

Windstream reports second-quarter results

- Business service revenues were \$913 million, a 2 percent increase year-over-year
- Consumer broadband service revenues were \$120 million, a 6 percent increase year-over-year
- Total revenues and sales were \$1.51 billion, a decline of 2 percent year-over-year
- Adjusted OIBDA was \$582 million, a decline of 1 percent year-over-year
- Total enterprise customers grew 6 percent year-over-year

Release date: Aug. 8, 2013

LITTLE ROCK, Ark. – Windstream Corp. (Nasdaq: WIN) today reported continued growth in strategic revenue in its second-quarter results.

Strategic revenue, which consists of total business and consumer broadband revenues, grew 3 percent year-over-year and represents 71 percent of the company's total revenues.

“Our strategy to reposition Windstream in growth areas is driving steady results,” said Jeff Gardner, president and CEO. “Additionally, we continue to strike a prudent balance among reinvesting in the company, paying an attractive dividend and reducing debt over time.”

Pro Forma Results

Windstream continued to drive profitable growth in both its business and consumer broadband segments during the quarter.

Total enterprise customers, who generate \$750 or more in revenue per month, grew 6 percent year-over-year. Average service revenue per business customer per month increased 7 percent from the same period a year ago.

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Business service revenues were \$913 million in the second quarter, a 2 percent increase year-over-year.

Data and integrated services revenues were \$405 million, an increase of 8 percent from the same period a year ago, primarily due to growth in integrated voice and data services, data center and managed services. The company has opened three new data centers in Chicago, Nashville, Tenn., and Raleigh-Durham, N.C., this year providing ample capacity to meet the strong demand for data center services.

Carrier service revenues were \$166 million, an increase of 1 percent year-over-year.

Consumer broadband service revenues were \$120 million, up 6 percent from the same period in 2012, driven by increased sales of broadband features and faster speeds. Total average revenue per customer increased 7 percent year-over-year.

Overall consumer service revenues were \$327 million, a decrease of 3 percent from the same period a year ago.

The company's business and consumer broadband results helped offset continued declines in its wholesale business during the quarter.

Wholesale revenues in the second quarter were \$151 million, a decline of 13 percent from the same period a year ago due to lower intrastate access rates as part of intercarrier compensation reform implemented in July 2012 and lower switched access revenues from declining consumer voice lines.

Total revenues and sales increased \$6 million from the first quarter to \$1.51 billion, a decline of 2 percent from the same period a year ago.

Adjusted OIBDA was \$582 million, a decline of 1 percent year-over-year.

Adjusted capital expenditures were \$221 million in the second quarter. In addition, the company spent \$8 million in integration capital related to

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PAETEC network optimization opportunities and a billing system conversion.

Adjusted free cash flow was \$170 million during the second quarter.

GAAP Results

In the second quarter under Generally Accepted Accounting Principles (GAAP), Windstream reported total revenues and sales of \$1.51 billion, operating income of \$228 million and net income of \$40 million, or 6 cents per share. That compares to total revenues and sales of \$1.53 billion, operating income of \$233 million and net income of \$51 million, or 9 cents per share, during the same period in 2012.

GAAP results include approximately 1 cent in after-tax merger and integration and restructuring expense. Excluding these non-operational charges, adjusted earnings per share would have been 7 cents for the second quarter.

Updated Financial Outlook for 2013

Windstream updated its financial outlook for the remainder of the year. The company now expects total revenue to decline 1 percent to 3 percent compared to 2012 largely due to a modestly softer business sales environment and continuing pressure in the carrier transport business.

The company affirmed its previous guidance of expected adjusted OIBDA to range from a 3 percent decline to a 1 percent increase compared to the prior year.

Adjusted capital expenditures are expected to range from \$815 million to \$830 million, excluding \$25 million in integration capital.

The company expects cash tax payments of \$20 million and adjusted free cash flow between \$860 million and \$960 million, representing a dividend payout ratio of 61 percent to 68 percent.

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Windstream also announced it is exploring the formation of a holding company to become the new publicly traded parent company of Windstream and its subsidiaries. The modified ownership design would enhance Windstream's corporate structure, strengthen its credit profile and provide greater financial flexibility. The revised corporate structure would mirror that of similar large companies.

Windstream does not anticipate a change in its current dividend practice as a result of the formation of a holding company. The company will make a final decision regarding the proposed structure after all regulatory approvals are obtained and its analysis is completed.

Conference call:

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

To access the call:

Interested parties can access the call by dialing 1-877-374-3977, conference ID 94495775, 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 94495775.

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.

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About Windstream

Windstream Corp. (Nasdaq: WIN), a FORTUNE 500 and S&P 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 and the results of operations of the energy business acquired as part of PAETEC. A reconciliation of pro forma results to the comparable GAAP measures is available on the company's Web site at www.windstream.com/investors. Adjusted OIBDA is operating income before depreciation and amortization and merger and integration costs and removes 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 adjusted 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 2013 guidance ranges for revenue, adjusted OBIDA, adjusted capital expenditures, cash tax payments, amounts of adjusted free cash flow, and dividend payout ratio. These statements, along with other forward-looking statements, including statements regarding Windstream's current dividend practice and its ability to generate cash flows in future periods, 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;
- 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, price of facilities and services provided by other carriers on which Windstream's services depend;
- the uncertainty regarding the implementation of the Federal Communications Commission's ("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, inter-carrier 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;
- 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

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- 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;
 - unfavorable results of litigation or intellectual property infringement claims asserted against Windstream;
 - the effects of federal and state legislation, and rules and regulations governing the communications industry;
 - continued loss of consumer voice lines;
 - 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, 2012, 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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