

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

	THREE MONTHS ENDED			
	March 31, 2013	March 31, 2012	Increase (Decrease) Amount	%
UNDER GAAP (A):				
Revenues and sales:				
Service revenues	\$ 1,455.2	\$ 1,486.3	\$ (31.1)	(2)
Product sales	45.2	52.0	(6.8)	(13)
Total revenues and sales	<u>1,500.4</u>	<u>1,538.3</u>	<u>(37.9)</u>	(2)
Costs and expenses:				
Cost of services (exclusive of depreciation and amortization included below)	641.3	660.2	(18.9)	(3)
Cost of products sold	43.4	44.9	(1.5)	(3)
Selling, general and administrative	239.8	252.1	(12.3)	(5)
Depreciation and amortization	329.5	312.1	17.4	6
Merger and integration costs	5.1	22.3	(17.2)	(77)
Restructuring charges	4.9	0.9	4.0	*
Total costs and expenses	<u>1,264.0</u>	<u>1,292.5</u>	<u>(28.5)</u>	(2)
Operating income	236.4	245.8	(9.4)	(4)
Other income, net	2.3	6.6	(4.3)	(65)
(Loss) gain on early extinguishment of debt	(13.8)	1.9	(15.7)	*
Interest expense	<u>(168.9)</u>	<u>(156.5)</u>	<u>(12.4)</u>	(8)
Income from continuing operations before income taxes	56.0	97.8	(41.8)	(43)
Income taxes	<u>3.7</u>	<u>37.3</u>	<u>(33.6)</u>	(90)
Income from continuing operations	52.3	60.5	(8.2)	(14)
Discontinued operations	—	(0.1)	0.1	*
Net income	<u>\$ 52.3</u>	<u>\$ 60.4</u>	<u>\$ (8.1)</u>	(13)
Weighted average common shares	586.6	583.7	2.9	—
Common stock outstanding	592.7	588.2	4.5	1
Basic and diluted earnings per share:				
Net income (loss)	\$ 0.09	\$ 0.10	\$ (0.01)	(10)
PRO FORMA RESULTS OF OPERATIONS (B):				
Revenues and sales	\$ 1,500.4	\$ 1,538.3	\$ (37.9)	(2)
OIBDA (C)	\$ 571.0	\$ 580.2	\$ (9.2)	(2)
Adjusted OIBDA (D)	\$ 587.1	\$ 587.4	\$ 0.3	—
Adjusted capital expenditures (E)	\$ 233.9	\$ 223.3	\$ 10.6	5

* = Not meaningful

- (A) We have revised the first three quarters of 2012 to reflect a change in the accounting for certain promotional credits for new consumer customers. Previously, these credits were deferred and amortized as a reduction of revenue over the length of the contract with the customer, whereas they should have been recognized in the month the credits were issued. We have determined that these corrections were not material to the periods affected.
- (B) Pro forma results adjusts 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. For further details on these adjustments, see the Notes to Unaudited Reconciliation of Operating Income and Capital Expenditures Under GAAP to 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 Operating Income and Capital Expenditures Under GAAP to Pro Forma Adjusted OIBDA and Pro Forma Capital Expenditures.
- (E) Adjusted capital expenditures exclude the impact of integration capital expenditures. For further details on these adjustments, see the Notes to Unaudited Reconciliation of Operating Income and Capital Expenditures Under GAAP to Pro Forma Adjusted OIBDA and Pro Forma Capital Expenditures.

WINDSTREAM CORPORATION
 UNAUDITED SUPPLEMENTAL OPERATING INFORMATION
 (In thousands)

	THREE MONTHS ENDED			
	March 31, 2013	March 31, 2012	Increase (Decrease) Amount	%
Business operating metrics:				
Customers (A)				
Enterprise (B)	183.2	171.1	12.1	7
Small business (C)	443.8	481.2	(37.4)	(8)
Total customers	627.0	652.3	(25.3)	(4)
Net customer losses	(6.3)	(6.8)	0.5	(7)
Carrier special access circuits (D)	103.6	112.9	(9.3)	(8)
Consumer operating metrics:				
Voice lines	1,812.9	1,911.5	(98.6)	(5)
Net voice line losses	(29.0)	(16.4)	(12.6)	(77)
High-speed Internet	1,205.9	1,215.3	(9.4)	(1)
Net high-speed Internet (losses) additions	(8.6)	7.5	(16.1)	*
Digital television customers	421.1	440.3	(19.2)	(4)
Total consumer connections	3,439.9	3,567.1	(127.2)	(4)

* 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.

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

ASSETS

	March 31, 2013	December 31, 2012
CURRENT ASSETS:		
Cash and cash equivalents	\$ 54.4	\$ 132.0
Restricted cash	18.9	26.5
Accounts receivable, net	594.1	614.1
Inventories	71.4	75.0
Deferred income taxes	145.0	249.5
Prepaid income taxes	26.6	23.3
Prepaid expenses and other	204.2	179.7
	<u>1,114.6</u>	<u>1,300.1</u>
Total current assets	1,114.6	1,300.1
Goodwill	4,340.9	4,340.9
Other intangibles, net	2,236.9	2,311.3
Net property, plant and equipment	5,858.2	5,862.7
Other assets	172.9	167.0
	<u>\$ 13,723.5</u>	<u>\$ 13,982.0</u>
TOTAL ASSETS	<u>\$ 13,723.5</u>	<u>\$ 13,982.0</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

	March 31, 2013	December 31, 2012
CURRENT LIABILITIES:		
Current maturities of long-term debt and capital lease obligations	\$ 888.0	\$ 881.6
Current portion of interest rate swaps	28.6	29.0
Accounts payable	301.5	363.7
Advance payments and customer deposits	223.2	223.3
Accrued dividends	149.2	148.9
Accrued taxes	96.2	104.3
Accrued interest	160.8	113.6
Other current liabilities	257.4	304.0
	<u>2,104.9</u>	<u>2,168.4</u>
Total current liabilities	2,104.9	2,168.4
Long-term debt and capital lease obligations	8,108.7	8,114.9
Deferred income taxes	1,815.2	1,896.3
Other liabilities	670.8	697.6
	<u>12,699.6</u>	<u>12,877.2</u>
Total liabilities	12,699.6	12,877.2
SHAREHOLDERS' EQUITY:		
Common stock	0.1	0.1
Additional paid-in capital	1,023.1	1,098.3
Accumulated other comprehensive income	0.7	6.4
Retained earnings	—	—
	<u>1,023.9</u>	<u>1,104.8</u>
Total shareholders' equity	1,023.9	1,104.8
	<u>\$ 13,723.5</u>	<u>\$ 13,982.0</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 13,723.5</u>	<u>\$ 13,982.0</u>

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

	THREE MONTHS ENDED	
	March 31, 2013	March 31, 2012
Cash Provided from Operations:		
Net income	\$ 52.3	\$ 60.4
Adjustments to reconcile net income to net cash provided from operations:		
Depreciation and amortization	329.5	312.1
Provision for doubtful accounts	16.1	14.7
Share-based compensation expense	12.4	7.4
Deferred income taxes	26.9	35.8
Unamortized net premium on retired debt	(38.7)	(16.2)
Amortization of unrealized losses on de-designated interest rate swaps	13.2	11.1
Plan curtailment and other, net	(22.6)	(13.1)
Changes in operating assets and liabilities, net:		
Accounts receivable	3.9	(9.9)
Income tax receivable	—	121.1
Prepaid income taxes	(3.3)	(1.0)
Prepaid expenses and other	(25.6)	(56.9)
Accounts payable	(69.2)	22.8
Accrued interest	47.2	10.0
Accrued taxes	(8.1)	(14.7)
Other current liabilities	(31.6)	(42.3)
Other liabilities	(16.1)	(6.3)
Other, net	18.3	3.8
Net cash provided from operations	<u>304.6</u>	<u>438.8</u>
Cash Flows from Investing Activities:		
Additions to property, plant and equipment	(243.5)	(226.1)
Broadband network expansion funded by stimulus grants	(11.9)	(12.0)
Changes in restricted cash	7.6	(3.9)
Grant funds received for broadband stimulus projects	13.3	6.7
Disposition of wireless assets	—	57.0
Other, net	—	2.6
Net cash used in investing activities	<u>(234.5)</u>	<u>(175.7)</u>
Cash Flows from Financing Activities:		
Dividends paid on common shares	(148.1)	(146.5)
Repayment of debt and swaps	(2,164.9)	(774.4)
Proceeds of debt issuances	2,195.0	505.0
Debt issuance costs	(19.6)	(2.2)
Payment under capital lease obligations	(4.0)	(5.4)
Other, net	(6.1)	(2.4)
Net cash used in financing activities	<u>(147.7)</u>	<u>(425.9)</u>
Decrease in cash and cash equivalents	(77.6)	(162.8)
Cash and Cash Equivalents:		
Beginning of period	132.0	227.0
End of period	<u>\$ 54.4</u>	<u>\$ 64.2</u>

WINDSTREAM CORPORATION

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

(In millions)

		THREE MONTHS ENDED	
		March 31, 2013	March 31, 2012
Operating income from continuing operations under GAAP		\$ 236.4	\$ 245.8
Pro forma adjustments:			
M&I costs	(B)	5.1	22.3
Pro forma operating income		241.5	268.1
Depreciation and amortization expense	(B)	329.5	312.1
Pro forma OIBDA		571.0	580.2
Other adjustments:			
Pension expense	(B)	(1.2)	(1.1)
Restructuring charges	(B)	4.9	0.9
Share-based compensation	(B)	12.4	7.4
Pro forma adjusted OIBDA		\$ 587.1	\$ 587.4
Capital expenditures under GAAP		\$ 243.5	\$ 226.1
Pro forma adjustments:			
Integration capital expenditures		9.6	2.8
Pro forma adjusted capital expenditures	(C)	\$ 233.9	\$ 223.3

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

(B) Represents applicable expense as reported under GAAP.

(C) Pro forma adjusted capital expenditures exclude the impact of integration capital expenditures.

WINDSTREAM CORPORATION

NOTES TO UNAUDITED RECONCILIATION OF OPERATING INCOME AND CAPITAL EXPENDITURES UNDER GAAP TO PRO FORMA ADJUSTED OIBDA, PRO FORMA ADJUSTED CAPITAL EXPENDITURES

Windstream Corporation ("we," "us" or "our") has disclosed in our Form 8-K furnished on May 9, 2013, that we have presented in this package unaudited pro forma results, which excludes all merger and integration costs resulting from strategic transactions and the results of operations of the energy business acquired as part of PAETEC, which was included in discontinued operations and sold during the second quarter of 2012. 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 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 month period ended March 31, 2013, to the results of operations for the same periods of 2012 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 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 risks associated with any non-compliance by us with regulations or statutes applicable to government programs under which we receive material amounts of end user revenue and government subsidies, leading to possible suspension or debarment from future participation in the programs for a significant period of time; or non-compliance by us, our partners, or our subcontractors with any terms of our government contracts, potentially harming to our reputation with government agencies and resulting in possible restriction in future government activities; 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 or intellectual property infringement claims asserted against us; 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, 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. 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.