

Windstream reports fourth-quarter, full-year 2010 results

LITTLE ROCK, Ark. – Windstream Corp. (Nasdaq: WIN) today reported fourth-quarter and full-year 2010 earnings results, highlighted by higher business service revenue and improved operating margins.

“2010 was an incredible year for Windstream, and I am very pleased with all that we accomplished,” said Jeff Gardner, president and chief executive officer. “We continued to improve our top-line trends and achieved our revenue and cash flow goals for the year. Our team did a fantastic job executing our business plan while successfully integrating the four companies we acquired during the year.”

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

- \$16 million in after-tax merger and integration costs
- \$4 million in after-tax restructuring charges

Fourth-quarter financial results:

Under GAAP:

- Revenues were \$981 million, a 30 percent increase from a year ago.
- Operating income was \$259 million, an increase of 10 percent year-over-year.
- Net income was \$72 million, a 4 percent decrease from a year ago, or 15 cents of diluted earnings per share.
- Capital expenditures were \$143 million, a 56 percent increase year-over-year.

Under pro forma results, which include results for Hosted Solutions Acquisition, LLC, and Q-Comm Corporation for the entire fourth quarter:

- Revenues were \$1.03 billion, a 2 percent decrease from a year ago.
- Business service revenue was \$493 million, a 2 percent increase year-over-year.
- Consumer broadband revenue was \$111 million, a 10 percent increase from a year ago.
- Operating income before depreciation and amortization (OIBDA) was \$496 million, essentially unchanged year-over-year.
- Adjusted OIBDA, which removes the impact of restructuring charges, pension expense and stock-based compensation, was \$523 million, a 1 percent decrease from a year ago.
- Capital expenditures were \$159 million, a 20 percent increase year-over-year.

Full-year 2010 financial results:

Under GAAP:

- Revenues were \$3.7 billion, a 24 percent increase from a year ago.
- Operating income was \$1.03 billion, an 8 percent increase year-over-year.
- Net income was \$311 million, a 7 percent decrease from a year ago, or 66 cents of diluted earnings per share.
- Capital expenditures were \$415 million, a 39 percent increase from a year ago.

Under pro forma results, which include results for NuVox Inc.; Iowa Telecommunications Services, Inc.; Hosted Solutions Acquisition, LLC, and Q-Comm Corporation for the entire year:

- Revenues were \$4.1 billion, a 2 percent decrease from a year ago.
- Business service revenue was \$1.95 billion, an increase of half a percent year-over-year.

- Consumer broadband revenue was \$429 million, a 9 percent increase from a year ago.
- OIBDA was \$1.98 billion, a 2 percent increase year-over-year.
- Adjusted OIBDA was \$2.1 billion, essentially unchanged from a year ago.
- Capital expenditures were \$490 million, a 1 percent increase from a year ago.

Fourth-quarter pro forma operating results:

In the business channel, advanced data and integrated solutions, which are largely connections providing both voice and data services, increased 6 percent year-over-year. Special access circuits increased 5 percent year-over-year, driven by increased wireless backhaul demand.

The company added more than 12,000 new high-speed Internet customers during the fourth quarter, bringing its total customer base to approximately 1,303,000 – an increase of 6 percent year-over-year. Overall broadband penetration is now 43 percent of total voice lines and 61 percent of primary residential lines.

The company ended the year with approximately 434,000 video customers, representing 8 percent growth from a year ago and 23 percent of primary residential customers. Total access lines declined by approximately 36,000, or 3.6 percent year-over-year. Total lines at the end of the year were 3.3 million.

Financial outlook for 2011

“In 2011 we plan to invest capital in success-based initiatives that will help us grow the business, including fiber-to-the-cell projects and data center expansions as well as additions to our broadband network funded in part by federal stimulus awards. These investments, along with our recent acquisitions and improving legacy performance, will further improve the long-term financial characteristics of our business and create a path to realize total revenue growth in the future,” Gardner said.

Windstream issued the following pro forma financial guidance for 2011:

	2010 Pro Forma Results	2011 Guidance Range	% Change
Revenue	\$4.139 billion	\$4.015 billion - \$4.140 billion	(3%) – 0%
OIBDA (a)	\$1.975 billion	\$1.985 billion - \$2.045 billion	1% – 4%
Adjusted OIBDA (b)	\$2.064 billion	\$2.045 billion - \$2.105 billion	(1%) – 2%
Capex (c)	\$490 million	\$520 million - \$580 million	6% - 18%

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

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

(c) Guidance range includes approximately \$40 million in Windstream matching funds to complete federal broadband stimulus projects in 2011 and excludes funds provided by the Rural Utilities Service

Windstream expects to incur roughly \$41 million in non-cash pension expense and \$19 million in restricted stock expense that will not affect free cash flow in 2011.

The guidance assumes net cash interest expense of approximately \$552 million and cash taxes of \$50 million to \$60 million for 2011.

The company expects to generate \$863 million to \$973 million in adjusted free cash flow in 2011, resulting in a dividend payout ratio between 52 percent and 59 percent. In 2010, Windstream

generated \$818 million in adjusted free cash flow, resulting in a dividend payout ratio of 57 percent. Adjusted free cash flow is defined as adjusted OIBDA minus merger and integration expense, cash interest, cash taxes, capital expenditures and cash pension contributions.

The company also announced it expects to make a \$60 million contribution to its pension plan this month in the form of Windstream common stock to manage net leverage. Pension plan assets were approximately \$870 million as of Jan. 1, 2011.

Conference call

Windstream will hold a conference call at 7:30 a.m. CST today to review the company's fourth-quarter and full-year 2010 earnings results.

To access the call:

Interested parties can access the call by dialing 1-877-374-3977, conference ID 37262050, ten minutes prior to the start time.

To access the call replay:

A replay of the call will be available beginning at 10:30 a.m. CST today and ending at midnight CST on Feb. 25. The replay can be accessed by dialing 1-800-642-1687, conference ID 37262050.

Webcast information:

The conference call also will be streamed live over the company's website at 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 website beginning at 10:30 a.m. CST today.

About Windstream

Windstream Corp. (Nasdaq: WIN), headquartered in Little Rock, Ark., is an S&P 500 communications and technology solutions provider with operations in 29 states and the District of Columbia and about \$4 billion in annual revenues. Windstream provides IP-based voice and data services, MPLS networking, data center and managed hosting services and communication systems to businesses and government agencies. The company also delivers broadband, digital phone and high-definition TV services to residential customers primarily located in rural areas and operates a local and long-haul fiber network spanning approximately 60,000 route miles. For more information about Windstream, visit www.windstream.com.

Pro forma results adjusts results of operations under GAAP to include the acquisitions of D&E Communications, Inc.; Lexcom Inc.; NuVox Inc.; Iowa Telecommunications Services, Inc.; Hosted Solutions Acquisition, LLC, and Q-Comm Corporation, and to exclude the results of the disposed out-of-territory product distribution operations and all merger and integration costs related to strategic transactions. A reconciliation of pro forma results to the comparable GAAP measures is available on the company's Web site at 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, Windstream's financial outlook for 2011, expected amount of cash taxes, net cash interest, potential future revenue growth and capital expenditures for 2011. 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 in Windstream's 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 voice line loss;
- the impact of new, emerging or competing technologies;
- the adoption of intercarrier 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;
- for Windstream's competitive local exchange carrier operations, adverse effects on the availability, quality of service and price of facilities and services provided by other incumbent local exchange carriers on which Windstream's competitive local exchange carrier 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;
- unfavorable results of litigation;
- unfavorable 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 Windstream's expected long term rate of return for plan assets;
- changes in federal, state and local tax laws and rates; and
- those additional factors under the caption "Risk Factors" in Windstream's Form 10-K for the year ended Dec. 31, 2009, 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.

-end-

Media Contact:

David Avery, 501-748-5876

David.avery@windstream.com

Investor Contact:

Mary Michaels, 501-748-7578

mary.michaels@windstream.com