

## Windstream reports second-quarter results

- Revenues were \$1.03 billion, an increase of less than 1 percent year-over-year on a pro forma basis
- Business service revenue was \$498 million, a 3 percent increase year-over-year on a pro forma basis
- Consumer broadband revenue was \$116 million, a 10 percent increase year-over-year on a pro forma basis
- Adjusted OIBDA was \$513 million, an increase of 1 percent year-over-year on a pro forma basis

Release date: Aug. 5, 2011

LITTLE ROCK, Ark. – Windstream Corp. (Nasdaq: WIN) grew overall revenue in the second quarter year-over-year on a pro forma basis as the company continues its transformation into a next generation telecom provider.

“On the heels of our five-year anniversary as a public company, it is gratifying to report that we grew revenue and improved the company’s profitability year-over-year in the second quarter,” said Jeff Gardner, president and CEO of Windstream. “Windstream is successfully executing our strategic initiatives and turning a pivotal corner toward organic growth. I am particularly proud that we have transformed this business while maintaining our dividend and delivering industry leading shareholder returns.”

### **Second-quarter financial results:**

Under GAAP:

- Revenues were \$1.03 billion, a 12 percent increase from a year ago.
- Operating income was \$293 million, an increase of 15 percent year-over-year.

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- Net income was \$93 million, an 18 percent increase from a year ago, or 18 cents of diluted earnings per share.
- Capital expenditures were \$172 million, a 74 percent increase year-over-year.

GAAP results include \$3 million in after-tax merger and integration costs and a \$2 million tax-effected loss on the early extinguishment of debt, which lowered earnings per share by approximately 1 cent. Excluding these items, adjusted earnings per share would have been 19 cents.

Under pro forma results:

- Revenues were \$1.03 billion, an increase of less than 1 percent year-over-year.
- Business service revenue was \$498 million, a 3 percent increase year-over-year.
- Consumer broadband revenue was \$116 million, a 10 percent increase from a year ago.
- Operating income before depreciation and amortization (OIBDA) was \$495 million, a 1 percent increase year-over-year.
- Adjusted OIBDA, which excludes pension expense, restructuring charges and stock-based compensation expense, was \$513 million, an increase of 1 percent from a year ago.
- Capital expenditures were \$172 million, a 40 percent increase year-over-year.
- Adjusted free cash flow was \$227 million, a 15 percent increase year-over-year. Adjusted free cash flow is defined as adjusted OIBDA minus cash interest, cash taxes and capital expenditures.

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**Second-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 2 percent year-over-year. Special access circuits increased 9 percent year-over-year, driven by increased wireless backhaul demand.

The company added approximately 4,800 new high-speed Internet customers during the second quarter, bringing its total customer base to approximately 1.34 million – an increase of 5 percent year-over-year. Consumer broadband penetration is now approximately 64 percent of primary residential lines.

The company ended the quarter with approximately 443,500 video customers, representing 5 percent growth from a year ago and approximately 24 percent of primary residential customers.

Total access lines declined by approximately 30,100 during the second quarter, or 3.6 percent year-over-year. Total lines at the end of the quarter were 3.26 million.

**Conference call:**

Windstream will hold a conference call at 7:30 a.m. CDT today to review the company's second-quarter earnings results. Interested parties can access the call by dialing 1-877-374-3977, conference ID 83896506, 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. CDT on Aug. 5 and ending at midnight CDT on Aug. 12. The replay can be accessed by dialing 1-855-859-2056, conference ID 83896506.

**Webcast information:**

The conference call also will be streamed live over the company's website at [www.windstream.com/investors](http://www.windstream.com/investors). Financial, statistical and other

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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. CDT on Aug. 5.

### **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](http://www.windstream.com).

Pro forma results adjusts results of operations under GAAP to include the acquisitions of NuVox Inc.; Iowa Telecommunications Services, Inc.; Hosted Solutions Acquisition, LLC and Q-Comm Corporation, and to exclude 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](http://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. 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.

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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;

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- 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, 2010, 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).

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