

WINDSTREAM CORP  
Form 10-Q  
November 04, 2011  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2011

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 1-32422

WINDSTREAM CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of  
incorporation or organization)

20-0792300

(I.R.S. Employer  
Identification No.)

4001 Rodney Parham Road,  
Little Rock, Arkansas

(Address of principal executive offices)

72212

(Zip Code)

Registrant's telephone number, including area code (501) 748-7000

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  YES  NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).  YES  NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated  
filer  Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act).  YES  NO

Number of common shares outstanding as of October 31, 2011: 515,815,356

The Exhibit Index is located on page 55.

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\*No reportable information under this item.

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PART I – FINANCIAL INFORMATION

## Item 1. Financial Statements

## CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(Millions, except per share amounts)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2011	2010	2011	2010
Revenues and sales:				
Service revenues	\$994.7	\$938.9	\$2,993.7	\$2,665.3
Product sales	28.6	26.9	83.1	65.7
Total revenues and sales	1,023.3	965.8	3,076.8	2,731.0
Costs and expenses:				
Cost of services (exclusive of depreciation and amortization included below)	372.8	350.7	1,116.3	977.8
Cost of products sold	24.5	22.7	68.6	56.9
Selling, general and administrative	135.1	130.6	409.2	369.9
Depreciation and amortization	204.0	179.9	606.4	503.0
Merger, integration and restructuring	20.4	11.7	34.6	52.2
Total costs and expenses	756.8	695.6	2,235.1	1,959.8
Operating income	266.5	270.2	841.7	771.2
Other expense, net	(1.5	) (3.0	) (2.1	) (4.2
Loss on early extinguishment of debt	(20.5	) —	(124.4	) —
Interest expense	(134.2	) (132.3	) (417.1	) (378.9
Income before income taxes	110.3	134.9	298.1	388.1
Income taxes	38.8	49.7	109.9	149.8
Net income	\$71.5	\$85.2	\$188.2	\$238.3
Basic and diluted earnings per share				
Net income	\$.14	\$.18	\$.37	\$.51

See the accompanying notes to the unaudited interim consolidated financial statements.

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## CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(Millions)	September 30, 2011	December 31, 2010
Assets		
Current Assets:		
Cash and cash equivalents	\$ 34.3	\$ 42.3
Restricted cash	9.2	—
Accounts receivable (less allowance for doubtful accounts of \$29.5 and \$27.8, respectively)	386.2	373.9
Inventories	60.8	52.5
Deferred income taxes	92.6	44.8
Prepaid income taxes	126.6	62.9
Prepaid expenses and other	63.1	60.7
Assets held for sale	50.6	50.6
Total current assets	823.4	687.7
Goodwill	3,720.4	3,704.0
Other intangibles, net	1,872.1	2,038.5
Net property, plant and equipment	4,825.6	4,772.7
Other assets	177.6	150.8
Total Assets	\$ 11,419.1	\$ 11,353.7
Liabilities and Shareholders' Equity		
Current Liabilities:		
Current maturities of long-term debt	\$ 44.8	\$ 139.2
Current portion of interest rate swaps	32.3	35.4
Accounts payable	171.7	151.3
Advance payments and customer deposits	142.4	145.8
Accrued dividends	129.5	126.5
Accrued taxes	90.8	81.2