



3rd Quarter 2012 Earnings Conference Call

November 8, 2012

Safe Harbor Statement



Safe Harbor Statement

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 meet our plan and goals for 2012, generate cash flows in future periods and to pay the current dividend, are based on estimates, projections, beliefs, and assumptions that Windstream believes are reasonable but are not guarantees of future events and results. For risk factors that could cause actual results and events to differ materially from those expressed, refer to Windstream's filings with the Securities and Exchange Commission.

Regulation G Disclaimer

This presentation includes certain non-GAAP financial measures. Reconciliations of these non-GAAP financial measures to the most directly comparable GAAP financial measures are available on our website at www.windstream.com/investors.

Windstream 3Q12 Results - Agenda



Topic	
• Introduction	Bob Gunderman, SVP
• Strategic Update	Jeff Gardner, CEO
• Financial Update	Tony Thomas, CFO & Treasurer
• Operational Update	Brent Whittington, COO
• Q&A	

3Q12 Highlights - A Quarter of Execution



Generated sequential growth in revenue and adjusted OIBDA



Business revenues accelerating - up 2.7%



Improved cost structure with reorganization and deal synergies



PAETEC integration on track



Invested in strategic growth initiatives (FttT, broadband stimulus)

Confident in our strategy and ability to deliver strong, stable FCF



Strategy Driving Steady Improvements to Business



3Q12 Highlights of Strategic Execution

1

Grow Strategic Revenue

- Strategic revenues now represent 69% of revenue
 - Grew 2.7% during 3Q12
- Successful repositioning in growth segments driving improved financial performance

2

Improve Cost Structure

- Improved the cost structure through our reorganization efforts and deal synergies

3

Pursue Strategic Opportunities

- PAETEC integration on track - seeing many benefits
- First class business sales organization with advanced solutions, expertise and network capabilities to grow

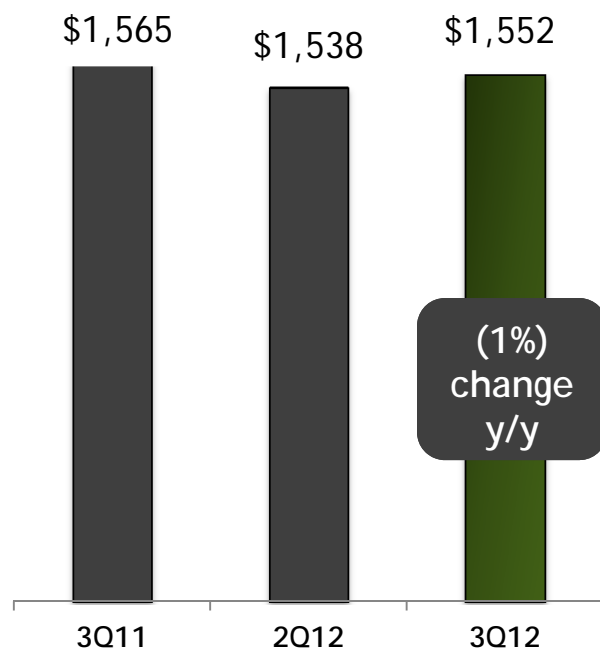


Providing stable FCF and long-term support of dividend

Executing our Strategy and Delivering Improving Results

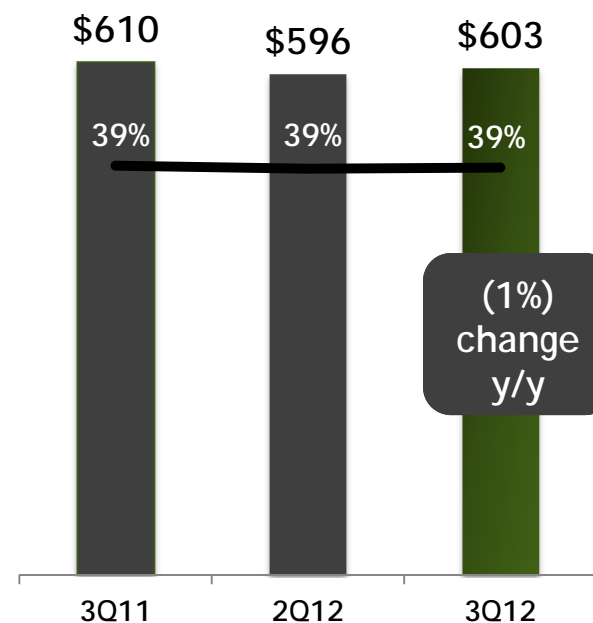


Total Revenue



Revenue improved \$15M sequentially driven by strong business sales

Adjusted OIBDA



Adj. OIBDA improved \$7M sequentially

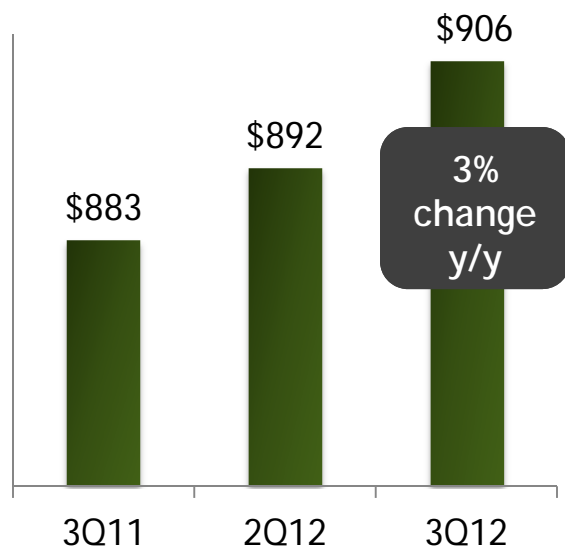
Best sequential revenue improvement to date

Presented on a pro forma basis; \$ in millions

Revenue Improvement Driven by Solid Business Performance and Steady Consumer Results

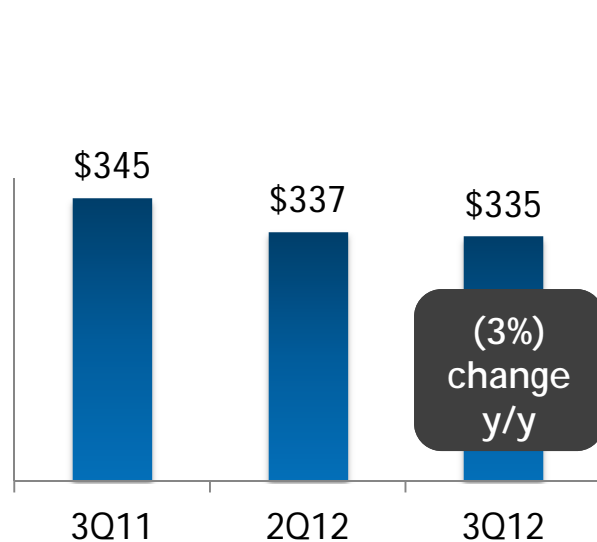


Business Service Revenue



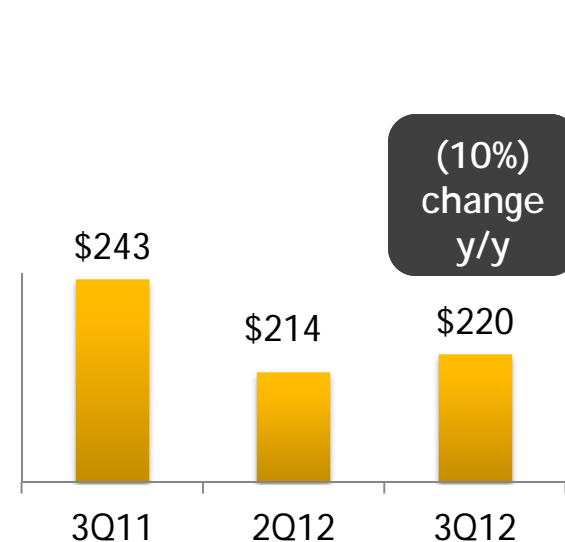
- ▶ **Data & Int Services up \$32M**
Growth in IP, next generation data and data center services
- ▶ **Carrier increased \$5M**
Fiber to the tower installations
- ▶ **Voice & LD declined \$12M**
Migrations to integrated voice and data services; offset by higher end user rates

Consumer Service Revenue



- ▶ **Voice & LD declined \$14M**
Fewer voice lines and declining feature packages; offset partially by higher end user rates
- ▶ **Broadband revenues up \$4M**
Growth in subscribers and up-selling add-on services and features

Wholesale Service Revenue

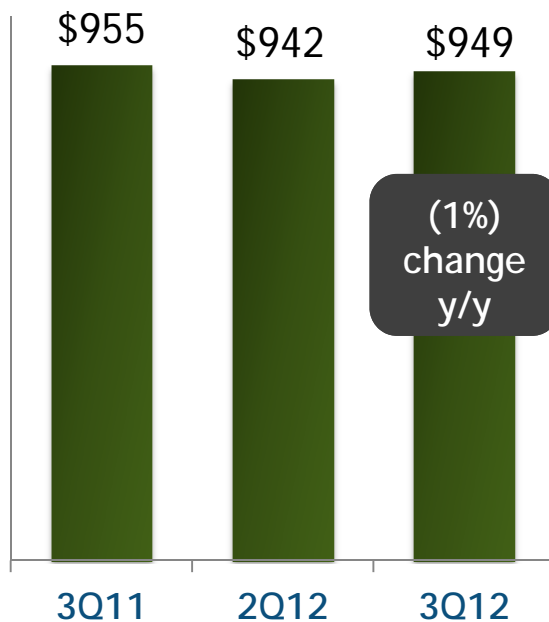


- ▶ **Switched access declined \$32M**
ICC reform rules, along with traditional declines due to fewer access lines
- ▶ **USF increased by \$13M**
Implementation of the Access Recovery Mechanism as part of ICC reform

3Q12 Cash Expenses Improve by 1%



Total Cash Expenses



► Cost of Services - higher \$32M y/y

Network growth, higher interconnection costs, increased data center costs related to growth and expansion, higher benefit costs and higher federal USF pass through surcharges

► Cost of Products Sold - higher by \$5M y/y

Due to better product sales

► SG&A - better by \$42M y/y

Incremental deal synergies, cost management initiatives

Synergies and reorganization savings improved expenses

Strong Free Cash Flow



Core Capex- \$197M
Initiative - \$93M
(FttT & Stimulus)

Adj Free Cash Flow 3Q12

(in millions)

Adjusted OIBDA	\$603
Capital expenditures ⁽¹⁾	(\$289)
Cash interest	(\$125)
Cash taxes	(\$7)
Adjusted Free Cash Flow	\$182

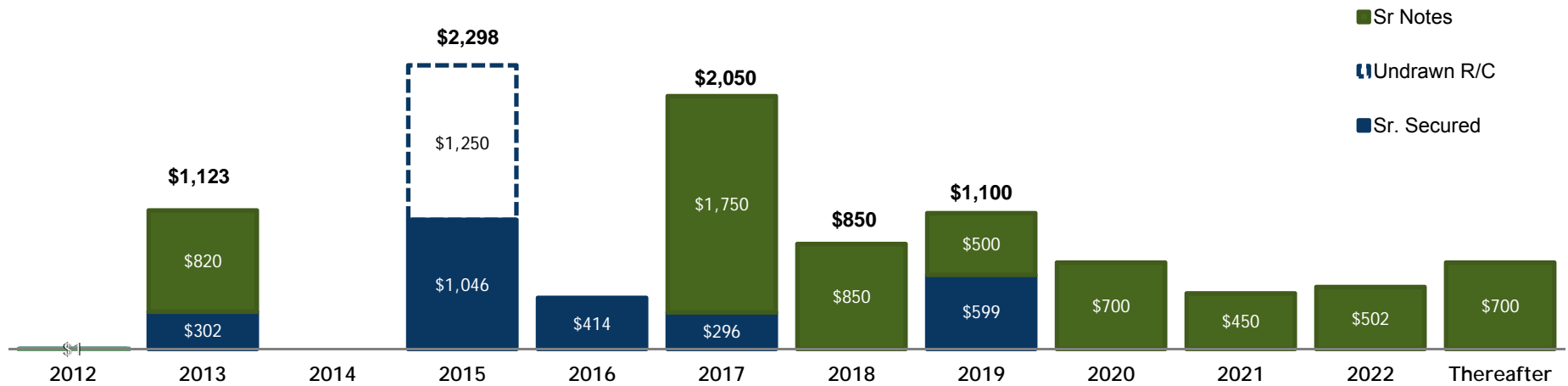
Generated \$669M in adjusted FCF year to date

(1) Excludes \$18M of integration capital

Well-Positioned Debt Maturity Profile



The debt maturity profile is manageable with a \$1.25B revolver available to refinance the 2013 maturities



Have Sufficient Liquidity to Repay 2013 Maturities

Note: Maturity does not reflect annual amortization of bank debt

Expect Sequential Adj. OIBDA Improvements in 4Q12



Tailwinds	Headwinds
<ul style="list-style-type: none">• Enterprise momentum and sales success• Incremental fiber installations• \$10M in reorganizational savings• Additional PAETEC synergies	<ul style="list-style-type: none">• More aggressive consumer promotional activity• Increased carrier grooming on TDM network

Expect 2012 Adjusted OIBDA to be in range of \$2.410B - \$2.430B

Growth in Enterprise Customer Revenue

- ▶ Driven by improved ability to win multi-location deals, resulting from our nationwide network
- ▶ Driving higher ARPU by up-selling a broad spectrum of services



Differentiating SMB Services

- ▶ Provide innovative bundles to meet needs of small business customers (web services, voice, data)



Carrier Business Continues to Grow

- ▶ Carrier circuits were up due to fiber to the tower installations
- ▶ Growth offset some by disconnects related to carrier network grooming



Consumer Channel Continues to Deliver Steady Results



- ▶ Added 6,000 new high-speed Internet
- ▶ 70% primary residential penetration, positioning us well to grow ARPU with faster speeds and BB features
- ▶ Stable consumer voice lines - down 4.4% YoY



Consumer Offerings

- ▶ Increased promotional activity
- ▶ Focused on switching customers from cable

Broadband penetration is 70% of primary access lines

Making Great Progress on our Capital Initiatives



Fiber to the Tower

- ▶ Completed: ~2,100
- ▶ In process: 1,900
- ▶ Expect to reach between 4,000 - 5,000 towers in total

Consumer Broadband / Stimulus

- ▶ Launching VDSL in 87 consumer markets to increase speeds
 - 6 Mbps to 70% of customers
 - 10-12 Mbps to 45% of customers
 - 24 Mbps to 12% of customers
- ▶ Stimulus investments to add ~75k new addressable lines



Capex intensity will decline as FttT and stimulus initiatives wrap up

Strategy Provides Long-Term Support to the Dividend



- ▶ Business and consumer channel delivered solid performance in 3Q12



- ▶ We will continue focusing on improving revenue trends, managing costs and opportunistically making acquisitions



- ▶ Remain confident in our strategy and ability to produce strong, stable free cash flow well into the future



windstream 



Appendix

Supplemental Financial Information



WINDSTREAM CORPORATION
 UNAUDITED PRO FORMA CONSOLIDATED RESULTS (NON-GAAP) (A)
 QUARTERLY SUPPLEMENTAL INFORMATION
 for the quarterly periods in the years 2012 and 2011
 (In millions)

FINANCIAL RESULTS:	2012				2011				
	Total	3rd Qtr	2nd Qtr	1st Qtr.	Total	4th Qtr.	3rd Qtr.	2nd Qtr	1st Qtr.
Service revenues:									
Business	\$ 2,694.8	\$ 906.4	\$ 892.2	\$ 896.2	\$ 3,513.1	\$ 887.5	\$ 882.6	\$ 874.7	\$ 868.3
Consumer	1,010.0	335.4	336.6	338.0	1,380.2	341.4	344.9	347.1	346.8
Wholesale	658.9	219.8	214.3	224.8	966.7	240.2	243.2	243.3	240.0
Other	82.4	26.1	26.9	29.4	139.3	31.0	33.5	37.5	37.3
Total service revenues	4,446.1	1,487.7	1,470.0	1,488.4	5,999.3	1,500.1	1,504.2	1,502.6	1,492.4
Product sales	189.3	64.7	67.8	56.8	244.3	68.8	61.0	53.7	60.8
Total revenues and sales	\$ 4,635.4	\$ 1,552.4	\$ 1,537.8	\$ 1,545.2	\$ 6,243.6	\$ 1,568.9	\$ 1,565.2	\$ 1,556.3	\$ 1,553.2
Costs and expenses:									
Cost of services	\$ 1,988.2	\$ 672.3	\$ 654.9	\$ 661.0	\$ 2,570.6	\$ 650.8	\$ 640.6	\$ 643.3	\$ 635.9
Cost of products sold	159.3	56.8	57.6	44.9	200.3	56.6	51.9	44.8	47.0
Selling, general and administrative	694.5	220.2	229.3	245.0	1,038.4	249.7	262.4	260.2	266.1
Costs and expenses excluding pension and share-based compensation	2,842.0	949.3	941.8	950.9	3,809.3	957.1	954.9	948.3	949.0
Adjusted OIBDA (B)	1,793.4	603.1	596.0	594.3	2,434.3	611.8	610.3	608.0	604.2
Pension expense (benefit) - cost of services	(0.9)	(1.0)	0.9	(0.8)	126.2	123.9	(0.6)	3.0	(0.1)
Pension expense (benefit) - selling, general and administrative	(0.4)	(0.4)	0.3	(0.3)	40.1	39.2	(0.1)	1.1	(0.1)
Share-based compensation	19.3	5.6	6.3	7.4	39.9	11.7	11.4	8.9	7.9
Restructuring charges	23.3	12.1	10.3	0.9	1.3	0.6	0.5	0.1	0.1
OIBDA (C)	1,752.1	586.8	578.2	587.1	2,226.8	436.4	599.1	594.9	596.4
Depreciation and amortization	958.5	326.4	320.0	312.1	1,149.2	296.7	284.5	280.5	287.5
Operating income	\$ 793.6	\$ 260.4	\$ 258.2	\$ 275.0	\$ 1,077.6	\$ 139.7	\$ 314.6	\$ 314.4	\$ 308.9
Margins (D):									
Adjusted OIBDA margin	38.7%	38.8%	38.8%	38.5%	39.0%	39.0%	39.0%	39.1%	38.9%
OIBDA margin	37.8%	37.8%	37.6%	38.0%	35.7%	27.8%	38.3%	38.2%	38.4%
Operating income margin	17.1%	16.8%	16.8%	17.8%	17.3%	8.9%	20.1%	20.2%	19.9%
SUPPLEMENTAL INFORMATION:									
Revenues from business and broadband:									
Business service revenue	\$ 2,694.8	\$ 906.4	\$ 892.2	\$ 896.2	\$ 3,513.1	\$ 887.5	\$ 882.6	\$ 874.7	\$ 868.3
Business product sales	120.5	43.2	40.3	37.0	175.5	51.2	43.0	37.4	43.9
Consumer broadband service	342.5	115.3	114.1	113.1	439.5	111.8	111.0	109.9	106.8
Consumer broadband product sales	17.6	5.9	5.3	6.4	24.8	6.3	6.0	4.6	7.9
Business and broadband revenues	\$ 3,175.4	\$ 1,070.8	\$ 1,051.9	\$ 1,052.7	\$ 4,152.9	\$ 1,056.8	\$ 1,042.6	\$ 1,026.6	\$ 1,026.9
<i>Business and broadband as a percent of total revenues</i>	68.5%	69.0%	68.4%	68.1%	66.5%	67.4%	66.6%	66.0%	66.1%
CAPITAL EXPENDITURES:									
Core capital expenditures	\$ 544.8	\$ 196.5	\$ 187.3	\$ 161.0	\$ 745.3	\$ 175.2	\$ 180.5	\$ 197.9	\$ 191.7
Initiative capital expenditures (E)	234.6	92.5	79.8	62.3	146.7	63.7	42.2	26.0	14.8
Adjusted capital expenditures (F)	\$ 779.4	\$ 289.0	\$ 267.1	\$ 223.3	\$ 892.0	\$ 238.9	\$ 222.7	\$ 223.9	\$ 206.5
<i>Core capital expenditures as a percent of total revenues</i>	11.8%	12.7%	12.2%	10.4%	11.9%	11.2%	11.5%	12.7%	12.3%

(A) Pro forma results adjusts results of operations under GAAP to include the acquisition of 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.

(B) Adjusted OIBDA is OIBDA before restructuring charges, pension expense and share-based compensation.

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

(D) Margins are calculated by dividing the profitability measures by total revenues and sales.

(E) Initiative capital expenditures include fiber to the tower investments and our portion of broadband stimulus investments.

(F) Adjusted capital expenditures exclude the impact of integration capital expenditures.

Supplemental Financial Information (cont.)



WINDSTREAM CORPORATION
 UNAUDITED PRO FORMA CONSOLIDATED RESULTS (NON-GAAP) (A)
 QUARTERLY SUPPLEMENTAL INFORMATION
 for the quarterly periods in the years 2012 and 2011
 (In millions)

REVENUE SUPPLEMENT	2012				2011				
	Total	3rd Qtr	2nd Qtr	1st Qtr.	Total	4th Qtr.	3rd Qtr.	2nd Qtr	1st Qtr.
Service revenues:									
Voice and long distance	\$ 965.9	\$ 321.3	\$ 317.1	\$ 327.5	\$ 1,339.1	\$ 328.2	\$ 333.0	\$ 336.7	\$ 341.2
Data and integrated services	1,137.8	388.4	377.0	372.4	1,411.6	363.5	356.6	348.4	343.1
Carrier	488.2	161.8	164.0	162.4	628.3	161.7	157.0	156.7	152.9
Miscellaneous	102.9	34.9	34.1	33.9	134.1	34.1	36.0	32.9	31.1
Business	2,694.8	906.4	892.2	896.2	3,513.1	887.5	882.6	874.7	868.3
Voice and long distance	585.2	191.9	195.7	197.6	829.4	201.6	205.7	209.7	212.4
Broadband	342.5	115.3	114.1	113.1	439.5	111.8	111.0	109.9	106.8
Video and miscellaneous	82.3	28.2	26.8	27.3	111.3	28.0	28.2	27.5	27.6
Consumer	1,010.0	335.4	336.6	338.0	1,380.2	341.4	344.9	347.1	346.8
Switched access	267.1	84.0	86.3	96.8	453.8	114.1	115.8	114.1	109.8
USF	301.2	105.0	97.9	98.3	375.5	95.0	91.6	93.8	95.1
Voice and long distance	54.8	18.9	18.3	17.6	81.9	18.0	21.2	21.4	21.3
Data and integrated services	33.1	11.0	11.0	11.1	51.0	12.2	13.4	13.0	12.4
Miscellaneous	2.7	0.9	0.8	1.0	4.5	0.9	1.2	1.0	1.4
Wholesale	658.9	219.8	214.3	224.8	966.7	240.2	243.2	243.3	240.0
Other	82.4	26.1	26.9	29.4	139.3	31.0	33.5	37.5	37.3
Total service revenues	4,446.1	1,487.7	1,470.0	1,488.4	5,999.3	1,500.1	1,504.2	1,502.6	1,492.4
Product sales:									
Business	120.5	43.2	40.3	37.0	175.5	51.2	43.0	37.4	43.9
Consumer	22.2	6.8	7.9	7.5	28.0	7.2	6.6	5.5	8.7
Other	46.6	14.7	19.6	12.3	40.8	10.4	11.4	10.8	8.2
Product sales	189.3	64.7	67.8	56.8	244.3	68.8	61.0	53.7	60.8
Total revenues and sales	\$ 4,635.4	\$ 1,552.4	\$ 1,537.8	\$ 1,545.2	\$ 6,243.6	\$ 1,568.9	\$ 1,565.2	\$ 1,556.3	\$ 1,553.2

(A) Pro forma results adjusts results of operations under GAAP to include the acquisition of 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.

Supplemental Financial Information (cont.)



WINDSTREAM CORPORATION
 UNAUDITED PRO FORMA OPERATING METRICS (NON-GAAP)
 QUARTERLY SUPPLEMENTAL INFORMATION
 for the quarterly periods in the years 2012 and 2011
 (Units In thousands, dollars In millions)

	2012				2011				
	Total	3rd Qtr.	2nd Qtr.	1st Qtr.	Total	4th Qtr.	3rd Qtr.	2nd Qtr.	1st Qtr.
KEY OPERATING METRICS:									
Business:									
Customers (A)									
Enterprise (B)	174.8	174.8	171.3	168.9	167.2	167.2	163.1	161.0	158.0
Small business (C)	471.9	471.9	480.0	487.5	495.6	495.6	500.5	508.6	516.3
Total Customers	646.7	646.7	651.3	656.4	662.8	662.8	663.6	669.6	674.3
YOY change in enterprise customers	7.2%	7.2%	6.4%	6.9%	6.8%	6.8%	6.5%	6.4%	6.2%
YOY change in small business customers	-5.7%	-5.7%	-5.6%	-5.6%	-5.5%	-5.5%	-5.5%	-5.3%	-5.4%
YOY change in total customers	-2.5%	-2.5%	-2.7%	-2.7%	-2.7%	-2.7%	-2.8%	-2.7%	-2.9%
Business service revenue, excluding carrier revenue	\$ 2,206.6	\$ 744.6	\$ 728.2	\$ 733.8	\$ 2,884.8	\$ 725.8	\$ 725.6	\$ 718.0	\$ 715.4
Average service revenue per customer per month	\$ 374.72	\$ 382.43	\$ 371.24	\$ 370.83	\$ 358.65	\$ 364.80	\$ 362.84	\$ 356.18	\$ 351.85
Carrier special access circuits (D)	112.7	112.7	113.8	112.9	112.0	112.0	109.7	108.3	104.9
YOY change in carrier special access circuits	2.7%	2.7%	5.1%	7.6%	9.4%	9.4%	8.3%	8.4%	6.3%
Carrier service revenue	\$ 488.2	\$ 161.8	\$ 164.0	\$ 162.4	\$ 628.3	\$ 161.7	\$ 157.0	\$ 156.7	\$ 152.9
Average revenue per circuit per month	\$ 480.68	\$ 476.23	\$ 482.28	\$ 481.40	\$ 487.24	\$ 486.24	\$ 480.12	\$ 489.99	\$ 491.72
Consumer:									
Voice lines	1,865.2	1,865.2	1,887.5	1,911.5	1,927.9	1,927.9	1,951.7	1,973.6	1,997.5
High-speed Internet	1,216.2	1,216.2	1,210.7	1,215.3	1,207.8	1,207.8	1,199.5	1,190.7	1,186.8
Digital television customers	442.7	442.7	441.4	445.1	445.8	445.8	444.8	439.3	436.1
Total consumer connections	3,524.1	3,524.1	3,539.6	3,571.9	3,581.5	3,581.5	3,596.0	3,603.6	3,620.4
YOY change in voice lines	-4.4%	-4.4%	-4.4%	-4.3%	-4.2%	-4.2%	-4.5%	-4.5%	-4.5%
YOY change in high-speed internet	1.4%	1.4%	1.7%	2.4%	4.2%	4.2%	4.5%	5.1%	6.0%
YOY change in digital television customers	-0.5%	-0.5%	0.5%	2.1%	3.8%	3.8%	3.5%	4.8%	6.1%

(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.

Supplemental Financial Information (cont.)



WINDSTREAM CORPORATION
 UNAUDITED CONSOLIDATED RESULTS (NON-GAAP)
 QUARTERLY SUPPLEMENTAL INFORMATION
 for the quarterly periods in the years 2012 and 2011
 (In millions)

	2012				2011				
	Total	3rd Qtr.	2nd Qtr.	1st Qtr.	Total	4th Qtr.	3rd Qtr.	2nd Qtr.	1st Qtr.
ADJUSTED FREE CASH FLOW (A):									
Operating income under GAAP	\$ 739.2	\$ 247.7	\$ 238.8	\$ 252.7	\$ 968.0	\$ 100.4	\$ 277.3	\$ 298.4	\$ 291.9
Depreciation and amortization	958.5	326.4	320.0	312.1	847.5	241.7	203.8	196.8	205.2
As reported OIBDA	1,697.7	574.1	558.8	564.8	1,815.5	342.1	481.1	495.2	497.1
Merger and integration expense	54.4	12.7	19.4	22.3	69.8	35.9	19.9	5.1	8.9
Pension expense (benefit)	(1.3)	(1.4)	1.2	(1.1)	166.3	163.1	(0.7)	4.0	(0.1)
Restructuring charges	23.3	12.1	10.3	0.9	1.3	0.6	0.5	0.1	0.1
Stock-based compensation	19.3	5.6	6.3	7.4	24.1	6.7	6.0	6.1	5.3
As reported adjusted OIBDA	1,793.4	603.1	596.0	594.3	2,077.0	548.4	506.8	510.5	511.3
Adjustments:									
Adjusted capital expenditures	(779.4)	(289.0)	(267.1)	(223.3)	(702.0)	(195.4)	(177.1)	(171.0)	(158.5)
Cash paid for interest	(448.8)	(125.0)	(184.8)	(139.0)	(601.9)	(174.3)	(120.8)	(106.2)	(200.6)
Cash refunded (paid) for taxes	103.8	(6.7)	(9.6)	120.1	11.1	0.7	1.1	(7.5)	16.8
Adjusted free cash flow	\$ 669.0	\$ 182.4	\$ 134.5	\$ 352.1	\$ 784.2	\$ 179.4	\$ 210.0	\$ 225.8	\$ 169.0
Dividends paid	\$ 440.5	\$ 147.0	\$ 147.0	\$ 146.5	\$ 509.6	\$ 128.9	\$ 127.4	\$ 127.4	\$ 125.9
Weighted average common shares	584.4								
Common stock outstanding	588.1								
DEBT LEVERAGE RATIO:									
	As of								
	<u>9/30/2012</u>								
Long-term debt, including current maturities	\$ 9,030.9								
Cash and cash equivalents	114.8								
Net debt	\$ 8,916.1								
	Twelve								
	<u>Months Ended</u>								
	<u>9/30/2012</u>								
Pro forma adjusted OIBDA	\$ 2,405.2								
Pro forma leverage ratio	3.75								
Pro forma net leverage ratio	3.71								

(A) The adjusted free cash flow includes results from PAETEC for the periods following the acquisition date, as reported under GAAP.

Reconciliations of Non-GAAP Financial Measures



WINDSTREAM CORPORATION
 UNAUDITED PRO FORMA CONSOLIDATED RESULTS (NON-GAAP) (A)
 QUARTERLY SUPPLEMENTAL INFORMATION
 for the quarterly periods in the years 2012 and 2011
 (In millions)

	2012				2011				
	Total	3rd Qtr.	2nd Qtr.	1st Qtr.	Total	4th Qtr.	3rd Qtr.	2nd Qtr.	1st Qtr.
Reconciliation of Revenues under GAAP to Pro forma Revenues:									
Revenues and sales under GAAP	\$ 4,635.4	\$ 1,552.4	\$ 1,537.8	\$ 1,545.2	\$ 4,285.7	\$ 1,209.8	\$ 1,023.2	\$ 1,029.7	\$ 1,023.0
Pro forma adjustments:									
PAETEC revenues and sales prior to acquisition	-	-	-	-	1,962.5	359.8	543.3	527.7	531.7
Elimination of Windstream revenues from PAETEC prior to acquisition	-	-	-	-	(4.6)	(0.7)	(1.3)	(1.1)	(1.5)
Pro forma revenues and sales	<u>\$ 4,635.4</u>	<u>\$ 1,552.4</u>	<u>\$ 1,537.8</u>	<u>\$ 1,545.2</u>	<u>\$ 6,243.6</u>	<u>\$ 1,568.9</u>	<u>\$ 1,565.2</u>	<u>\$ 1,556.3</u>	<u>\$ 1,553.2</u>
Reconciliation of Operating Income under GAAP to Pro forma adjusted OIBDA:									
Operating income from continuing operations under GAAP	\$ 739.2	\$ 247.7	\$ 238.8	\$ 252.7	\$ 968.0	\$ 100.4	\$ 277.3	\$ 298.4	\$ 291.9
Pro forma adjustments:									
PAETEC pre-acquisition operating income, excluding M&I costs	-	-	-	-	100.2	12.8	32.2	28.5	26.7
PAETEC intangible asset amortization adjustment	-	-	-	-	(60.4)	(9.4)	(14.8)	(17.6)	(18.6)
M&I costs	54.4	12.7	19.4	22.3	69.8	35.9	19.9	5.1	8.9
Pro forma operating income	<u>793.6</u>	<u>260.4</u>	<u>258.2</u>	<u>275.0</u>	<u>1,077.6</u>	<u>139.7</u>	<u>314.6</u>	<u>314.4</u>	<u>308.9</u>
Depreciation and amortization expense	958.5	326.4	320.0	312.1	847.5	241.7	203.8	196.8	205.2
PAETEC pre-acquisition depreciation and amortization expense	-	-	-	-	301.7	55.0	80.7	83.7	82.3
Pro forma OIBDA (B)	<u>1,752.1</u>	<u>586.8</u>	<u>578.2</u>	<u>587.1</u>	<u>2,226.8</u>	<u>436.4</u>	<u>599.1</u>	<u>594.9</u>	<u>596.4</u>
Other adjustments:									
Pension expense (benefit)	(1.3)	(1.4)	1.2	(1.1)	166.3	163.1	(0.7)	4.1	(0.2)
Restructuring charges	23.3	12.1	10.3	0.9	1.3	0.6	0.5	0.1	0.1
Stock-based compensation	19.3	5.6	6.3	7.4	24.1	6.7	6.0	6.1	5.3
PAETEC stock-based compensation prior to acquisition	-	-	-	-	15.8	5.0	5.4	2.8	2.6
Pro forma adjusted OIBDA (C)	<u>\$ 1,793.4</u>	<u>\$ 603.1</u>	<u>\$ 596.0</u>	<u>\$ 594.3</u>	<u>\$ 2,434.3</u>	<u>\$ 611.8</u>	<u>\$ 610.3</u>	<u>\$ 608.0</u>	<u>\$ 604.2</u>
Reconciliation of Capital Expenditures under GAAP to Pro forma Adjusted Capital Expenditures:									
Capital expenditures under GAAP	\$ 809.4	\$ 307.3	\$ 276.0	\$ 226.1	\$ 702.0	\$ 195.4	\$ 177.1	\$ 171.0	\$ 158.5
Pro forma adjustments:									
PAETEC capital expenditures prior to acquisition	-	-	-	-	190.0	43.5	45.6	52.9	48.0
Pro forma capital expenditures	<u>\$ 809.4</u>	<u>\$ 307.3</u>	<u>\$ 276.0</u>	<u>\$ 226.1</u>	<u>\$ 892.0</u>	<u>\$ 238.9</u>	<u>\$ 222.7</u>	<u>\$ 223.9</u>	<u>\$ 206.5</u>
Less: Integration capital expenditures	30.0	18.3	8.9	2.8	-	-	-	-	-
Pro forma adjusted capital expenditures (D)	<u>\$ 779.4</u>	<u>\$ 289.0</u>	<u>\$ 267.1</u>	<u>\$ 223.3</u>	<u>\$ 892.0</u>	<u>\$ 238.9</u>	<u>\$ 222.7</u>	<u>\$ 223.9</u>	<u>\$ 206.5</u>

- (A) Pro forma results adjusts results of operations under GAAP to include the acquisition of 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.
- (B) OIBDA is operating income before depreciation and amortization.
- (C) Pro forma adjusted OIBDA adjusts pro forma OIBDA for the impact of restructuring charges, pension expense and stock-based compensation.
- (D) Pro forma adjusted capital expenditures exclude the impact of integration capital expenditures.