



Windstream reports fourth-quarter, full-year 2011 results

- Total revenues were \$1.6 billion for the fourth quarter, an increase of 0.7 percent year-over-year on a pro forma basis
- Adjusted OIBDA was \$612 million for the fourth quarter, an increase of 0.4 percent year-over-year on a pro forma basis
- Business service revenues were \$888 million for the fourth quarter, up 2.5 percent from the same period a year ago on a pro forma basis
- Consumer broadband revenues were \$118 million for the quarter, up 7 percent year-over-year on a pro forma basis

Release date: Feb. 22, 2012

LITTLE ROCK, Ark. - Windstream Corp. (Nasdaq: WIN) showed improved financial trends in its fourth-quarter and full-year 2011 results, driven by growth in business service and consumer broadband revenues.

"2011 was an incredibly successful year for Windstream," said Jeff Gardner, president and chief executive officer. "As a result of solid execution in our legacy business, coupled with our targeted acquisition approach, we significantly improved the financial trajectory of our company and reached a significant milestone of growing pro forma revenue and Adjusted OIBDA during the fourth quarter on a year-over-year basis, giving us great momentum heading into 2012."

Windstream acquired PAETEC, a leading national business services provider, in the fourth quarter of 2011. The transaction added more than 36,000 miles of fiber to Windstream's network and seven data centers, significantly enhancing the company's ability to serve business customers.

"Together we are a much stronger company with an expansive fiber network, an attractive product portfolio and an outstanding business sales team, positioning Windstream for success in the enterprise space on a national level," Gardner said.

Throughout 2011, Windstream also continued to invest in high-growth initiatives that will help grow revenue and cash flow during 2012 and beyond. The company's aggressive fiber-to-the-tower program serves wireless carriers' need for greater bandwidth to accommodate increasing wireless data usage. At the same time, Windstream continued to capitalize on the burgeoning demand for data management services by

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expanding its data center operations to 21 data centers now offering managed services and cloud computing.

Pro forma total revenues, which include results for PAETEC and other recent acquisitions, were \$1.6 billion for the fourth quarter, an increase of 0.7 percent over the same period a year ago, and Adjusted Operating Income Before Depreciation and Amortization (OIBDA) was \$612 million, an increase of 0.4 percent. Adjusted OIBDA removes the impact of restructuring charges, pension expense and stock-based compensation.

Windstream's full-year pro forma total revenues were \$6.2 billion, a decline of 0.3 percent from 2010, and adjusted OIBDA was \$2.4 billion, an increase of 1.2 percent.

Pro forma business service revenues were \$888 million for the fourth quarter, up 2.5 percent from the same period a year ago. For the full year, business service revenues were \$3.5 billion, an increase of 1.8 percent.

"Our sales team is doing a fantastic job selling our enhanced suite of business products, including data, voice, network and cloud services. We have created a robust platform of services and continue to strengthen our competitive position in the enterprise space," Gardner said.

Pro forma consumer service revenues were \$341 million for the quarter, down 2.5 percent from the same period in 2010. For the full year, consumer service revenues were \$1.4 billion, a decrease of 2.6 percent.

Pro forma consumer broadband revenues were \$118 million for the quarter, up 7 percent from the same period in 2010. For the full year, consumer broadband revenues were \$464 million, an increase of 9 percent.

"Our consumer team had another solid year and showed continued improvement in financial trends," Gardner said. "We will continue to compete aggressively for residential broadband customers and maintain our focus on meeting consumers' demand for incremental broadband services and faster speeds, which will grow average revenue per user."

Business and consumer broadband revenues represented approximately 67.4 percent of Windstream's fourth quarter pro forma total revenues.

In the fourth quarter under Generally Accepted Accounting Principles (GAAP), Windstream reported consolidated revenue of \$1.2 billion, operating income of \$100 million and a net loss of \$31.9 million, or 6 cents

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per share. That compares to net income of \$57 million, or 10 cents per share, on total revenues of \$981 million during the same period in 2010.

GAAP results include a pre-tax non-cash pension charge of approximately \$163 million, or \$103 million after-tax, during the fourth quarter due to previously announced changes in the company's pension accounting method. In addition, results include approximately \$23 million in after-tax merger and integration expense and an after-tax loss of roughly \$7 million related to the early extinguishment of debt. Excluding all of these items, adjusted earnings per share would have been 19 cents for the fourth quarter.

For all of 2011 under GAAP, Windstream reported net income of \$172 million, or 33 cents per share, on total revenues of \$4.3 billion. That compares to net income of \$313 million, or 66 cents per share, on total revenues of \$3.7 billion during the same period in 2010.

In 2011, Windstream generated \$784 million in adjusted free cash flow, resulting in a dividend payout ratio of 65 percent. Adjusted free cash flow reflects the combined operations of Windstream and its acquisitions for the periods following their respective acquisition dates as reported under GAAP, excluding merger and integration expense, minus cash interest, cash taxes and capital expenditures.

Financial outlook for 2012

"We have a tremendous opportunity this year to build on the financial momentum of 2011 and our expanded market presence and network to deliver advanced communications and technology solutions nationwide," Gardner said. "We also have exciting prospects to continue investing for growth through our fiber-to-the-tower program, data center expansion and broadband stimulus projects."

Windstream issued the following financial guidance for 2012:

	2012 Guidance Range	% Change
Pro forma revenues and sales	\$6.180 billion - \$6.305 billion	(1%) - 1%
Pro forma OIBDA	\$2.392 billion - \$2.462 billion	7.4% - 10.6%
Pro forma Adjusted OIBDA	\$2.430 billion - \$2.500 billion	(0.2%) - 2.7%
Adjusted Capex(a)	\$950 million - \$1.050 billion	6.5% - 17.7%
Cash Tax Refund	\$90 million	
Cash Paid for Interest(b)	\$659 million	
Adjusted Free Cash Flow	\$840 million - \$950 million	

- (a) Excludes approximately \$55 million in expected capital expenditures related to the integration of PAETEC*
- (b) Includes \$29 million of cash interest related to a December 31, 2011 interest payment that was made in early 2012. Normalized cash interest for the year would be \$630 million.*

The company expects a dividend payout ratio of expected adjusted free cash flow between 62 percent and 70 percent in 2012.

Depreciation and amortization expense is expected to be \$1.305 billion in 2012.

In addition, Windstream has received Federal Communications Commission approval to proceed with two sales of spectrum that the company obtained in previous acquisitions. As a result, Windstream expects to receive \$55 million in proceeds in the first quarter of 2012.

Conference call:

Windstream will hold a conference call at 7:30 a.m. CST today to review the company's fourth-quarter and full-year 2011 earnings results.

To access the call:

Interested parties can access the call by dialing 1-877-374-3977, conference ID 41669018, 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. CST today and ending at midnight CST on March 1. The replay can be accessed by dialing 1-855-859-2056, conference ID 41669018.

Webcast information:

The conference call also will be streamed live over the company's website at 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. CST 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.

Pro forma results adjust results of operations under GAAP to include the acquisitions of NuVox, Inc., Iowa Telecommunications Services, Inc., Hosted Solutions Acquisition, LLC, Q-Comm Corporation and PAETEC Holding Corp., and to exclude all merger and integration costs related to strategic transactions. For further details on these adjustments, see the Notes to Unaudited Reconciliation of Revenues and Sales, Operating Income and Capital Expenditures Under GAAP to Pro Forma Revenues and Sales, Pro Forma Adjusted OIBDA and Pro Forma Capital Expenditures on the company's website at www.windstream.com/investors.

Windstream claims the protection of the safe-harbor contained in the Private Securities Litigation Reform Act of 1995 for forward-looking statements set forth in this press release. 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, Windstream's financial outlook for 2012, expected amount of cash taxes, net cash interest, depreciation and amortization expense, potential revenue growth and capital expenditures for 2012. 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 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 ("FCC") rules on intercarrier compensation in 2011, 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, 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 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, 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

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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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