

Windstream reports first-quarter results

Affirms full-year financial guidance

Release date: May 7, 2015

LITTLE ROCK, Ark. – Windstream (Nasdaq: WIN) today reported first-quarter results highlighted by improving consumer trends and strong adjusted free cash flow.

“2015 has already seen significant progress, highlighted by the successful completion of the spinoff of Communications, Sales and Leasing (‘CS&L’) on April 24,” said Tony Thomas, president and chief executive officer. “This transaction has made Windstream a stronger company with less debt and increased capacity to invest in our network and create value for our shareholders.”

“As we move forward, Windstream’s strategy is to provide an exceptional customer experience through a best-in-class network, with the goal of delivering improved financial results and creating value for shareholders,” Thomas said.

Pro Forma Financial Results

Total revenues were \$1.4 billion in the first quarter, a decline of 3 percent from the same period a year ago.

Consumer broadband service revenues in the first quarter were \$123 million, up 2 percent from the same period in 2014 due to continued demand for faster speeds and additional services.

Overall consumer service revenues in the first quarter were \$312 million, essentially unchanged from the same period a year ago.

“We are seeing positive momentum as we continue to make investments to push fiber deeper into the network and shorten loop lengths, which has improved our capacity and broadband speed availability and are producing improving results from our broadband franchise. In addition, in April we launched ‘Kinetic,’ our new IPTV service,” Thomas said.

Carrier service revenues in the first quarter were \$177 million, a decline of 7 percent from the same period a year ago, primarily caused by wireless carrier migrations from legacy TDM circuits to newer Ethernet technology.

Enterprise and small business service revenues were \$741 million in the first quarter. Data and integrated services revenues grew approximately 3 percent in the first quarter from the same period a year ago to \$427 million led by demand for IP-based solutions and next generation data.

Adjusted OIBDA was \$495 million in the first quarter and capital expenditures were \$189 million in the first quarter.

Adjusted free cash flow was \$232 million in the first quarter and the company paid shareholders \$151 million in dividends. After giving effect to the REIT spin-off and reverse stock split, Windstream expects to pay an annual dividend of \$.60 per share.

Balance Sheet

In connection with the REIT spinoff, Windstream paid down \$2.4 billion in debt on April 24, 2015 and will repay an additional \$850 million with the cash proceeds received in the transaction. In addition, Windstream retained just under 20% of CS&L, to be used to repay further debt bringing the expected total debt reduction to over \$4 billion.

Windstream also amended its credit facility to extend the maturity of its \$1.25 billion revolver for 5 years and improved the interest rate on the company's borrowings by 25 basis points.

GAAP Financial Results

In the first quarter under Generally Accepted Accounting Principles (GAAP), Windstream reported total revenues and sales of \$1.41 billion and net income of \$5.3 million, or 5 cents per share. That compares to total revenues and sales of \$1.46 billion and net income of \$16 million, or 15 cents per share, during the same period in 2014.

Financial Outlook for 2015

Windstream affirmed its annual guidance as provided on February 24, 2015.

Conference Call:

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

To access the call:

Interested parties can access the call by dialing 1-877-374-3977, conference ID 21613492, 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 May 14. The replay can be accessed by dialing 1-855-859-2056, conference ID 21613492.

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. CDT today.

About Windstream

Windstream (Nasdaq: WIN), a FORTUNE 500 company, 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. For more information, visit www.windstream.com.

Pro forma results adjust results of operations under GAAP 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.

OIBDA is operating income before depreciation and amortization and merger and integration costs. Adjusted OIBDA adjusts OIBDA for the impact of restructuring charges, pension expense and stock-based compensation. Adjusted free cash flow is adjusted OIBDA, excluding merger and integration expense, minus cash interest, cash taxes and capital expenditures.

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. Forward-looking statements include, but are not limited to, Windstream's 2015 guidance for service revenue and capital expenditures, statements regarding adjusted OIBDA margin ranges, cash tax payments, expectations for improved revenue trends and margins, particularly in the enterprise business, expectations regarding Kinetic, Windstream's IPTV video entertainment offering, and improvements in high-speed Internet capabilities, the completion and benefits of network investments pursuant to Connect America Fund Phase 1, expectations regarding funding available under the Connect America Fund Phase 2, and the amount that Windstream may reduce its debt by selling its equity stake in CS&L. These statements, along with other forward-looking statements, including statements regarding Windstream's overall business outlook, 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 company's pending election to accept or reject state-wide offers under the Federal Communications Commission's ('FCC') Connect America Fund, Phase 2, and the impact of such election on future receipt by the company of federal universal service funds and capital expenditures;
- the impact of new, emerging or competing technologies;
- 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 uncertainty regarding the implementation of the FCC rules on intercarrier compensation adopted 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;
- 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;
- material changes in the communications industry that could adversely affect vendor relationships with equipment and network suppliers and customer relationships with wholesale customers;
- 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;
- unfavorable results of litigation or intellectual property infringement claims asserted against Windstream;
- changes to our current dividend practice which is subject to our capital allocation policy and may be changed at any time at the discretion of our board of directors;
- the company's ability to make rent payments under the Master Lease to CS&L, which may be affected by results of operations, changes in our cash requirements, cash tax payment obligations, or overall financial position;

- unanticipated increases or other changes in the company's future cash requirements, whether caused by unanticipated increases in capital expenditures, increases in pension funding requirements, or otherwise;
- 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 risks associated with non-compliance by Windstream with regulations or statutes applicable to government programs under which Windstream receives material amounts of end user revenue and government subsidies, or non-compliance by Windstream, its partners, or its subcontractors with any terms of its government contracts;
- the risks associated with the integration of acquired businesses or the ability to realize anticipated synergies, cost savings and growth opportunities;
- the effects of federal and state legislation, and rules and regulations governing the communications industry;
- continued loss of consumer voice lines and consumer high-speed Internet customers;
- the impact of equipment failure, natural disasters or terrorist acts;
- the effects of work stoppages by Windstream employees or employees of other communications companies on whom Windstream relies for service; and
- those additional factors under "Risk Factors" in Item 1A of Part I of Windstream's Annual Report on Form 10-K for the year ended December 31, 2014, and in subsequent filings with the Securities and Exchange Commission at www.sec.gov.

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 other filings by Windstream with the Securities and Exchange Commission at www.sec.gov.

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