

Windstream reports third-quarter results

- Business service revenues were \$906 million, a 3 percent increase year-over-year
- Consumer broadband service revenues were \$115 million, a 4 percent increase year-over-year
- Strategic revenues grew 2.7 percent year-over-year and now represent 69 percent of total revenues
- Total revenues and sales were \$1.55 billion, a decrease of less than 1 percent year-over-year
- Adjusted OIBDA was \$603 million, a decrease of 1 percent year-over-year

Release date: Nov. 8, 2012

LITTLE ROCK, Ark. – Windstream Corp. (Nasdaq: WIN) generated sequential growth in revenue and Adjusted Operating Income Before Depreciation and Amortization (OIBDA) in the third-quarter, driven by increased business sales.

“Our business continues to perform well, and I am confident in our ability to deliver strong free cash flow long-term to support our dividend,” said Jeff Gardner, president and CEO of Windstream. “The dividend is a key component of our investment thesis, and we believe it is the best way to provide returns to our shareholders.”

Pro Forma Financial Results

Total revenues and sales were \$1.55 billion in the third quarter, a decline of less than 1 percent from the same period a year ago. Total revenues increased by \$15 million from the second quarter, which was the largest sequential improvement recorded to date.

Adjusted OIBDA was \$603 million, a decrease of 1 percent year-over-year. Adjusted OIBDA improved sequentially by \$7 million as a result of cost management initiatives. Adjusted OIBDA removes the impact of restructuring charges, pension expense and stock-based compensation.

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Business service revenues were \$906 million, up 3 percent from the same period a year ago. Data and integrated services revenues were \$388 million, an increase of 9 percent from the same period a year ago, driven by growth in IP, next generation data and data center services. Carrier service revenues were \$162 million, an increase of 3 percent year-over-year, largely due to fiber-to-the-tower installations.

Consumer broadband service revenues were \$115 million, up 4 percent from the same period in 2011. Overall consumer service revenues were \$335 million, essentially unchanged from the second quarter of 2012 and a decrease of 3 percent from the same period a year ago.

Business and consumer broadband revenues represented approximately 69 percent of Windstream's total revenues and sales in the quarter and collectively grew 2.7 percent year-over-year.

Wholesale revenues were \$220 million, a decline of 10 percent from the same period a year ago and in line with expectations.

Adjusted capital expenditures were \$289 million in the quarter, excluding \$18 million in integration capital related to PAETEC network optimization opportunities.

Pro Forma Operating Results

Windstream this quarter released consolidated operating metrics to include PAETEC, which was acquired on Dec. 1. Enterprise customers, who generate \$750 or more in revenue per month, grew 7 percent year-over-year. Total business customers at the end of the quarter were approximately 650,000.

Carrier special access circuits increased 3 percent year-over-year primarily due to fiber-to-the-tower installations. Carrier special access circuits also include dedicated circuits purchased by telecommunications carriers to transport traffic between points on their network or from their network to a customer location.

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In the consumer channel, Windstream added approximately 6,000 new high-speed Internet customers in the third quarter, bringing its penetration of primary voice lines to 70 percent. Consumer voice lines declined 4 percent year-over-year. Windstream had approximately 1.87 million consumer voice lines at the end of the quarter.

GAAP Financial Results

In the third quarter under Generally Accepted Accounting Principles (GAAP), Windstream reported total revenues and sales of \$1.55 billion, operating income of \$248 million and net income of \$54 million, or 9 cents per share. That compares to net income of \$78 million, or 15 cents per share, on total revenues of approximately \$1 billion during the same period in 2011.

GAAP results include approximately \$7.8 million in after-tax merger and integration expense and \$7.5 million in restructuring costs. Excluding these items, adjusted earnings per share would have been 12 cents for the third quarter.

Adjusted Free Cash Flow

Adjusted free cash flow was \$182 million during the third quarter. For the first nine months of 2012, Windstream generated \$669 million in adjusted free cash flow and paid out \$441 million in dividends, representing a dividend payout ratio of 66 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 completed a restructuring of its management organization in the third quarter, simplifying its operating model to better serve customers. The reorganization will result in annualized savings of approximately \$40 million.

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Additionally, the company has achieved a run rate of \$60 million in operating synergies through the third quarter and is on track to achieve \$100 million in total by the end of 2014 related to the acquisition of PAETEC.

Conference call:

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

To access the call:

Interested parties can access the call by dialing 1-877-374-3977, conference ID 37407974, 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 on Nov. 15. The replay can be accessed by dialing 1-855-859-2056, conference ID 37407974.

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.

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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.

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;

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- 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

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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.

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