

Windstream reports higher revenue in second quarter

LITTLE ROCK, Ark. – Windstream Corporation (NYSE: WIN) reported higher consolidated revenue in the second quarter driven by continued growth in broadband, special access and long-distance revenues.

“Our focus on selling broadband and digital TV to customers continues to drive revenue growth,” said Jeff Gardner, president and CEO. “Our first year as a public company has been successful. We have outperformed the industry in many key metrics, built a great brand and created a culture at Windstream that will serve us well going forward.”

Windstream achieved diluted earnings per share under Generally Accepted Accounting Principles (GAAP) of 24 cents for the second quarter. The GAAP results included results for the company’s directory publishing business and \$1.6 million in transaction expenses associated with the upcoming split-off of the publishing business. Among the highlights for the second quarter on a GAAP basis:

- Revenues were \$827 million, a 13 percent increase from a year ago.
- Operating income was \$293 million, a 58 percent increase year-over-year.
- Net income was \$116 million, a 2 percent decline from a year ago.
- Cash and short-term investments were \$484 million at the end of the quarter.

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

- Revenues were \$783 million, a 4 percent increase year-over-year.
- Operating income before depreciation and amortization was \$403 million, a 1 percent increase from a year ago.
- Average revenue per customer per month was \$79.41, a 9 percent increase from a year ago.

Windstream’s pro forma results from current businesses exclude results for the company’s directory publishing business and transaction expenses associated with its split-off. Results also include a favorable \$13.3 million cash settlement received during the quarter resolving disputes over a period of several years with a large wholesale customer.

Operational highlights

Windstream added approximately 37,000 broadband customers, bringing its total broadband customer base to approximately 753,000 – an increase of 37 percent year-over-year and a penetration rate of 24 percent of total access lines.

The company added approximately 28,000 digital TV customers, bringing its total digital TV customer base to more than 150,000 – an increase of 251 percent year-over-year and a penetration rate of 5 percent of total lines.

Total access lines declined approximately 35,000, a 7 percent improvement from the line loss experienced in the same period a year ago. Total lines at the end of the quarter were 3.18 million, a 4.5 percent decline year-over-year.

“This is the tenth consecutive quarter that our broadband net additions more than offset access line declines, which is a result of solid execution by the Windstream team,” Gardner said.

Windstream announced during the second quarter an agreement to acquire North Carolina-based CTC Communications, Inc. The transaction is valued at approximately \$585 million, including the assumption of cash and debt.

CTC shareholders will vote on the merger proposal Aug. 23. Pending a favorable vote, Windstream expects to close the transaction shortly thereafter subject to approval from the FCC.

Windstream also announced it expects to receive in the third quarter 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 \$200 million in debt and receive roughly \$50 million in cash for additional debt retirement or stock repurchase through the transaction, which was originally announced on Dec. 12, 2006. Upon receipt of the IRS letter,

Windstream expects to close the transaction within the next several months. Windstream also filed this week a petition with the Federal Communications Commission to migrate the balance of its regulated companies from rate-of-return regulation to price-cap regulation at the federal level.

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 second quarter of 2007 and the VALOR business starting July 17, 2006. Pro forma results from current businesses are non-GAAP financial measures that include results from VALOR’s business

for periods prior to the merger, and excludes various non-recurring items related to the transaction, the discontinuance of Statement of Financial Accounting Standards 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. CDT today to discuss the company's second-quarter earnings results.

To access the call: Interested parties can access the call by dialing 1-888-679-8035, passcode 96644642, five minutes prior to the start time. The international dial-in number is 1-617-213-4848, passcode 96644642.

To access the call replay: A replay of the call will be available beginning at 9:30 a.m. CDT on Aug. 8 and ending at midnight CDT on Aug. 15. The replay can be accessed by dialing 1-888-286-8010, passcode 24309954. The international dial-in number for the replay is 1-617-801-6888, passcode 24309954.

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 9:30 a.m. CDT on Aug. 8.

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 \$3.2 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 reform proposal 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 spin-off 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 to successfully complete the contemplated split off of our 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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