

Windstream reports solid third-quarter results

LITTLE ROCK, Ark. – Windstream Corporation (NYSE: WIN) generated solid financial results in the third quarter through higher revenue from sales of broadband and data services.

“Windstream delivered a solid financial performance in the third quarter, while continuing to drive broadband and digital TV sales,” said Jeff Gardner, president and CEO. “We also completed our acquisition of CT Communications and are very pleased with the progress we have made integrating the new operations. We expect to complete the integration process by the end of the first quarter of 2008.”

Windstream completed its acquisition of CT Communications, Inc. (CTC) on Aug. 31. The transaction nearly doubled Windstream’s presence in North Carolina by adding 132,000 access lines and 31,000 broadband customers.

Windstream achieved diluted earnings per share under Generally Accepted Accounting Principles (GAAP) of 25 cents for the third quarter. The GAAP results include results for the company’s directory publishing business and CTC for the month of September in addition to one-time transaction expenses associated with the CTC acquisition and the split-off of the publishing business scheduled to close during the fourth quarter.

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

- Revenues were \$823 million, a 7 percent increase from a year ago.
- Operating income was \$289 million, a 14 percent increase year-over-year.
- Net income was \$118 million, a 40 percent decline from a year ago due to an extraordinary item in the third quarter of 2006 resulting in a non-cash after-tax gain of approximately \$100 million related to the discontinuance of Statement of Financial Accounting Standard (SFAS) No. 71.

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

- Revenues were \$823 million, a 2 percent increase year-over-year.
- Operating income was \$280 million, an increase of 5 percent from a year ago.
- Operating income before depreciation and amortization was \$420 million, a 3 percent increase from a year ago.
- Average revenue per customer per month was \$81.61, an 8 percent increase from a year ago.

Windstream’s pro forma results from current businesses include CTC results for the entire third quarter and exclude results for Windstream’s directory publishing business and transaction expenses associated with the publishing split-off and the CTC acquisition.

On a pro forma basis from current businesses, which include CTC results solely for the month of September,

Windstream generated \$792 million in revenues and \$411 million in operating income before depreciation and amortization during the third quarter.

Operational highlights

Windstream added more than 48,000 broadband customers, bringing its total broadband customer base to approximately 830,000 – an increase of 32 percent year-over-year and a penetration rate of 26 percent of total access lines.

The company added more than 27,000 digital TV customers, bringing its total digital TV customer base to approximately 178,000 – an increase of 189 percent year-over-year and a penetration rate of 5 percent of total lines.

Total access lines declined approximately 46,000. Total lines at the end of the quarter were 3.24 million, a 4.7 percent decline year-over-year.

Windstream also announced it has received a private letter ruling from the Internal Revenue Service regarding the split-off of the company's directory publishing business in a tax-free transaction to Welsh, Carson, Anderson & Stowe, a private equity investment firm. Windstream will repurchase approximately 19.6 million shares, retire approximately \$210 million in debt and receive roughly \$40 million in cash for additional debt retirement or stock repurchase through the transaction, which was originally announced on Dec. 12, 2006. Windstream expects to close the transaction by the end of the fourth quarter.

Windstream was formed July 17, 2006, through the spinoff from Alltel and merger with VALOR Communications Group, Inc.

Windstream's GAAP results reflect the Alltel wireline business for the entire year of 2006 through the third quarter of 2007; the VALOR business starting July 17, 2006; and CTC's business starting Sept. 1, 2007. Pro forma results from current businesses are non-GAAP financial measures that include results from VALOR and CTC for periods prior to the merger, and excludes various non-recurring items related to the transactions, the discontinuance of SFAS No. 71 and the split-off of the company's directory publishing business. A reconciliation of pro forma results from current businesses to the comparable GAAP measures is included in the following [financial schedules](#).

Conference call

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

To access the call:

Interested parties can access the call by dialing 1-866-873-7782, conference ID 19767785, five minutes prior to the start time.

The international dial-in number is 1-660-422-4943, conference ID 19767785.

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 Nov. 15. The replay can be accessed by dialing 1-800-642-1687, conference ID 19767785.

The international dial-in number for the replay is 1-706-645-9291, conference ID 19767785.

Web cast information:

The conference call also will be streamed live over the company's Web site at 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. CST today.

About Windstream

Windstream Corporation 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.

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. 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; the failure successfully to complete the contemplated split-off of Windstream's directory publishing business, Windstream Yellow Pages, in what Windstream expects to be a tax-free transaction to affiliates of Welsh, Carson, Anderson & Stowe; 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; and those additional factors under the caption "Risk Factors" in Windstream's Form 10-K for the year ended Dec. 31, 2006. 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.

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