year ago.
- Operating income was \$235 million, a decrease of 15 percent year-over-year.
- Net income was \$76 million, a 7 percent decrease from a year ago, or 17 cents of diluted earnings per share.
- Net cash provided from operations was \$379 million, an 8 percent increase year-over-year.
- Average service revenue per customer per month was \$83.21, a 3 percent increase from a year ago.
- Capital expenditures were \$91 million, a 7 percent decrease year-over-year.

Operating income before depreciation and amortization, excluding merger and integration costs and restructuring charges and including results from D&E and Lexcom from the dates that they were acquired in the quarter, was \$395 million.

Under pro forma results from current businesses, which include D&E and Lexcom results for the entire fourth quarter:

- Revenues were \$778 million, a 4 percent decrease from a year ago.
- Operating income before depreciation and amortization (OIBDA) was \$404 million, a 4 percent decrease year-over-year.
- Adjusted OIBDA, which removes the impact of restructuring charges, pension and restricted stock expense, was \$433 million, essentially the same as a year ago.

**Windstream reports fourth-quarter earnings results**  
**Page Three**

- Operating income was \$260 million, a 10 percent decrease from a year ago.
- Average service revenue per customer per month was \$82.31, a 2 percent increase from a year ago.
- Capital expenditures were \$93 million, an 11 percent decrease year-over-year.

**Full-year 2009 financial results:**

Under GAAP:

- Revenues were \$2.997 billion, a 6 percent decrease from a year ago.
- Operating income was \$957 million, a 15 percent decrease year-over-year.
- Net income was \$335 million, a 19 percent decrease from a year ago, or 76 cents of diluted earnings per share.
- Net cash provided from operations was \$1.12 billion, a 4 percent increase year-over-year.
- Average service revenue per customer per month was \$81.27, a 1 percent increase from a year ago.
- Capital expenditures were \$298 million, a 6 percent decrease from a year ago.

Under pro forma results from current businesses, which include D&E and Lexcom results for the entire year:

- Revenues were \$3.121 billion, a 5 percent decrease from a year ago.
- OIBDA was \$1.591 billion, an 8 percent decrease year-over-year.
- Adjusted OIBDA was \$1.711 billion, a 2 percent decrease from a year ago.
- Operating income was \$1.016 billion, a 14 percent decrease from a year ago.
- Average service revenue per customer per month was \$81.46, a 1 percent increase year-over-year.

-more-

- Capital expenditures were \$318 million, an 8 percent decrease from a year ago.

Windstream ended the year with \$1.1 billion in cash and cash equivalents.

**Fourth-quarter pro forma operating results:**

Windstream added more than 27,000 new high-speed Internet customers during the fourth quarter, bringing its total customer base to approximately 1,132,000 – an increase of 10 percent year-over-year. Overall broadband penetration is now 37 percent of total access lines and 55 percent of primary residential lines.

Windstream also added approximately 10,000 digital TV customers in the quarter, bringing its total customer base to approximately 369,000, or 20 percent penetration of primary residential lines.

Total access lines declined by approximately 35,000, or 4.8 percent year-over-year – the lowest percentage change in the last five quarters. Total lines at the end of the year were 3.03 million.

**Share repurchase plan:**

Windstream repurchased 7.8 million shares for \$78 million in the fourth quarter as previously reported under a \$400 million share repurchase plan authorized by the board of directors in February 2008. Windstream repurchased a total of 29 million shares for \$322 million under the share repurchase authorization, which expired at the end of 2009. With dividends and share repurchases, Windstream returned almost \$560 million, or 68 percent of free cash flow, to shareholders in 2009.

**Financial outlook for 2010**

Windstream issued the following pro forma financial guidance for 2010, which includes a full year for NuVox:

| 2009 Pro Forma Results(a) | 2010 Guidance Range | % Change                                    |
|---------------------------|---------------------|---|
| Revenue                   | \$3.686 billion     | \$3.540 billion - \$3.685 billion (4%) – 0% |
| OIBDA (b)                 | \$1.705 billion     | \$1.693 billion - \$1.768 billion (1%) – 4% |
| Adjusted OIBDA (c)        | \$1.826 billion     | \$1.770 billion - \$1.845 billion (3%) – 1% |
| Capex                     | \$386 million       | \$360 million - \$390 million               |

*(a) Includes results for NuVox for full year*

*(b) Guidance range includes expected non-cash pension expense and restricted stock expense*

*(c) Guidance range excludes expected non-cash pension expense and restricted stock expense*

Windstream expects to incur roughly \$63 million in non-cash pension expense and about \$14 million in restricted stock expense that will not affect free cash

**Windstream reports fourth-quarter earnings results**  
**Page Five**

flow in 2010. Based on preliminary estimates, the company does not expect to be required to make any cash contribution to the pension plan in 2010.

The guidance assumes net cash interest of approximately \$495 million and cash taxes of \$195 million to \$225 million for 2010.

The company expects to generate \$690 million to \$765 million in free cash flow in 2010, resulting in a dividend payout ratio between 59 percent and 65 percent.

"I think we are positioned well for a successful 2010 given our four recent acquisitions and related synergy benefits and the progress we are making transforming the company to pursue growth opportunities in broadband and the business customer segment," Gardner said.

**Conference call**

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

**To access the call:**

Interested parties can access the call by dialing 1-866-900-4729, conference ID 50897183, ten minutes prior to the start time.

**To access the call replay:**

A replay of the call will be available beginning at 9:30 a.m. CST today and ending at midnight CDT on March 18. The replay can be accessed by dialing 1-800-642-1687, conference ID 50897183.

**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. CST today.

**About Windstream**

Windstream Corporation is an S&P 500 company with about \$3.7 billion in annual revenues. Windstream provides phone, high-speed Internet and high-definition digital TV services to customers in 21 states. The company also offers a wide range of IP-based voice and data services and advanced phone systems and equipment to businesses and government agencies. 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 to include the acquisitions of D&E Communications, Inc. and Lexcom, Inc. and to exclude the results of the disposed out-of-territory product distribution operations, all merger and integration costs related to strategic transactions and the impairment charge recognized on assets held for sale. A reconciliation of pro forma results from current businesses to the comparable GAAP measures is available on the company's Web site at [www.windstream.com/investors](http://www.windstream.com/investors).

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 are subject to uncertainties that could cause actual future events and results to differ materially from those expressed in the forward-looking statements. Forward-looking statements include, but are not limited to, our financial outlook for 2010; our expectation of no pension contribution in 2010, expected synergies and other benefits from completed and pending acquisitions, expected amount of cash taxes and net cash interest and forecasted capital expenditure amounts. These and other 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 in our forward-looking statements 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 inter-carrier compensation and/or universal service reform proposals 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;
- unexpected adverse results related to our data center migration;
- for our competitive local exchange carrier ("CLEC") operations, adverse effects on the availability, quality of service and price of facilities and services provided by other incumbent local exchange carriers on which our CLEC services depend;
- 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, and rules and regulations governing the communications industry;
- material changes in the communications industry 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, inter-carrier 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, and in subsequent filings with the Securities and Exchange Commission.

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 filings by Windstream with the Securities and Exchange Commission at [www.sec.gov](http://www.sec.gov).

**-end-**

Media Relations Contact:  
David Avery, 501-748-5876  
David.avery@windstream.com

Investor Relations Contacts:  
Mary Michaels, 501-748-7578  
mary.michaels@windstream.com