WINDSTREAM CORPORATION

UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

(In millions, except per share amounts)

	THREE MONTHS ENDED				NINE MONTHS ENDED			
	September 30, 2012	September 30, 2011	Increase (Decrease) Amount	%	September 30, 2012	September 30, 2011	Increase (Decrease) Amount	%
UNDER GAAP: (A)								
Revenues and sales:								
Service revenues	$ 1,487.7	$ 994.6	$ 493.1	50	$ 4,446.1	$ 2,992.8	$ 1,453.3	49
Product sales	64.7	28.6	36.1	*	189.3	83.1	106.2	*
Total revenues and sales	1,552.4	1,023.2	529.2	52	4,635.4	3,075.9	1,559.5	51
Costs and expenses:								
Cost of services (exclusive of depreciation and amortization included below)	671.3	366.3	305.0	83	1,987.3	1,101.5	885.8	80
Cost of products sold	56.8	24.5	32.3	132	159.3	68.6	90.7	*
Selling, general and administrative	225.4	130.9	94.5	72	713.4	397.8	315.6	79
Depreciation and amortization	326.4	203.8	122.6	60	958.5	605.8	352.7	58
Merger and integration costs	12.7	19.9	(7.2)	(36)	54.4	33.9	20.5	60
Restructuring charges	12.1	0.5	11.6	*	23.3	0.7	22.6	*
Total costs and expenses	1,304.7	745.9	558.8	75	3,896.2	2,208.3	1,687.9	76
Operating income	247.7	277.3	(29.6)	(11)	739.2	867.6	(128.4)	(15)
Other (expense) income, net	(5.3)	(1.5)	(3.8)	*	4.6	(2.1)	6.7	*
(Loss) gain on early extinguishment of debt	-	(20.5)	20.5	*	1.9	(124.4)	126.3	*
Interest expense	(155.4)	(134.2)	(21.2)	(16)	(465.4)	(417.1)	(48.3)	(12)
Income from continuing operations before income taxes	87.0	121.1	(34.1)	(28)	280.3	324.0	(43.7)	(13)
Income taxes	33.3	43.0	(9.7)	(23)	107.1	119.8	(12.7)	(11)
Income from continuing operations	53.7	78.1	(24.4)	(31)	173.2	204.2	(31.0)	(15)
Discontinued operations, net of tax	-	-	-	*	(0.7)	-	(0.7)	*
Net income	$ 53.7	$ 78.1	$ (24.4)	(31)	$ 172.5	$ 204.2	$ (31.7)	(16)
Weighted average common shares	584.8	506.9	77.9	15	584.4	505.3	79.1	16
Common stock outstanding	588.1	515.8	72.3	14				
Basic and diluted earnings per share:								
Net income	$0.09	$0.15	($0.06)	(40)	$0.29	$0.40	($0.11)	(28)
PRO FORMA RESULTS OF OPERATIONS (B):								
Revenues and sales	$ 1,552.4	$ 1,565.2	$ (12.8)	(1)	$ 4,635.4	$ 4,674.7	$ (39.3)	(1)
OIBDA (C)	$ 586.8	$ 599.1	$ (12.3)	(2)	$ 1,752.1	$ 1,790.4	$ (38.3)	(2)
Adjusted OIBDA (D)	$ 603.1	$ 610.3	$ (7.2)	(1)	$ 1,793.4	$ 1,822.5	$ (29.1)	(2)
Capital expenditures	$ 307.3	$ 222.7	$ 84.6	38	$ 809.4	$ 653.1	$ 156.3	24

* Not meaningful

(A) Effective during the fourth quarter of 2011, we changed our method of accounting for pension benefits. We have retrospectively adjusted financial information to reflect our voluntary change in accounting principle for pension benefits. We have elected to revise historical results for certain previously unrecorded immaterial errors. We concluded that the effects, individually and in the aggregate, are immaterial to the unaudited quarterly financial information. Additionally, certain prior year revenues and expenses were reclassified to reflect the current presentation and these changes had no impact on operating income.

(B) PAETEC results include results from companies acquired by PAETEC for periods prior to those acquisitions and excludes the results of operations of the energy business acquired as part of PAETEC. 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.

(C) OIBDA is operating income before depreciation and amortization and merger and integration costs.

(D) Adjusted OIBDA adjusts OIBDA for the impact of restructuring charges, pension expense and share-based compensation. 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.

WINDSTREAM CORPORATION
UNAUDITED SUPPLEMENTAL OPERATING INFORMATION
(In thousands)

	THREE MONTHS ENDED				NINE MONTHS ENDED			
	September 30, 2012	September 30, 2011	Increase (Decrease) Amount	%	September 30, 2012	September 30, 2011	Increase (Decrease) Amount	%
UNDER GAAP:								
Business operating metrics:								
Customers (A)								
Enterprise (B)	174.8	65.8	109.0	*				
Small business (C)	471.9	397.0	74.9	19				
Total customers	646.7	462.8	183.9	40				
Net customer (losses) additions	(4.6)	(2.3)	(2.3)	*	183.9	(10.2)	194.1	*
Carrier special access circuits (D)	112.7	106.4	6.3	6				
Consumer operating metrics:								
Voice lines	1,865.2	1,951.7	(86.5)	(4)				
Net voice line losses	(22.3)	(21.9)	(0.4)	2	(62.7)	(60.7)	(2.0)	3
High-speed Internet	1,216.2	1,199.5	16.7	1				
Net high-speed Internet additions	5.5	8.8	(3.3)	(38)	8.3	40.5	(32.2)	(80)
Digital television customers	442.7	444.8	(2.1)	-				
Total consumer connections	3,524.1	3,596.0	(71.9)	(2)				
FROM PRO FORMA RESULTS (E):								
Business operating metrics:								
Customers (A)								
Enterprise (B)	174.8	163.1	11.7	7				
Small business (C)	471.9	500.5	(28.6)	(6)				
Total customers	646.7	663.6	(16.9)	(3)				
Net customer losses	(4.6)	(6.0)	1.4	(23)	(16.9)	(19.4)	2.5	(13)
Carrier special access circuits (D)	112.7	109.7	3.0	3				
Consumer operating metrics:								
Voice lines	1,865.2	1,951.7	(86.5)	(4)				
Net voice line losses	(22.3)	(21.9)	(0.4)	2	(62.7)	(60.7)	(2.0)	3
High-speed Internet customers	1,216.2	1,199.5	16.7	1				
Net high-speed Internet additions	5.5	8.8	(3.3)	(38)	8.3	40.5	(32.2)	(80)
Digital television customers	442.7	444.8	(2.1)	-				
Total consumer connections	3,524.1	3,596.0	(71.9)	(2)				

* Not meaningful

(A) Business customers include each individual business customer location to which we provide service and exclude carrier special access circuits.
(B) Enterprise customers generate $750 or more in revenue per month.
(C) Small business customers generate less than $750 in revenue per month.
(D) Carrier special access circuits are dedicated circuits purchased by telecommunication carriers to transport traffic from wireless towers, between points on their network or from their network to a customer location.
(E) Pro forma results adjusts results of operations under GAAP to include the acquisition of PAETEC Holding Corp ("PAETEC"), and to exclude all merger and integration costs ("M&I") related to strategic transactions. PAETEC results include results from companies acquired by PAETEC for periods prior to those acquisitions and excludes the results of operations of the energy business acquired as part of PAETEC. 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.

WINDSTREAM CORPORATION
UNAUDITED CONSOLIDATED BALANCE SHEETS UNDER GAAP
(In millions)

ASSETS

	September 30, 2012	December 31, 2011
CURRENT ASSETS:		
Cash and cash equivalents	$ 114.8	$ 227.0
Restricted cash	39.9	21.7
Accounts receivable (less allowance for doubtful accounts of $36.4 and $29.9, respectively)	632.9	657.4
Income tax receivable	1.9	124.1
Inventories	74.4	76.5
Deferred income taxes	126.0	232.1
Prepaid income taxes	22.7	15.3
Prepaid expenses and other	200.9	102.9
Assets held for sale	-	61.4
Total current assets	1,213.5	1,518.4
Goodwill	4,411.6	4,301.7
Other intangibles, net	2,394.0	2,685.3
Net property, plant and equipment	5,824.9	5,708.1
Other assets	184.4	178.6
TOTAL ASSETS	$ 14,028.40	$ 14,392.10

LIABILITIES AND SHAREHOLDERS' EQUITY

	September 30, 2012	December 31, 2011
CURRENT LIABILITIES:		
Current maturities of long-term debt and capital lease obligations	$ 1,182.5	$ 213.7
Current portion of interest rate swaps	30.0	30.5
Accounts payable	320.0	296.0
Advance payments and customer deposits	224.8	240.4
Accrued dividends	148.5	148.0
Accrued taxes	114.4	117.9
Accrued interest	178.8	161.8
Other current liabilities	243.4	251.2
Total current liabilities	2,442.4	1,459.5
Long-term debt and capital lease obligations	7,848.3	8,936.7
Deferred income taxes	1,835.7	1,851.5
Other liabilities	657.4	646.3
Total liabilities	12,783.8	12,894.0
SHAREHOLDERS' EQUITY:		
Common stock	0.1	0.1
Additional paid-in capital	1,245.1	1,496.1
Accumulated other comprehensive income	(0.6)	1.9
Retained earnings	-	-
Total shareholders' equity	1,244.6	1,498.1
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 14,028.40	$ 14,392.10

WINDSTREAM CORPORATION
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS UNDER GAAP
(In millions)

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
Cash Provided from Operations:				
Net income	$ 53.7	$ 78.1	$ 172.5	$ 204.2
Adjustments to reconcile net income to net cash provided from operations:				
Depreciation and amortization	326.4	203.8	958.5	605.8
Provision for doubtful accounts	16.4	12.7	41.7	32.3
Share-based compensation expense	5.6	6.0	19.3	17.4
Deferred income taxes	27.9	85.4	91.9	181.9
Unamortized net discount (premium) on retired debt	-	5.3	(16.2)	18.3
Amortization of unrealized losses on de-designated interest rate swaps	11.4	12.3	33.0	37.3
Gain from plan curtailment	-	(14.7)	(9.6)	(14.7)
Other, net	(1.4)	2.6	(16.1)	16.1
Changes in operating assets and liabilities, net:				
Accounts receivable	(49.8)	(27.1)	(71.8)	(48.6)
Income tax receivable	0.2	-	122.2	-
Prepaid income taxes	(3.0)	(40.6)	(7.4)	(54.3)
Prepaid expenses and other	7.2	8.1	(55.0)	(7.5)
Accounts payable	1.1	9.3	(2.2)	31.9
Accrued interest	22.9	4.9	(5.5)	(54.7)
Accrued taxes	1.8	3.0	(1.2)	6.7
Other current liabilities	(7.8)	4.1	(3.5)	(19.8)
Other liabilities	1.8	1.7	2.6	(3.0)
Other, net	(7.6)	(25.2)	(9.6)	(32.9)
Net cash provided from operations	406.8	329.7	1,243.6	916.4
Cash Flows from Investing Activities:				
Additions to property, plant and equipment	(307.3)	(177.0)	(809.4)	(506.5)
Broadband network expansion funded by stimulus grants	(31.0)	(7.2)	(68.8)	(9.2)
Changes in restricted cash	(12.1)	(1.9)	(18.2)	(9.2)
Grant funds received for broadband stimulus projects	6.9	0.5	26.5	0.5
Disposition of wireless assets	-	-	57.0	-
Other, net	0.9	1.4	7.0	1.2
Net cash used in investing activities	(342.6)	(184.2)	(805.9)	(523.2)
Cash Flows from Financing Activities:				
Dividends paid on common shares	(147.0)	(127.4)	(440.5)	(380.7)
Repayment of debt	(844.7)	(716.4)	(1,848.6)	(3,150.8)
Proceeds of debt issuances	1,025.0	685.0	1,775.0	3,147.0
Debt issuance costs	(16.6)	-	(19.0)	(20.9)
Payment under capital lease obligations	(5.0)	(0.2)	(15.3)	(0.6)
Other, net	1.4	(4.3)	(1.5)	4.8
Net cash provided from (used in) financing activities	13.1	(163.3)	(549.9)	(401.2)
Increase (decrease) in cash and cash equivalents	77.3	(17.8)	(112.2)	(8.0)
Cash and Cash Equivalents:				
Beginning of period	37.5	52.1	227.0	42.3
End of period	$ 114.8	$ 34.3	$ 114.8	$ 34.3

WINDSTREAM CORPORATION

UNAUDITED RECONCILIATION OF REVENUES AND SALES, OPERATING INCOME AND CAPITAL EXPENDITURES UNDER GAAP TO PRO FORMA (A) REVENUES AND SALES, PRO FORMA ADJUSTED OIBDA AND PRO FORMA CAPITAL EXPENDITURES (NON-GAAP)

(In millions)

		THREE MONTHS ENDED		NINE MONTHS ENDED	
		September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
Revenues and sales under GAAP		$ 1,552.4	$ 1,023.2	$ 4,635.4	$ 3,075.9
Pro forma adjustments:					
PAETEC revenues and sales prior to acquisition	(B)	-	543.3	-	1,602.7
Elimination of Windstream revenues from PAETEC prior to acquisition	(C)	-	(1.3)	-	(3.9)
Pro forma revenues and sales		$ 1,552.4	$ 1,565.2	$ 4,635.4	$ 4,674.7
Operating income from continuing operations under GAAP		$ 247.7	$ 277.3	$ 739.2	$ 867.6
Pro forma adjustments:					
PAETEC pre-acquisition operating income, excluding M&I costs	(B)	-	32.2	-	87.4
PAETEC intangible asset amortization adjustment	(D)	-	(14.8)	-	(51.0)
M&I costs	(E)	12.7	19.9	54.4	33.9
Pro forma operating income		260.4	314.6	793.6	937.9
Depreciation and amortization expense	(E)	326.4	203.8	958.5	605.8
PAETEC pre-acquisition depreciation and amortization expense	(F)	-	80.7	-	246.7
Pro forma OIBDA		586.8	599.1	1,752.1	1,790.4
Other adjustments:					
Pension expense	(E)	(1.4)	(0.7)	(1.3)	3.2
Restructuring charges	(E)	12.1	0.5	23.3	0.7
Share-based compensation	(E)	5.6	6.0	19.3	17.4
Share-based compensation of PAETEC prior to acquisition	(B)	-	5.4	-	10.8
Pro forma adjusted OIBDA		$ 603.1	$ 610.3	$ 1,793.4	$ 1,822.5
Capital expenditures under GAAP		$ 307.3	$ 177.1	$ 809.4	$ 506.6
Pro forma adjustments:					
PAETEC capital expenditures prior to acquisition	(B)	-	45.6	-	146.5
Pro forma capital expenditures		$ 307.3	$ 222.7	$ 809.4	653.1

(A) Pro forma results adjust results of operations under GAAP to exclude PAETEC, and to exclude M&I costs related to strategic transactions.

(B) To reflect the pre-acquisition operating results of PAETEC, adjusted to exclude M&I costs.

(C) To reflect the pre-acquisition elimination of Windstream revenues from entities acquired from PAETEC.

(D) To reflect intangible asset amortization of PAETEC, as if the acquisitions had been consummated at the beginning of the periods presented.

(E) Represents applicable expense as reported under GAAP.

(F) Represents depreciation and amortization of PAETEC, as adjusted in note (D).

WINDSTREAM CORPORATION

UNAUDITED RECONCILIATION OF OPERATING INCOME UNDER GAAP TO ADJUSTED FREE CASH FLOW

(In millions)

	THREE MONTHS ENDED September 30, 2012	NINE MONTHS ENDED September 30, 2012
ADJUSTED FREE CASH FLOW:		
Operating income under GAAP	$ 247.7	$ 739.2
Depreciation and amortization	326.4	958.5
As reported OIBDA	574.1	1,697.7
Merger and integration expense	12.7	54.4
Pension benefit	(1.4)	(1.3)
Restructuring charges	12.1	23.3
Stock-based compensation	5.6	19.3
As reported adjusted OIBDA	603.1	1,793.4
Adjustments:		
Adjusted capital expenditures	(289.0)	(779.4)
Cash paid for interest	(125.0)	(448.8)
Cash (paid) refunded for taxes	(6.7)	103.8
Adjusted free cash flow	$ 182.4	$ 669.0
Dividends paid	$ 147.0	$ 440.5
Payout ratio		66%

WINDSTREAM CORPORATION
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 AND RECONCILIATION OF OPERATING INCOME UNDER GAAP TO ADJUSTED FREE CASH FLOW

Windstream Corporation ("we," "us" or "our") has entered into various transactions, including the acquisition of PAETEC Holding Corp. ("PAETEC"), that may cause results reported under Generally Accepted Accounting Principles in the United States ("GAAP") to be not necessarily indicative of future results. On November 30, 2011, we completed the acquisition of PAETEC in an all-stock transaction valued at approximately $2.4 billion. PAETEC shareholders received 0.460 shares of our stock for each PAETEC share owned at closing. We issued 70.0 million shares and assumed equity awards shares for a total transaction value of $842.0 million, based on our closing stock price on November 30, 2011, and the fair value of the equity awards assumed. We also assumed PAETEC's debt, net of cash acquired, of approximately $1,591.3 million, which includes a net premium of $113.9 million based on the fair value of the debt on November 30, 2011, and bank debt of $99.5 million that was repaid on December 1, 2011.

As disclosed in our Form 8-K furnished on August 9, 2012, we have presented in this package unaudited pro forma results, which includes results from PAETEC for periods prior to the acquisition and excludes all merger and integration costs resulting from the completed transactions discussed above. PAETEC results include results from companies acquired by PAETEC for periods prior to those acquisitions and excludes the results of operations of the energy business acquired as part of PAETEC and sold during the second quarter of 2012, which has been classified as discontinued operations. In addition to pro forma adjustments, we have presented certain measures of our operating performance, excluding the impact of restructuring charges, pension and share-based compensation. We have made certain reclassifications and revisions to prior periods to conform with the current presentation.

Our purpose for including the results of the acquired businesses and for excluding non-recurring items, the results of the disposed operations, restructuring charges, pension and share-based compensation is to improve the comparability of results of operations for the three and nine month periods ended September 30, 2012, to the results of operations for the same periods of 2011 in order to focus on the true earnings capacity associated with providing telecommunication services. Additionally, management believes that presenting current business measures assists investors by providing more meaningful comparisons of results from current and prior periods, and by providing information that is a better reflection of the core earnings capacity of our current businesses. We use pro forma results, including pro forma revenues and sales, pro forma OIBDA , pro forma adjusted OIBDA, pro forma capital expenditures and adjusted free cash flow as key measures of the operational performance of our business. Our management, including our chief executive officer, the chief operating decision-maker, consistently uses these measures for internal reporting and the evaluation of business objectives, opportunities and performance.

We claim 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, statements about expected levels of support from universal service funds or other government programs, expected rates of loss of voice lines or intercarrier compensation, expected increases in high-speed Internet and business data connections, our expected ability to fund operations, expected required contributions to our pension plan, capital expenditures and certain debt maturities from cash flows from operations, expected synergies and other benefits from completed acquisitions, expected effective federal income tax rates, expected annualized savings from the management restructuring and forecasted capital expenditure amounts. These and other forward-looking statements include statements about our ability to generate cash flows in future periods and to pay our current dividend, and these statements are based on estimates, projections, beliefs, and assumptions that we believe are reasonable but are not guarantees of future events and results. Actual future events and our results 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 our forward-looking statements include, among others: further adverse changes in economic conditions in the markets served by us; 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, 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 us; 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 we lease facilities from other carriers, adverse effects on the availability, quality of service and price of facilities and services provided by other carriers on which our services depend; the availability and cost of financing in the corporate debt markets; the potential for adverse changes in the ratings given to our 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 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 our 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 our Form 10-K for the year ended December 31, 2011, 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. We undertake 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 our 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 our future results included in our other filings with the Securities and Exchange Commission at www.sec.gov.