

## **Windstream produces double-digit free cash flow growth in 2008**

- Free cash flow increased 14 percent year-over-year to \$763 million
- \$645 million returned to shareholders through dividends, share repurchases
- \$297 million in cash on hand at year-end
- Expects \$685 million to \$755 million in free cash flow for 2009

LITTLE ROCK, Ark. – Windstream Corporation (NYSE: WIN) today reported fourth-quarter and full-year results highlighted by double-digit growth in free cash flow for 2008.

Free cash flow, defined as net cash provided from operations minus capital expenditures, was \$763 million for the year, an increase of almost \$100 million year-over-year, largely due to lower capital expenditures and reduced cash taxes. Windstream returned \$645 million, or 85 percent of its free cash flow, to shareholders in the form of dividends and share repurchases in 2008. The company's dividend payout ratio was 58 percent for the year.

"Windstream met all the financial goals we set for the year amid a difficult economic environment," said Jeff Gardner, president and CEO. Our results are a tribute to our team's focus and ability to manage this business to sustain free cash flow.

"Operationally, we completed enhancements to our network during the year to increase our competitiveness and provide additional revenue opportunities. We continued to focus on expanding our sales and distribution channels, and our business markets grew revenues slightly through increased sales of broadband and next generation network data services," Gardner said.

Windstream completed the sale of its wireless properties in North Carolina to AT&T for approximately \$60 million in cash during the fourth quarter. Windstream acquired these properties as part of the CT Communications acquisition. The operating results of the wireless business and the incremental tax expense related to the taxable gain on the sale are reflected as discontinued operations in the earnings results.

Windstream's fourth-quarter results under Generally Accepted Accounting Principles (GAAP) include a loss of \$10 million in discontinued operations related to the taxable gain and related tax effect from the sale of the wireless business; severance charges of almost \$4 million on an after-tax basis related to a workforce reduction announced on Dec. 4; and a non-cash adjustment to deferred taxes of \$14 million related to a restructuring of corporate entities completed in 2008. Collectively these items lowered diluted earnings per share by 6 cents for the quarter. Year-over-year comparisons also were affected by a tax-free gain of approximately \$451 million on the sale of the company's directory publishing business in the fourth quarter of 2007.

## **Fourth-quarter financial results:**

Under GAAP:

- Revenues were \$778 million, a 5 percent decrease from a year ago.
- Operating income was \$277 million, a decrease of 8 percent year-over-year.
- Net income was \$81 million, an 86 percent decrease from a year ago, or 19 cents of diluted earnings per share.
- Capital expenditures were \$98 million, essentially flat year-over-year.

Under pro forma results from current businesses:

- Revenues were \$778 million, a 2 percent decrease from a year ago.
- Operating income before depreciation and amortization was \$401 million, a decline of 3 percent year-over-year and includes \$6.4 million in restructuring charges.
- Operating income was \$277 million, a decrease of 5 percent from a year ago.
- Average revenue per customer was \$83.22, a 3 percent increase from a year ago.
- Capital expenditures were \$98 million, essentially flat year-over-year.

## **Full-year 2008 financial results:**

Under GAAP:

- Revenues were \$3.172 billion, a 2 percent decrease from a year ago.
- Operating income was \$1.132 billion, a 2 percent decrease year-over-year.
- Net income was \$413 million, a 55 percent decrease from a year ago, or 93 cents of diluted earnings per share.
- Net cash provided from operations was \$1.08 billion.
- Capital expenditures were \$318 million, a 13 percent decrease from a year ago.

Under pro forma results from current businesses:

- Revenues were \$3.172 billion, a 1.5 percent decrease from a year ago.

- Operating income before depreciation and amortization was \$1.638 billion, a 1 percent decrease year-over-year and includes \$8.5 million in restructuring charges.
- Operating income was \$1.145 billion, a 2 percent increase from a year ago.
- Average revenue per customer was \$83.02, a 3 percent increase year-over-year.
- Capital expenditures were \$317 million, an 18 percent decrease from a year ago.

Windstream ended the year with \$297 million in cash and cash equivalents.

#### **Fourth-quarter operating results:**

Windstream added more than 16,000 new high-speed Internet customers during the fourth quarter, bringing its total customer base to approximately 979,000 – an increase of almost 12 percent year-over-year. Overall broadband penetration is now 32 percent of total access lines and 49 percent of primary residential lines.

Windstream added nearly 23,000 digital TV customers in the quarter, bringing its total customer base to approximately 274,000, or 15 percent penetration of primary residential lines.

Total access lines declined by approximately 48,000, or 5.2 percent year-over-year. Total lines at the end of the year were 3.04 million.

#### **Financial outlook for 2009**

Windstream expects to incur roughly \$90 million in increased pension expense in 2009. This pension expense will be a non-cash charge and will not affect free cash flow. The increase reflects negative plan returns in 2008 and the company's accounting practice to accelerate recognition of the effects of large changes in plan asset valuations. Based on preliminary estimates, the company does not expect to be required to make any cash contribution to the pension in 2009.

Windstream issued the following financial guidance for 2009:

<b>2008 Pro Forma Results</b>	<b>2009 Guidance Range</b>	<b>% Change</b>	
Revenue	\$3.172 billion	\$3.045 billion - \$3.170 billion	(4%) – 0%
OIBDA (a)	\$1.638 billion	\$1.575 billion - \$ 1.640 billion	(4%) – 0 %
OIBDA (b)	-	\$1.485 billion - \$1.550 billion	(9%) – (5%)
Capex	\$318 million	\$290 million - \$320 million	

*(a) Guidance range excludes expected non-cash pension expense of approximately \$90 million*

*(b) Guidance range includes expected non-cash pension expense of approximately \$90 million*

The company expects depreciation and amortization expense of approximately \$500 million; net cash interest of approximately \$395 million; and a cash tax rate in the low 30 percent range for 2009, which does not contemplate any potential benefits from the current stimulus packages being discussed in Washington.

The company expects to generate \$685 million to \$755 million in free cash flow in 2009, resulting in a dividend payout ratio between 58 percent to 64 percent.

#### 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 1-866-873-7782, conference ID 80230581, 10 minutes prior to the start time.

The international dial-in number is 1-660-422-4943, conference ID 80230581.

#### **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. 18. The replay can be accessed by dialing 1-800-642-1687, conference ID 80230581.

The international dial-in number for the replay is 1-706-645-9291, conference ID 80230581.

#### **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 that provides digital phone, high-speed Internet and high-definition video and entertainment services to residential and business customers in 16 states. The company has approximately 3 million access lines and about \$3.2 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 VALOR and CTC for periods prior to the mergers and exclude results from the directory publishing and wireless businesses. 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 statements regarding Windstream's financial guidance for 2009, 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: 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 intercarrier compensation and/or universal service reforms 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; 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; 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; unexpected 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 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, 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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