

## **Windstream reports higher revenue, cash flow in first quarter**

LITTLE ROCK, Ark. – Windstream Corporation (NYSE: WIN) delivered a strong financial performance in the first quarter, posting higher revenue and operating cash flow. The company also repurchased approximately 8.4 million shares for \$100 million during the quarter as part of a \$400 million share repurchase plan authorized by the board of directors in February.

“Windstream continues to deliver strong operating and financial results in a challenging economic environment that, to date, does not appear to be having much effect on our business,” said Jeff Gardner, president and CEO. “We are successfully replacing residential voice revenue streams with growth in data, special access and long-distance. Our business channel is showing growth year-over-year, and our team continues to manage expenses and capital expenditures efficiently.”

Windstream achieved diluted earnings per share for the quarter under Generally Accepted Accounting Principles (GAAP) of 27 cents, which included \$1.6 million in merger and integration expenses for a billing system conversion related to the acquisition of CT Communications.

### **Financial highlights:**

Among the highlights for the first quarter on a GAAP basis:

- Revenues were \$812 million, a 4 percent increase from a year ago.
- Operating income was \$299 million, an 11 percent increase year-over-year.
- Net income was \$124 million, a 24 percent increase from a year ago.

Among the pro forma highlights for the first quarter from current businesses:

- Revenues were \$812 million, a 1 percent increase from a year ago.
- Operating income before depreciation and amortization was \$423 million, a 4 percent increase year-over-year.
- Operating income was \$300 million, an 11 percent increase from a year ago.
- Average revenue per customer was \$82.52, an increase of 6 percent from a year ago.
- Capital expenditures were \$56 million, a 38 percent decrease year-over-year.

## **Operating highlights:**

Windstream added almost 40,000 broadband customers during the quarter, bringing its total broadband customer base to approximately 911,000 – an increase of 22 percent year-over-year and a 29 percent penetration rate of total access lines.

Windstream added approximately 15,000 digital TV customers, bringing its total customer base to more than 210,000, or 11 percent penetration of primary residential lines.

Total access lines declined by approximately 42,000. Total lines at the end of the quarter were 3.16 million, a decline of 4.9 percent year-over-year.

“We recently doubled broadband download speeds to offer 3-Mbps service to virtually all of our broadband customers and up to 12-Mbps service in certain areas. This upgrade increases our competitiveness and provides a platform to sell faster speeds and additional products and services, which is an important part of our strategy to transform this business to a broadband-centric model,” Gardner said.

## **Lower dividend payout ratio expected**

With the recent passage of the Economic Stimulus Act of 2008, Windstream now expects its cash tax rate to be in the mid-20 percent range down from the low-30 percent range, which will significantly lower the expected dividend payout ratio for 2008.

## **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 1-866-873-7782, conference ID 42427797, 10 minutes prior to the start time.

The international dial-in number is 1-660-422-4943, conference ID 42427797.

## **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 May 23. The replay can be accessed by dialing 1-800-642-1687, conference ID 42427797.

The international dial-in number for the replay is 1-706-645-9291, conference ID 42427797.

## **Web cast 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 Web cast 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 voice, broadband and entertainment services to customers in 16 states. The company has approximately 3.2 million access lines and about \$3.3 billion in annual revenues. For more information, visit [www.windstream.com](http://www.windstream.com).

Windstream was formed July 17, 2006, through the spinoff of Alltel's wireline business and its merger with VALOR Communications Group, Inc. The company acquired CT Communications (CTC) on Aug. 31, 2007.

Windstream's GAAP results reflect CTC's business starting Sept. 1, 2007. Pro forma results from current businesses are non-GAAP financial measures that include results from CTC for periods prior to the merger and exclude results from the split-off of the company's directory publishing business completed on Nov. 30, 2007, and merger and integration costs related to the CTC and directory publishing transactions. 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 the statements regarding Windstream's expected cash tax rate and dividend payout ratio for 2008, 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: 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 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; the adoption of inter-carrier compensation and/or universal service reforms by the Federal Communications Commission or Congress that results in a significant loss of revenue to Windstream; an adverse development regarding the tax treatment of the spinoff from Alltel on July 17, 2006, and the restrictions on certain financing and other activities imposed by the tax sharing agreement with Alltel; 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; the effects of work stoppages; the impact of equipment failure, natural disasters or terrorist acts; the ability to execute the company's share repurchase program or the ability to achieve the desired accretive effect from such repurchases; and those additional factors under the caption "Risk Factors" in Windstream's Form 10-K for the year ended Dec. 31, 2007. 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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