



# Windstream Annual Meeting

May 5, 2010

# “Safe Harbor” Statement

## Safe Harbor” Statement

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, 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](http://www.sec.gov).

## Regulation G Disclaimer

This presentation includes certain non-GAAP financial measures. On the Windstream investor relations web site, the company has posted additional information regarding these non-GAAP financial measures, including a reconciliation of each of such measure to the most directly comparable GAAP measure. The Investor Relations Web site is located at [www.windstream.com/investors](http://www.windstream.com/investors).

# Agenda

**The company**

**The transformation**

**The performance**

**The future**



# A Different Kind of Communications Company...

Improving  
revenue mix

**52%** from  
Broadband and  
Business <sup>(1)</sup>

Key operating  
metrics  
vs. peers

**#1**

Dividend yield  
of ~9%

One of  
**Highest**  
in the S&P 500

Favorable  
rural  
footprint

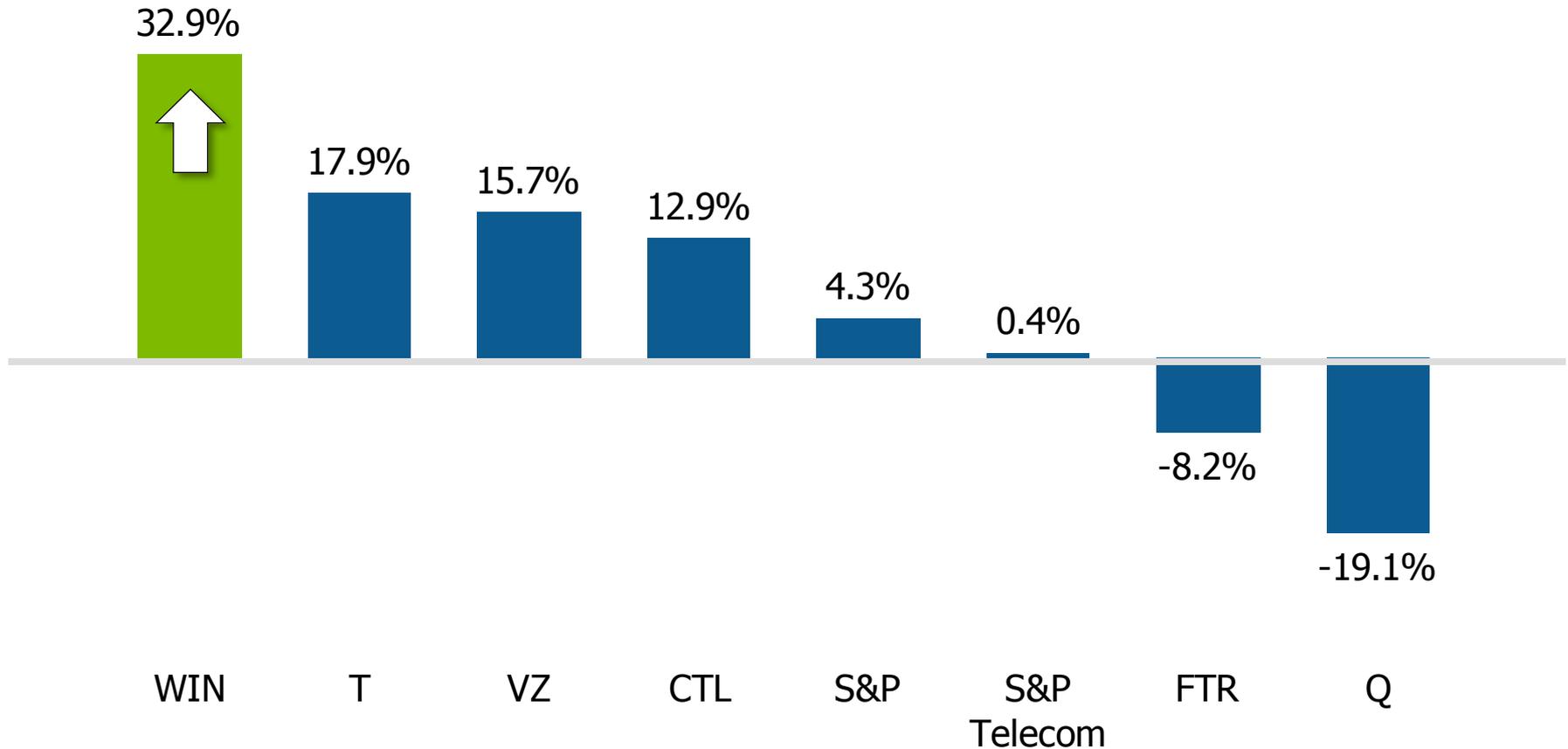
**19**  
Access Lines  
per Sq. Mile

(1) Pro forma lowa acquisition

# ...Delivering Industry-Leading Returns to Shareholders

**WIN has generated a 32.9% total return since inception**

July 17, 2006 - April 30, 2010



Source: Bloomberg

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# Executing Focused Strategy to Transform the Business

1. Expand focus on faster growing markets
  - consumer broadband
  - business customers
2. Ensure disciplined expense management
3. Strengthen competitive position
4. Protect and sustain free cash flow



# Selective Acquisitions - Key to Transforming the Company

## Six Acquisitions Last Four Years

- Valor (Jul. 2006)
- CT Communications (Aug. 2007)
- D&E Communications (Nov. 2009)
- Lexcom (Dec. 2009)
- NuVox (Feb. 2010)
- Iowa Telecommunications  
(Target close: mid-2010)



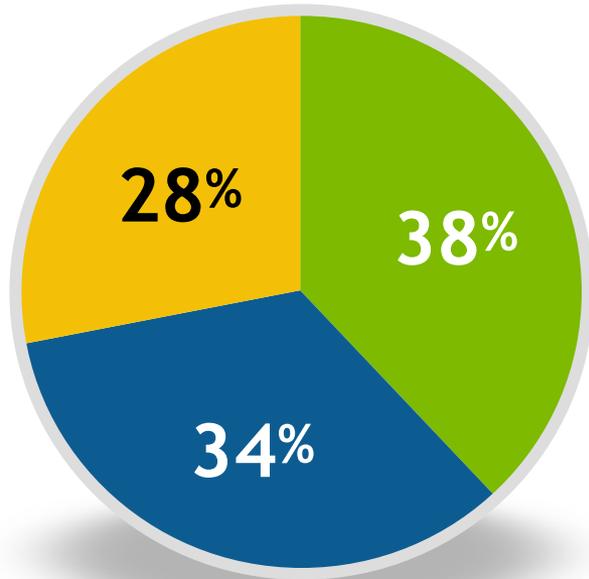
## Impact on Windstream

- Expanded free cash flow
- Added over \$1.7B in revenues
- Created over \$175M in operating and capital synergies
- Maintained leverage in same range

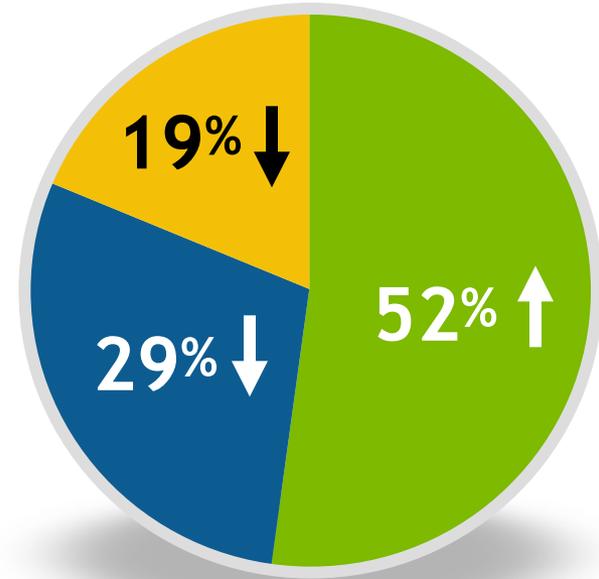


# Expanding Presence in Broadband and Business Segments

Revenue Mix  
12/31/07



Revenue Mix  
12/31/09

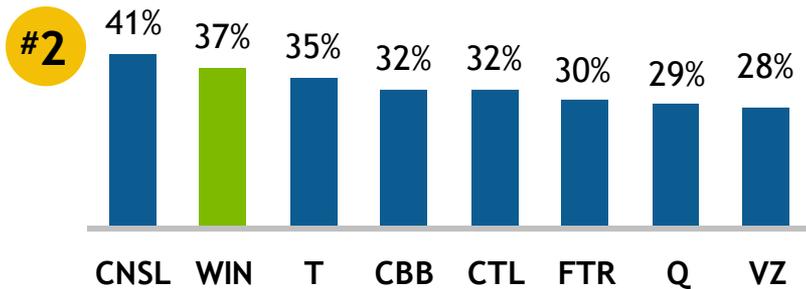


■ Broadband/Business   ■ Residential   ■ Wholesale

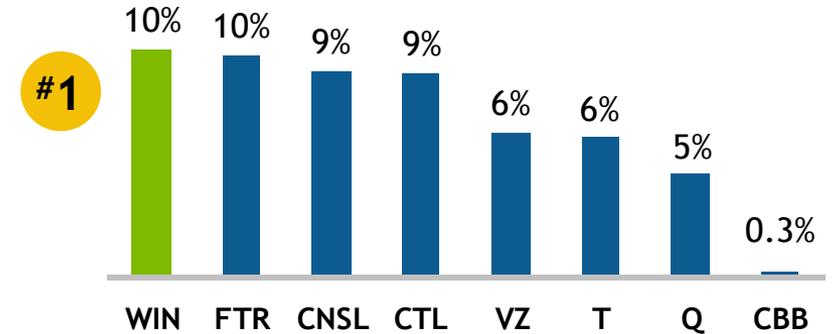
On a pro forma basis, over 50% of Windstream's revenue will come from broadband and business

# Delivering Industry-Leading Operational Results

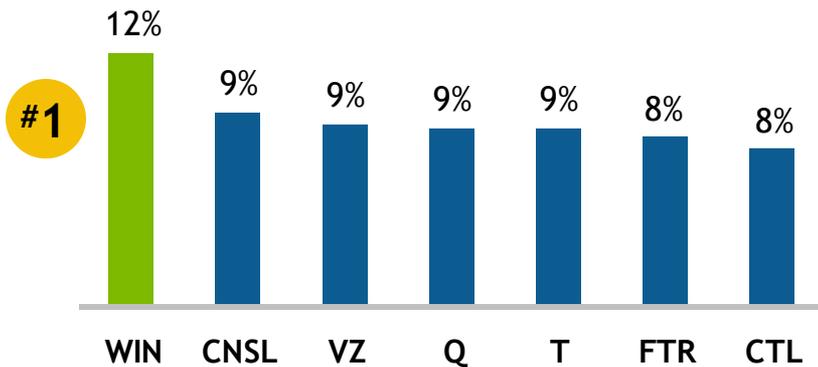
### HSI Penetration of Total Access Lines



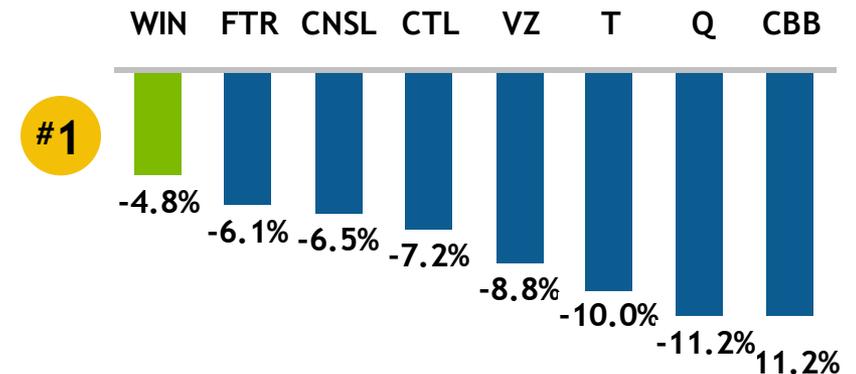
### Internet Customer Change Year-Over-Year



### Video Penetration of Total Access Lines



### Year-over-Year Change in Access Lines



Results as of 12/31/09

# Agenda

The company

The transformation

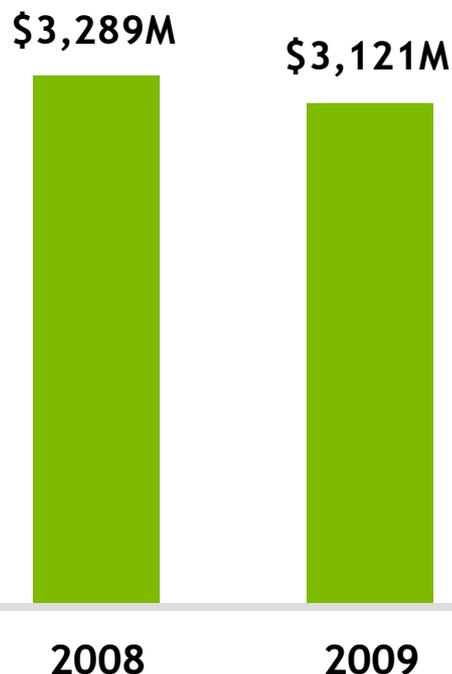
The performance

The future

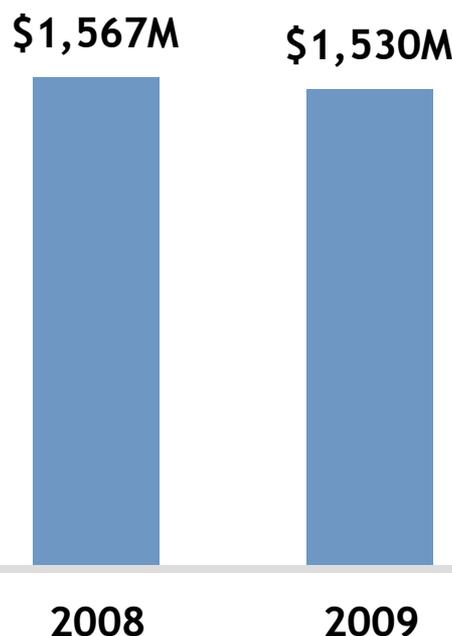


# Despite Headwinds, Delivered Strong Financial Results in 2009

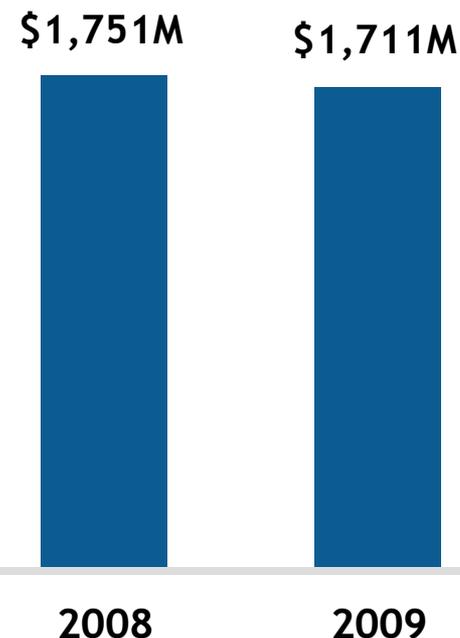
Despite a 5% decline in revenues...



Aggressive expense management...



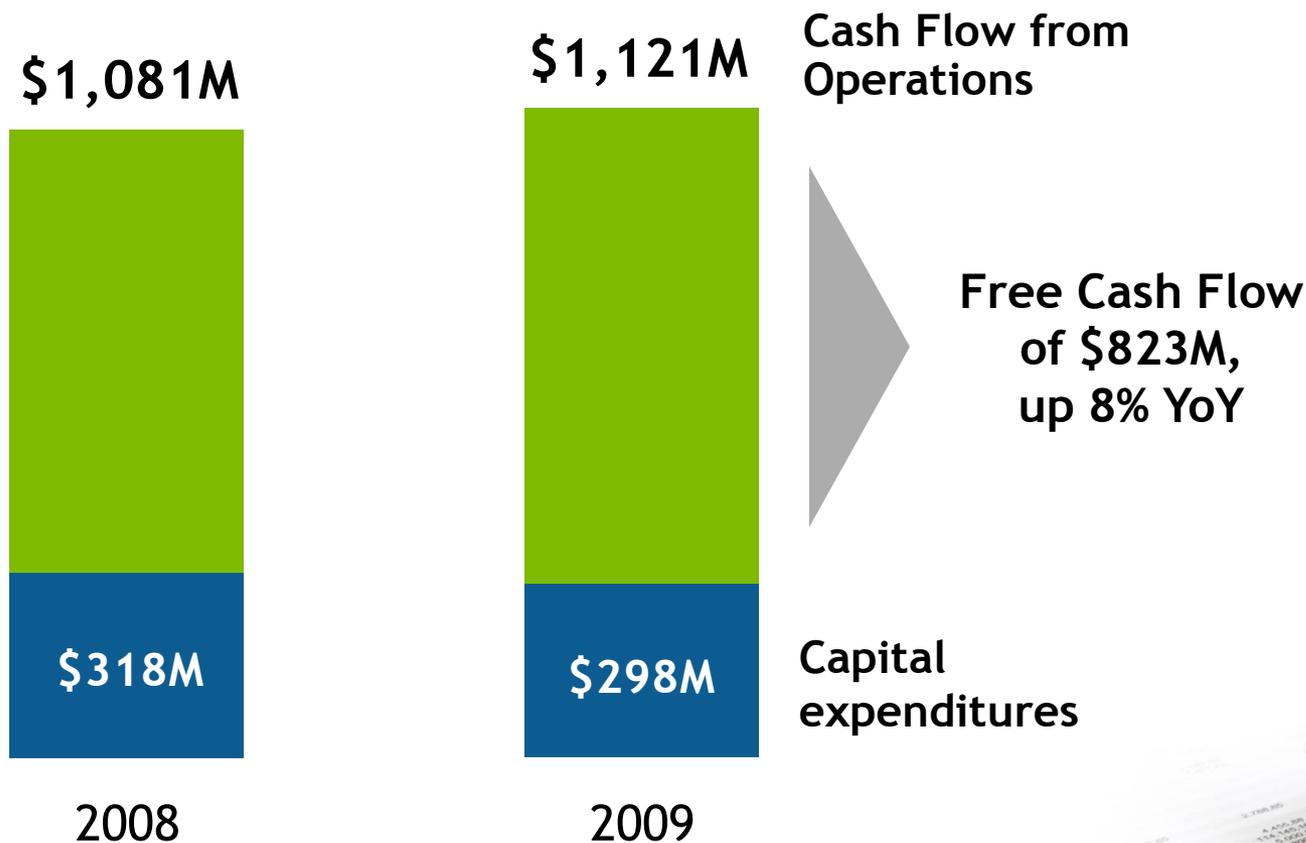
Resulted in a 2% decline in adjusted OIBDA



## Notes

- Pro forma to include D&E and Lexcom and exclude the results of the divested wireless and external supply businesses
- Expenses exclude depreciation and amortization
- OIBDA is defined as Operating Income Before Depreciation and Amortization. Adjusted OIBDA excludes non-cash pension expense, non-cash stock compensation and restructuring

# Continued to Deliver Sustainable and Growing Free Cash Flow



**Payout ratio declined from 58% in 2008 to 53% in 2009**

Notes:

- Results include D&E and Lexcom on a GAAP basis.
- FCF defined as net cash from operations less capital expenditures

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# Competitive Advantages We Are Building On

- ✓ **Fragmented competitive environment**
  - most rural footprint vs. peers
- ✓ **Strong high speed data franchise**
  - competes effectively with cable
- ✓ **Innovative marketing**
  - drives customer retention and addresses wireless substitution threat
- ✓ **Low cost operator**
  - low capex, ongoing operating expense cuts

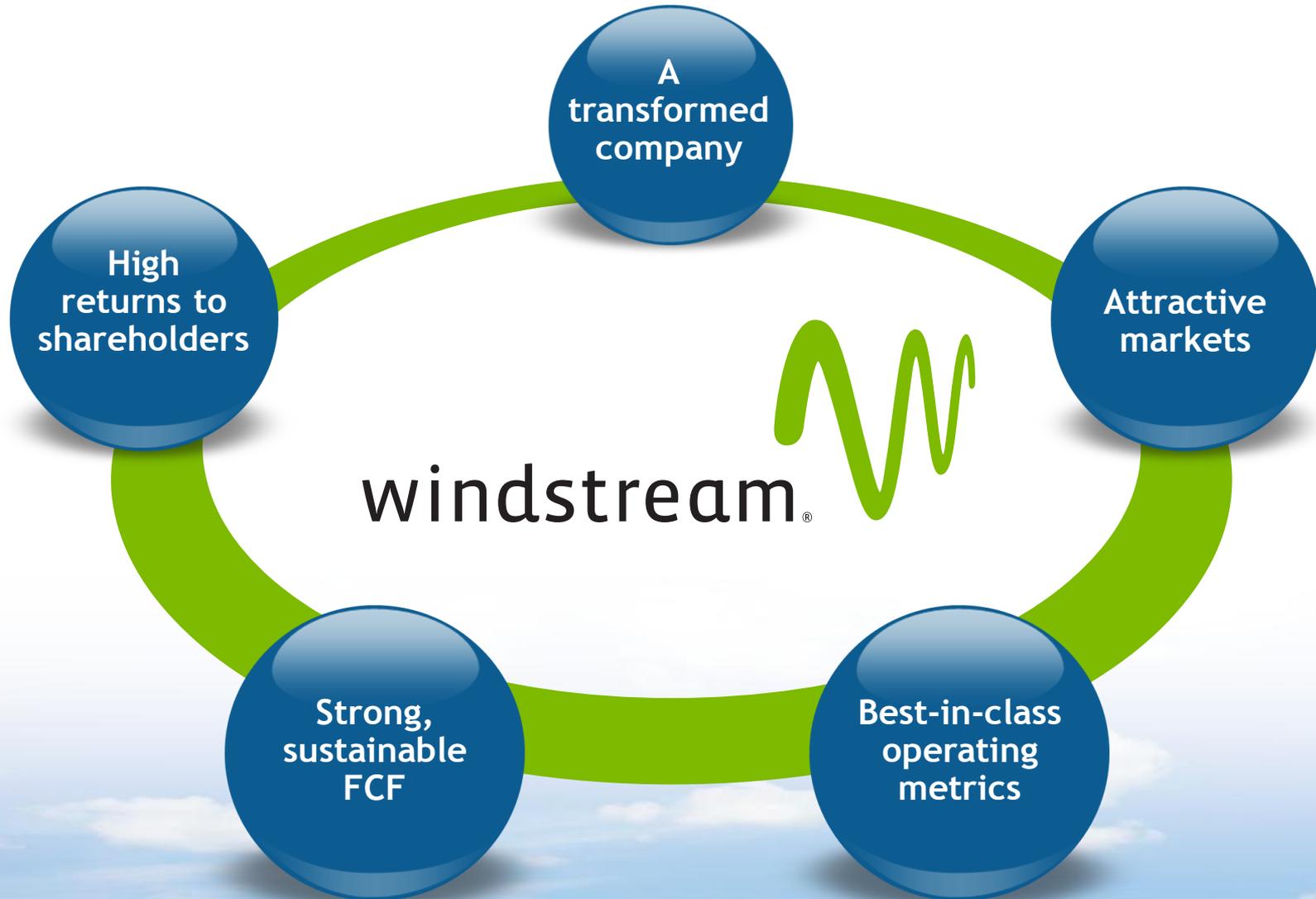


# Priorities 2010

- Integrate the acquisitions announced in 2009 and achieve targeted synergies
- Capitalize on opportunities to increase market share in Windstream's CLEC markets
- Continue to drive leading operational results in our organic business
- Focus on the growth areas of the business to improve revenue trends and identify additional cost efficiencies



# Why Invest in Windstream



windstream<sup>®</sup>



# Non GAAP Reconciliations

## Net Leverage Ratio:

<i>(Dollars in millions)</i>	As of	
	December 31, 2009	
Long-term debt, including current maturities	\$	6,295.2
Cash and cash equivalents		(1,062.9)
Net debt	(A) \$	<u>5,232.3</u>

<i>(Dollars in millions)</i>	Twelve Months Ended	
	December 31, 2009	
Operating income under GAAP	\$	956.9
Pro forma adjustments:		
D&E operating income prior to acquisition		23.2
D&E intangible asset impairment		5.5
D&E intangible asset amortization		(3.5)
Lexcom operating income prior to acquisition		13.7
Lexcom intangible asset amortization		(1.5)
Operating income adjustment for the disposition of Windstream Supply LLC		(0.9)
Merger and integration costs		<u>22.3</u>
Pro forma operating income		1,015.7
Depreciation and amortization		<u>575.6</u>
Pro forma OIBDA		1,591.3
Other adjustments:		
Pension expense		91.9
Restructuring charges		9.1
Restricted stock expense		<u>18.4</u>
Pro forma adjusted OIBDA	(B) \$	<u>1,710.7</u>
Pro forma net leverage ratio	(A)/(B)	3.1

## OIBDA:

for the three months ended December 31, 2009

<i>(Dollars in millions)</i>		
Operating income under GAAP	\$	234.5
Depreciation and amortization		138.7
OIBDA		<u>373.2</u>
Adjustments:		
Merger and integration costs		19.9
Restructuring charges		<u>1.8</u>
OIBDA excluding merger and integration and restructuring	\$	<u>394.9</u>

# Reconciliations of Non GAAP Financial Measures

## Free Cash Flow:

for the three months ended December 31,

*(Millions, except per share amounts)*

	<u>2009</u>	<u>2008</u>	<u>%</u>
Net cash provided from operations	\$ 379.4	\$ 350.6	
Capital expenditures	(91.3)	(98.0)	
Free cash flow	<u>\$ 288.1</u>	<u>\$ 252.6</u>	<u>14%</u>

for the twelve months ended December 31,

*(Millions, except per share amounts)*

	<u>2009</u>	<u>2008</u>	<u>%</u>
Net cash provided from operations	\$ 1,120.8	\$ 1,080.4	
Capital expenditures	(298.1)	(317.5)	
Free cash flow	(C) <u>\$ 822.7</u>	<u>\$ 762.9</u>	<u>8%</u>

## Free Cash Flow Return to Shareholders:

for the twelve months ended December 31, 2009

*(Dollars in millions)*

Dividends paid on common shares	(D) \$ 437.4
Common stock repurchased	<u>121.3</u>
Free cash flow returned to shareholders	(E) <u>\$ 558.7</u>

Dividend Payout Ratio	(D)/(C) 53%
Percent free cash flow returned to shareholders	(E)/(C) 68%