

## Windstream reports second-quarter results

- Business service revenues were \$893 million, a 2 percent increase year-over-year on a pro forma basis
- Consumer broadband service revenues were \$114 million, a 4 percent increase year-over-year on a pro forma basis
- Total revenues and sales were \$1.54 billion, a 1 percent decrease year-over-year on a pro forma basis
- Adjusted OIBDA was \$596 million, a 2 percent decrease year-over-year on a pro forma basis
- Board of directors declares 25-cent dividend for 25th consecutive quarter since company's formation

LITTLE ROCK, Ark. – Windstream Corp. (Nasdaq: WIN) today reported second-quarter results, bolstered by higher revenue in business sales and consumer broadband.

“Our teams once again delivered solid results in the key areas of business sales and consumer broadband during the second quarter,” said Jeff Gardner, president and CEO of Windstream. “We continue to make important investments in our network, particularly in fiber-to-the-tower projects, to further improve our financial profile. As a result of continued sales success in our business channel, as well as expected cost savings from the PAETEC acquisition and our management reorganization, we expect to see sequential improvement in revenue and adjusted OIBDA for the remainder of the year, particularly in the fourth quarter. We remain positioned well to sustain our dividend, deleverage the balance sheet and consider additional shareholder friendly activities over time.”

### [2Q Investor Presentation](#)

Business service revenues were \$893 million, up 2 percent from the same period a year ago on a pro forma basis. Data and integrated services revenues were \$377 million, an increase of 8 percent from the same period a year ago on a pro forma basis, driven by growth in IP, next generation data and data center services. Carrier service revenues were \$164 million, an increase of 5 percent year-over-year on a pro forma basis, largely due to fiber-to-the-tower site installations and continued demand for additional circuits for wireless backhaul services.

Consumer broadband service revenues were \$114 million, up 4 percent from the same period in 2011 on a pro forma basis. Overall consumer service revenues were \$336 million, essentially unchanged from the first quarter of 2012 and a decrease of 3 percent from the same period a year ago on a pro forma basis.

Business and consumer broadband revenues represented approximately 68 percent of Windstream's total revenues and sales in the quarter and collectively grew 2.5 percent year-over-year during the quarter.

Wholesale revenues were \$214 million, a decline of 12 percent from the same period a year ago on a pro forma basis and in line with expectations due largely to the decision in the first quarter to suspend and modify certain wholesale products.

Total revenues and sales were \$1.54 billion in the second quarter, a decline of 1 percent from the same period a year ago on a pro forma basis. Adjusted Operating Income Before Depreciation and Amortization (OIBDA) was \$596 million, a decrease of 2 percent on a pro forma basis. Adjusted OIBDA removes the impact of restructuring charges, pension expense and stock-based

compensation.

Adjusted capital expenditures were \$267 million in the quarter, excluding \$9 million in integration capital, a 19 percent increase from the same period in 2011 on a pro forma basis.

## **GAAP Results**

In the second quarter under Generally Accepted Accounting Principles (GAAP), Windstream reported total revenues and sales of \$1.54 billion, operating income of \$239 million and net income of \$54 million, or 9 cents per share. That compares to net income of \$97 million, or 19 cents per share, on total revenues of approximately \$1 billion during the same period in 2011.

GAAP results include approximately \$12 million in after-tax merger and integration expense and \$6 million in restructuring costs. Excluding these items, adjusted earnings per share would have been 12 cents for the second quarter.

## **Adjusted Free Cash Flow**

Adjusted free cash flow was \$135 million during the second quarter. For the first six months of 2012, Windstream generated \$487 million in adjusted free cash flow and paid out \$294 million in dividends, representing a dividend payout ratio of 60 percent. Adjusted free cash flow is adjusted OIBDA, excluding merger and integration expense, minus cash interest, cash taxes and adjusted capital expenditures.

## **Cost Management Initiatives**

Windstream announced on May 31 it was restructuring its management organization and simplifying its operating model to better serve customers and make faster and better decisions. The reorganization is expected to be complete in the third quarter and result in annualized savings of approximately \$30-40 million.

Additionally, the company is on track to achieve operating synergies of \$50 million in 2012 and \$100 million in total by the end of 2014 related to the Dec. 1 acquisition of PAETEC.

## **Quarterly Dividend Declaration**

Windstream's board of directors on Aug. 8 declared regular quarterly dividends on the company's common stock. This is the 25th consecutive 25-cent quarterly dividend declaration since the company's formation. The dividend is payable Oct. 15, 2012, to stockholders of record as of Sept. 28, 2012.

## **Conference call:**

Windstream will hold a conference call at 7:30 a.m. CDT today to review the company's second-quarter earnings results.

## **To access the call:**

Interested parties can access the call by dialing 1-877-374-3977, conference ID 94400115, 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 today and ending at midnight on Aug. 15. The replay can be accessed by dialing 1-855-859-2056, conference ID 94400115.

## **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 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 today.

## **About Windstream**

Windstream Corp. (Nasdaq: WIN) is a leading provider of advanced network communications, including cloud computing and managed services, to businesses nationwide. The company also offers broadband, phone and digital TV services to consumers primarily in rural areas. Windstream has more than \$6 billion in annual revenues and is listed on the S&P 500 index. For more information, visit [www.windstream.com](http://www.windstream.com).

Pro forma results adjust results of operations under GAAP to include the acquisition of PAETEC Holding Corp., 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, including statements about Windstream's ability to generate cash flows in future periods and to pay its current dividend, 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 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;
- the impact of new, emerging or competing technologies; the uncertainty regarding the implementation of the Federal Communications Commission's rules on intercarrier compensation, and the potential for the adoption of further rules by the FCC or Congress on intercarrier compensation and/or universal service reform proposals that result 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 certain operations where Windstream leases facilities from other carriers, adverse effects on the availability, quality of service and price of facilities and services provided by other carriers on which Windstream's 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;
- continued access line loss;
- 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 by our employees or employees of other communications companies on whom we rely for service;
- the impact of equipment failure, natural disasters or terrorist acts;
- earnings on pension plan investments significantly below Windstream's expected long term rate of return for plan assets or a significant change in the discount rate; and
- those additional factors under the caption "Risk Factors" in Windstream's Form 10-K for the year ended Dec. 31, 2011, 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).