

WINDSTREAM CORPORATION  
 UNAUDITED CONSOLIDATED STATEMENTS OF INCOME  
 (In millions, except per share amounts)

	THREE MONTHS ENDED			
	March 31, 2012	March 31, 2011	Increase (Decrease) Amount	%
<b>UNDER GAAP: (A)</b>				
Revenues and sales:				
Service revenues	\$ 1,488.4	\$ 996.5	\$ 491.9	49
Product sales	56.8	26.5	30.3	114
Total revenues and sales	<u>1,545.2</u>	<u>1,023.0</u>	<u>522.2</u>	51
Costs and expenses:				
Cost of services (exclusive of depreciation and amortization included below)	657.9	361.0	296.9	82
Cost of products sold	44.9	20.1	24.8	123
Selling, general, and administrative	254.4	135.8	118.6	87
Depreciation and amortization	312.1	205.2	106.9	52
Merger, integration and restructuring costs	23.2	9.0	14.2	158
Total costs and expenses	<u>1,292.5</u>	<u>731.1</u>	<u>561.4</u>	77
Operating income	252.7	291.9	(39.2)	(13)
Other income, net	6.6	2.6	4.0	154
Gain (loss) on early extinguishment of debt	1.9	(101.4)	103.3	(102)
Interest expense	<u>(156.5)</u>	<u>(146.5)</u>	<u>(10.0)</u>	(7)
Income from continuing operations before income taxes	104.7	46.6	58.1	125
Income taxes	<u>40.0</u>	<u>17.2</u>	<u>22.8</u>	133
Income from continuing operations	64.7	29.4	35.3	120
Discontinued operations, net of tax	<u>(0.1)</u>	<u>-</u>	<u>(0.1)</u>	(100)
Net income	<u>\$ 64.6</u>	<u>\$ 29.4</u>	<u>\$ 35.2</u>	120
Weighted average common shares	583.7	502.7	81.0	16
Common stock outstanding	588.3	510.0	78.3	15
Basic and diluted earnings per share:				
Net income	\$ 0.11	\$ 0.06	\$ 0.05	83
<b>PRO FORMA RESULTS OF OPERATIONS (B):</b>				
Revenues and sales	\$ 1,545.2	\$ 1,553.2	\$ (8.0)	(1)
OIBDA (C)	\$ 587.1	\$ 596.4	\$ (9.3)	(2)
Adjusted OIBDA (D)	\$ 594.3	\$ 604.2	\$ (9.9)	(2)
Capital expenditures	\$ 226.1	\$ 206.5	\$ 19.6	9

(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) 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 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.

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

(D) Adjusted OIBDA adjusts OIBDA for the impact of restructuring charges, pension expense and stock-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 CONSOLIDATED BALANCE SHEETS UNDER GAAP  
 (In millions)

ASSETS

	March 31, 2012	December 31, 2011
CURRENT ASSETS:		
Cash and cash equivalents	\$ 64.2	\$ 227.0
Restricted cash	25.6	21.7
Accounts receivable (less allowance for doubtful accounts of \$28.9 and \$29.9, respectively)	603.9	657.4
Income tax receivable	3.0	124.1
Inventories	68.2	76.5
Deferred income taxes	183.5	232.1
Prepaid income taxes	13.6	15.3
Prepaid expenses and other	164.3	102.9
Assets held for sale	6.5	61.4
Total current assets	1,132.8	1,518.4
Goodwill	4,357.0	4,301.7
Other intangibles, net	2,590.2	2,685.3
Net property, plant and equipment	5,718.2	5,708.1
Other assets	168.2	178.6
TOTAL ASSETS	<u>\$ 13,966.4</u>	<u>\$ 14,392.1</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

	March 31, 2012	December 31, 2011
CURRENT LIABILITIES		
Current maturities of long-term debt and capital lease obligations	\$ 66.1	\$ 213.7
Current portion of interest rate swaps	31.3	30.5
Accounts payable	330.3	296.0
Advance payments and customer deposits	217.2	240.4
Accrued dividends	147.9	148.0
Accrued taxes	103.3	117.9
Accrued interest	179.1	161.8
Other current liabilities	204.9	251.2
Total current liabilities	1,280.1	1,459.5
Long-term debt and capital lease obligations	8,788.0	8,936.7
Deferred income taxes	1,841.6	1,851.5
Other liabilities	630.6	646.3
Total liabilities	12,540.3	12,894.0
SHAREHOLDERS' EQUITY:		
Common stock	0.1	0.1
Additional paid-in capital	1,419.4	1,496.1
Accumulated other comprehensive income	6.6	1.9
Retained earnings	-	-
Total shareholders' equity	1,426.1	1,498.1
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 13,966.4</u>	<u>\$ 14,392.1</u>

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

	<u>THREE MONTHS ENDED</u>	
	<u>March 31,</u> <u>2012</u>	<u>March 31,</u> <u>2011</u>
Cash Provided from Operations:		
Net income	\$ 64.6	\$ 29.4
Adjustments to reconcile net income to net cash provided from operations:		
Depreciation and amortization	312.1	205.2
Provision for doubtful accounts	14.7	7.9
Stock-based compensation expense	7.4	5.3
Pension benefit	(1.1)	(0.3)
Deferred income taxes	35.8	52.2
Unamortized net (premium) discount on retired debt	(16.2)	12.5
Amortization of unrealized losses on de-designated interest rate swaps	11.1	13.1
Other, net	(12.0)	3.2
Changes in operating assets and liabilities, net:		
Accounts receivable	(9.9)	(7.7)
Income tax receivable	121.1	-
Prepaid income taxes	1.7	(20.6)
Prepaid expenses and other	(56.9)	(20.2)
Accounts payable	22.8	18.9
Accrued interest	10.0	(75.5)
Accrued taxes	(14.7)	(5.8)
Other current liabilities	(42.3)	(15.7)
Other liabilities	(9.2)	(2.3)
Other, net	(0.2)	12.7
Net cash provided from operations	<u>438.8</u>	<u>212.3</u>
Cash Flows from Investing Activities:		
Additions to property, plant and equipment	(226.1)	(158.5)
Broadband network expansion funded by stimulus grants	(12.0)	(0.6)
Changes in restricted cash	(3.9)	(7.0)
Grant funds received for broadband stimulus	6.7	-
Disposition of wireless assets	57.0	-
Other, net	2.6	0.2
Net cash used in investing activities	<u>(175.7)</u>	<u>(165.9)</u>
Cash Flows from Financing Activities:		
Dividends paid on common shares	(146.5)	(125.9)
Repayment of debt	(774.4)	(2,052.7)
Proceeds of debt issuance	505.0	2,137.0
Debt issuance costs	(2.2)	(19.7)
Other, net	(7.8)	8.4
Net cash used in financing activities	<u>(425.9)</u>	<u>(52.9)</u>
Decrease in cash and cash equivalents	(162.8)	(6.5)
Cash and Cash Equivalents:		
Beginning of period	<u>227.0</u>	<u>42.3</u>
End of period	<u>\$ 64.2</u>	<u>\$ 35.8</u>

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	
	March 31, 2012	March 31, 2011
Revenues and sales under GAAP	\$ 1,545.2	\$ 1,023.0
Pro forma adjustments:		
PAETEC revenues and sales prior to acquisition	(B) -	531.7
Elimination of Windstream revenues from PAETEC prior to acquisition	(C) -	(1.5)
Pro forma revenues and sales	<u>\$ 1,545.2</u>	<u>\$ 1,553.2</u>
Operating income from continuing operations under GAAP	\$ 252.7	\$ 291.9
Pro forma adjustments:		
PAETEC pre-acquisition operating income, excluding M&I costs	(B) -	26.7
PAETEC intangible asset amortization adjustment	(D) -	(18.6)
M&I costs	(E) 22.3	8.9
Pro forma operating income	<u>275.0</u>	<u>308.9</u>
Depreciation and amortization expense	(E) 312.1	205.2
PAETEC pre-acquisition depreciation and amortization expense	(F) -	82.3
Pro forma OIBDA	<u>587.1</u>	<u>596.4</u>
Other adjustments:		
Pension benefit	(E) (1.1)	(0.2)
Restructuring charges	(E) 0.9	0.1
Stock-based compensation	(E) 7.4	5.3
Stock-based compensation of PAETEC prior to acquisition	(B) -	2.6
Pro forma adjusted OIBDA	<u>\$ 594.3</u>	<u>\$ 604.2</u>

- (A) Pro forma results adjusts 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 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)

	<u>THREE MONTHS ENDED</u>	
	<u>March 31,</u> <u>2012</u>	<u>March 31,</u> <u>2011</u>
Capital expenditures under GAAP	<u>\$ 226.1</u>	<u>\$ 158.5</u>
Pro forma adjustments:		
PAETEC capital expenditures prior to acquisition	(B) -	48.0
Pro forma capital expenditures	<u>\$ 226.1</u>	<u>\$ 206.5</u>

(A) Pro forma results adjusts 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.

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

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 May 10, 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, 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 stock-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 stock-based compensation is to improve the comparability of results of operations for the three month periods ended March 31, 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 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 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. Our actual future events and 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; 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.

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 filings with the Securities and Exchange Commission at [www.sec.gov](http://www.sec.gov).