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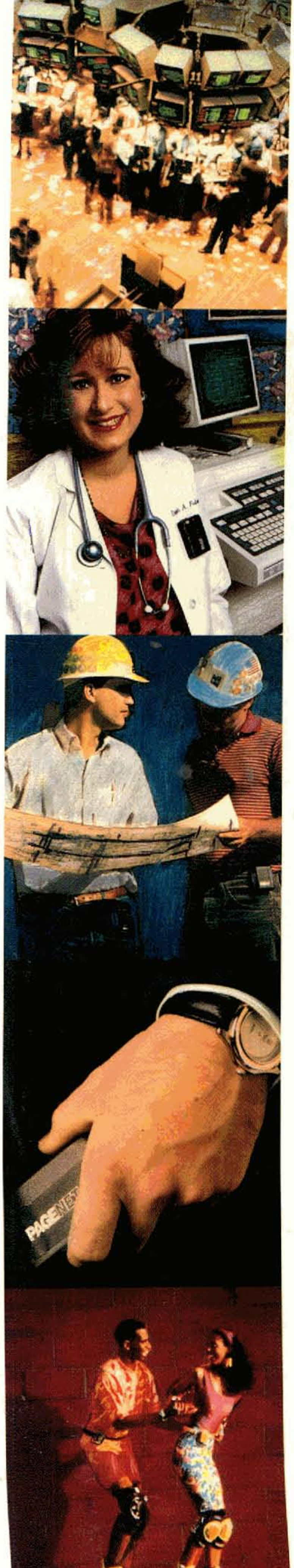
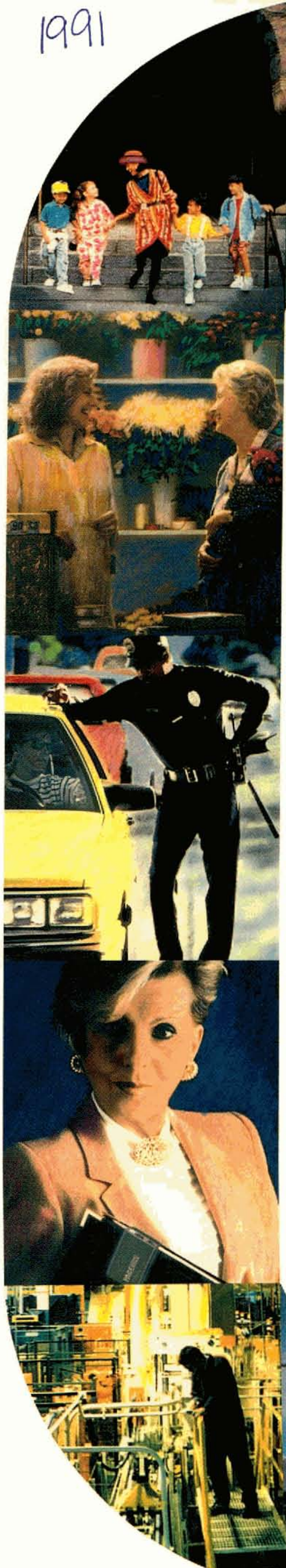




In 1991

PageNet celebrated its

tenth anniversary.

And at year-end,

PageNet had 1,281,643

pagers in service

helping our

mobile society

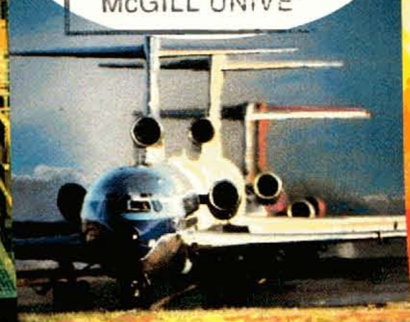
in 21 states and

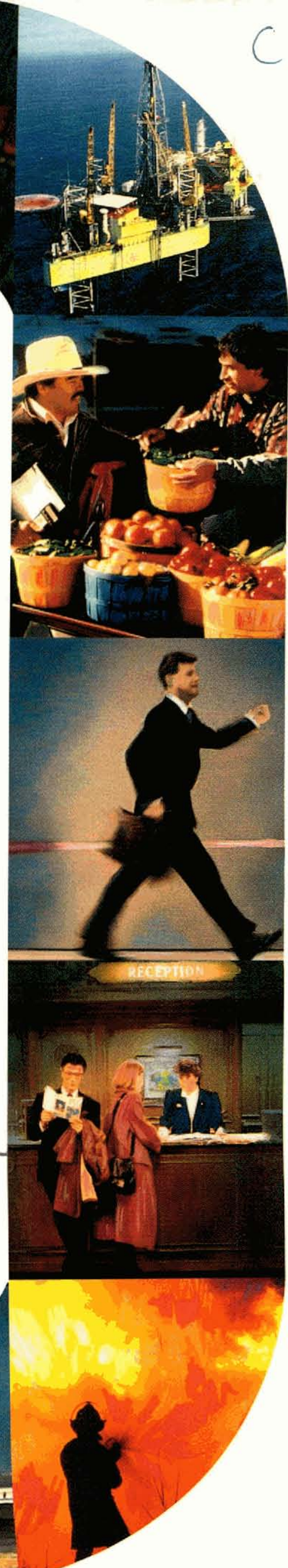
the District of Columbia

stay in touch

across the country or

around the block.





About the Company

Paging Network, Inc. (PageNet) is the largest and fastest growing major provider of paging services in the United States.

Its operating cash flow, the key performance measure in the paging industry, and operating cash flow margins are among the best in the industry.

PageNet has achieved this distinction by providing service to selected major metropolitan areas and aggressively pricing its services at rates generally below the competition. With its state-of-the-art, high-quality transmission systems, PageNet can maintain a low cost structure while providing excellent customer service at a reasonable price.

PageNet's common stock began trading publicly in October 1991.

Contents

1991 Financial Highlights

(Dollars in thousands, except per share and pagers in service amounts)

	1990	**1991**
Revenues	$111,214	**$ 153,242**
Net Loss	$ (832)	**$ (9,258)**
Net Loss Per Share	$ (0.03)	**$ (0.33)**
Operating Cash Flow (a)	$ 39,270	**$ 57,261**
Pagers in Service	892,389	**1,281,643**

(a) Operating income before depreciation and amortization

To Our Stockholders, Employees and Friends:

In 1991 PageNet celebrated its tenth anniversary. The company was formed in 1981, and in 1982 and 1983 we began acquiring paging operations. Since 1983, our first full year of operation, revenues have experienced a 40 percent compound annual growth rate and pretax operating cash flow, the key performance measure in the industry, a 47 percent compound annual growth rate.

OPERATING CASH FLOW
(in millions)

Today we are the leader in the paging industry – with the largest subscriber base, the fastest rate of growth among the major paging companies and one of the highest margins.

We're proud of our progress and pleased to share the successes of 1991 and our plans for the future in this annual report, the first since our initial public offering in October, 1991.

Financial Results In 1991 PageNet added a record 389,254 new pagers to service bringing the total pagers in service to 1,281,643, compared to 892,389 at December 31, 1990. Due to the increase in pagers in service, revenues for the year ended December 31, 1991 increased 37.8 percent over 1990 to $153,242,000. Beginning with the fourth quarter of 1991, we have reclassified the cost of pagers sold to net against product sales revenue. The reclassification reduces total revenue, but more appropriately presents the importance of recurring revenues from the company's core business – the services, rental and maintenance of pagers.

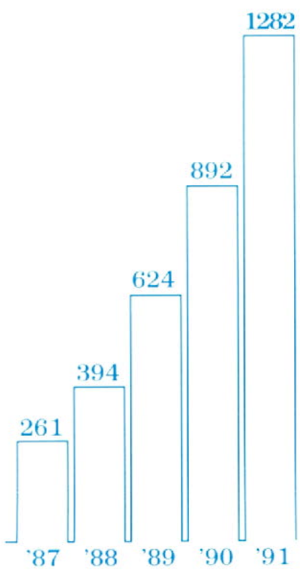
Earnings from operations before interest, taxes, depreciation and amortization, which is commonly called operating cash flow and, as I've noted, is the key performance measure in the industry, also increased 45.8 percent over 1990 to $57,261,000. Operating cash flow margins from net revenue increased from 35.4 percent in 1990 to 37.4 in 1991.

As we anticipated, we reported net losses for the year of $9,258,000, or a loss of 33 cents per share, compared to a net loss of $832,000 in 1990, or a loss of three cents per share. The loss for 1990 included a gain of $17,685,000 from the sale of non-strategic paging operations. Without the sale the net loss for 1990 would have been $18,517,000.

"...Operating cash flow..., the key performance measure in the industry, increased 45.8 percent over 1990.... Operating cash flow margins from net revenue increased from 35.4 percent in 1990 to 37.4 in 1991."

Analyzing Results Understanding PageNet's financial results requires an understanding of our business. The company derives the majority of its revenue from fixed monthly fees which continue as long as the subscriber retains the service, thus providing a significant long-term cash flow.

Our objective is to increase the number of subscribers in existing markets and to continue expanding into other markets. While this strategy requires substantial



PAGERS IN SERVICE WITH SUBSCRIBERS
(in thousands)

capital, it will generate an ever-increasing, long-term revenue stream. We believe that PageNet's long-term operating cash flow, discounted to present value and less outstanding debt, represents the best method of valuating the company rather than traditional valuation approaches such as price/earnings ratios, book value or dividends.

As we expand our subscriber base in both existing and new markets, we expect further increases in revenue and operating cash flow. Following this aggressive growth strategy, we do not expect to report earnings for the foreseeable future.

Accomplishments and Goals Our most impressive accomplishment for 1991 was the record-setting growth rate which was achieved without sacrificing margin performance. We expect to accomplish similar results in 1992.

We became the largest company in the paging industry by adding a company and industry record 389,254 pagers to service through internal growth. In 1992 we expect to out-pace our 1991 subscriber growth substantially.

Thirty-five percent of 1991's growth came from the reseller market. By year-end more than 750 resellers were buying access to PageNet's transmission systems, and usually pagers as well, for sale to their own customers. While we have marketed to resellers for several years, 1991 was especially successful because of a pilot program tested in several markets. This pilot program used resellers to reach specific market segments our direct sales force had been unsuccessful in penetrating. Because of the results from the pilot program, we are expanding the reseller program.

In 1991 we also began to offer paging services to individual consumers through retail chains. While we expect sales through retailers to be a small portion of our total business in 1992, each service area is developing this distribution channel. We have recently created a new senior-level management position to focus on the potential from the reseller and retail distribution channels. However, while we expect reseller and retailer sales to begin producing a greater percentage of our business, we will continue to market aggressively through our direct salesforce.

■ "Our most impressive accomplishment for 1991 was the record-setting growth rate which was achieved without sacrificing margin performance."

Growing the Company In 1992 we will enter several new geographic markets in the first of a multi-year expansion program. In late spring we will begin operations in Dallas/Fort Worth, Texas; Atlanta, Georgia; and Cleveland/Akron, Cincinnati/Dayton and Columbus, Ohio. Other new markets are expected to be announced later in the year.

To support our anticipated growth, in 1991 we began to make several management and systems changes.

We added two new regional presidents, expanding our operations from four to six regions. Since we believe our growth is limited only by our ability to attract quality people and train and promote employees from within, we have also created a new position of vice president-human resources to address these needs.

We also began converting to a new computer system in order to be prepared for significant subscriber growth and to enhance our operating efficiencies and customer service.

Several existing offices which provide sales and service to heavily populated areas also will be divided into two or more offices to provide better service to the customer and to improve market penetration.

Historically, newly opened geographic markets (start-ups) have broken even on cash flow during their second year of operation and reach operating cash flow margins above 40 percent in their fourth year of operation. Newly created offices in existing service areas suffer a temporary decline in cash flow. As a result of the effects of start-ups and newly created offices, operating cash flow margins in 1992 will decline slightly from the 37.4 percent of 1991. Excluding the effect of start-ups, cash flow margins in 1992 would exceed 1991's percentage.

As we expand our business, we will continue our commitment to be a technological leader in the industry since much of our efficiencies are a result of state-of-the-art equipment. Most significantly, we will begin to install 2400 Baud systems. These systems will increase the number of pagers a channel can effectively service from approximately 150,000 currently to approximately 300,000, thus lowering the operating cost per pager.

Commitment to Stockholders Finally, we intend to financially manage the company to maximize the return to stockholders. We received an outstanding reception in October as we told PageNet's story to potential stockholders in the United States and Europe. The total number of shares sold in the offering was 8,050,000, including the underwriter's exercise of the over-allotment options of 1,050,000 shares.

The net proceeds to the company from the offering, approximately $116,000,000, were used to reduce debt. We ended 1991 with $146,029,000 in debt and $118,971,000 available for borrowing under a credit agreement with a group of major banks. The company's debt service costs are well-covered by operating cash flow.

In Conclusion Throughout our history, the employees of PageNet have demonstrated their resolve and talents by creating the leading supplier of paging services in the United States. Given their abilities and the strong growth projections for the paging industry, I continue to be optimistic about PageNet's future. And, I'm pleased you, our stockholders, will participate in our future successes.

George M. Perrin

George M. Perrin
President and Chief Executive Officer
February 2, 1992

PageNet's senior management team (l to r) – Terry L. Scott, Senior Vice President - Finance and Administration and Chief Financial Officer; George M. Perrin, President and Chief Executive Officer; and Phillip J. Scott, Senior Vice President - Operations and Chief Operating Officer.

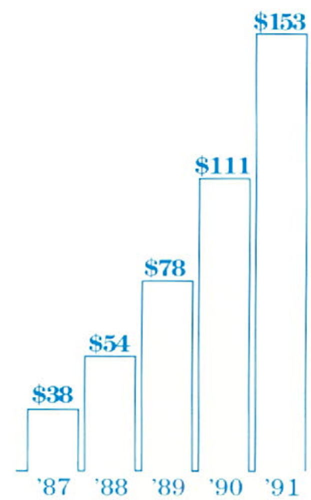
PageNet became the largest company in the paging industry by adding a record 389,254 pagers to service in 1991, including pagers at the Boise Cascade Office Products Corporation headquarters near Chicago.

While the growth rate of the paging industry is difficult to determine exactly, industry sources indicate the number of pagers in service has been growing at a rate of about 20 percent per year.

PageNet has performed substantially better. Since 1986, the company's compound annual growth rate was 51 percent. All of PageNet's growth has come through internal expansion, rather than acquisition of existing operations.

Review of Operations

Dramatic growth has been the highlight of PageNet's history since it was formed in 1981. Today, the company is an industry leader with



NET REVENUES
(in millions)

- 1,281,643 pagers in service at year-end, an industry high;
- Service to 21 states and the District of Columbia,covering about 50 percent of the population of the United States;
- $153,242,000 in revenue; and
- $57,261,000 in operating cash flow, the key performance measurement in the paging industry.

The company's dramatic success has come from a basic strategy executed effectively:

- Increase market share and the number of pagers in service by targeting selected large metropolitan markets; installing efficient, high-quality transmission systems; establishing the lowest cost operating structure; and aggressively pricing services at rates generally below the competition.

PageNet Products Link Mobile Society

If you don't have a pager today, you probably know someone who does. Paging services link individuals and organizations whose businesses require a high degree of mobility – medical personnel, sales and service organizations, specialty trades, construction and manufacturing companies, government agencies and the like.

Each subscriber receives a distinct telephone number which a caller dials to activate the subscriber's pager. When a phone call for a subscriber is received at one of PageNet's computerized paging terminals, the company transmits a radio signal to the subscriber's pocket-sized radio receiver. The signal causes the pager to beep or vibrate and, with certain products, provide the subscriber with additional information from the caller.

PageNet Offers Array of Services

The company offers four basic types of paging service – digital display, tone-only, tone-plus-voice and alphanumeric display. Ninety-two percent of PageNet's pagers in service, however, are digital display. With a digital display, the caller can transmit a numeric message such as a telephone or account number to the subscriber.

■ "Subscribers can receive local, regional or nationwide paging service from PageNet."

Subscribers can receive local, regional or nationwide paging service from PageNet. In fact, PageNet is the only paging company that has the capability within its own facilities of providing those options. Other companies either do not offer these paging coverage options or contract with a third-party to provide them.

In addition to paging services, the company provides voice messaging and personalized and automated answering services, marketed under the names PageMail® or PageMail Box℠. With these services when a caller reaches the subscriber's pager number, a message recorded in the subscriber's voice is heard. The caller has the option of inputting a numeric message or recording a voice message. Numeric messages appear on the pager immediately. Notification of a voice message also occurs immediately, and the subscriber can retrieve the message from a touch-tone phone.

The company's SurePage™ service is a paging package that includes a digital display pager and PageMail or PageMail Box message retrieval system which guarantees the subscriber will not miss a page even when out of the service area.

Low Cost, High Quality, Coverage Options Are Keys to Success

"What sets PageNet apart, in addition to its geographic coverage, is its price and quality."

Paging is a competitive business. What sets PageNet apart, in addition to its geographic coverage, is its price and quality.

PageNet can provide high-quality service at a low cost for three reasons.

First, the company has built an administrative and technical structure consistent with its low-cost philosophy. The corporate staff is lean, and sales and service operations function as independent, entrepreneurial businesses.

Second, the company invests in top-quality, large-capacity transmission and customer information systems. Historically, PageNet has entered new geographic markets by constructing paging networks, rather than purchasing existing systems. Newly built systems have state-of-the-art, cost-saving features such as remote diagnostic capabilities, which reduce the number of service technicians necessary. State-of-the-art systems also are used as the company expands in existing markets.

Building its own systems, rather than growing by acquisitions, also allows PageNet to operate under fewer frequencies. Since each pager is tuned to a single frequency, operating on a small number of frequencies reduces pager inventory and the expense of redundant broadcast systems.

Third, as the dominant supplier of paging services in the United States, PageNet purchases large volumes of both pagers and transmitters. These volumes allow the company to obtain price discounts not generally available.

"PageNet's costs...have declined even faster than average monthly fees so operating margins have increased."

PageNet's use of technologically advanced systems and the economies of scale inherent to the largest company in the industry have allowed the company to reduce average monthly fees to subscribers 35 percent since 1983. PageNet's costs, however, have declined even faster so operating margins have increased.

Quality Service Keeps Customers

Customers measure the service of a paging company by its reliability – can a page reach the customer in the geographic area he or she travels and are the transmitting systems always operational? PageNet excels in both.

The effective operating radius of a paging transmitter is about 20 to 30 miles. PageNet links transmitters to form networks. Regional coverage is provided by linking metropolitan-area networks – one of the largest stretches from Concord, New Hampshire to Norfolk, Virginia. Nationwide service allows a local phone number simultaneously to access virtually all markets in which the company does business. For areas of the country not served by the company, PageNet acts as a reseller for another national paging service.

Linking several transmitters in an area also assures that paging signals will be received – no matter what the local terrain or density of the buildings.

In addition, in 1983, PageNet's engineers were the first to develop the 900MHz paging system, which also improves system performance in densely built cities. Today other paging companies have followed PageNet's lead in using this state-of-the-art system.

To assure that transmission systems remain in service, PageNet continually monitors them by computer from centralized locations to detect problems before they occur. A regular schedule of preventive maintenance is also strictly followed.

Large and small businesses across the country rely on PageNet because of its competitive prices and reliability.

The company links transmitters throughout a metropolitan area to assure that a page is received – no matter what the local terrain or the density of the buildings.

For businesses that need coverage beyond a metropolitan area, PageNet links its metropolitan-area networks to form regional paging areas. Regional areas are linked to provide nationwide coverage.

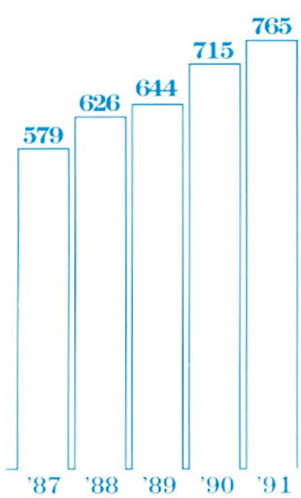
Decentralized Operations Provide Improved Customer Awareness

■ "To operate the largest and fastest growing major paging company requires strong operational managers responsive to the needs of their customers."

To operate the largest and fastest growing major paging company requires strong operational managers responsive to the needs of their customers. Six regional presidents manage the company's sales and service operations across the country. Each makes marketing, staffing, administrative and operational decisions responsive to their locations. The regional presidents as well as the local general managers are paid, in part, on individual performance.

The success of the reseller program in 1991 illustrates the benefits of the decentralized approach. Resellers, who buy time on PageNet's transmission system for sale to their own customers, accounted for 5.9 percent of pagers in service in 1990.

In 1991, however, the reseller portion increased to 14.9 percent of pagers in service. The increase was largely due to the expansion of a pilot program begun in 1990 that targeted the use of resellers to sell to market segments the direct sales force had been unsuccessful in reaching. Because of this success, the approach will be used in other parts of the country in 1992.



PAGERS IN SERVICE PER EMPLOYEE

The retail market also offers significant growth opportunities. With PageNet's monthly fee for a pager averaging a modest $11.75 and the growing awareness of the benefits of mobile communications, consumers are beginning to show a significant interest. And, unlike cellular phones, pagers are smaller, have longer battery lives and are substantially less expensive.

Retail outlets sell pagers, and PageNet bills the monthly fee to the customer directly. (Resellers bill their customers.) Retail chains in California and the Northeast already offer PageNet products. In 1992 each service area will begin a retail marketing program.

PageNet is increasing its focus on the alternative distribution channels provided by retailers and resellers.

Retailers such as the Emporium in California, pictured here, reach individuals who are aware of the benefits of mobile communications and attracted by PageNet's low monthly fee. Retailers purchase pagers from PageNet to sell to their customers. PageNet bills the monthly fee directly to the retailers' customers.

Resellers buy access to PageNet's paging system to sell to their own customers. About 35 percent of PageNet's increase in pagers in service in 1991 came from the reseller market.

■ "Substantial additional growth opportunities exist by building new transmission facilities in other geographic areas and by extending the reach of marketing programs for existing systems."

PageNet's unprecedented growth has come from major metropolitan areas in the United States (see listing on page 32). Substantial additional growth opportunities exist by building new transmission facilities in other areas and by extending the reach of marketing programs for existing systems. PageNet will do both in 1992.

The company will begin operations in several new geographic markets, including Dallas/Fort Worth, Texas; Cincinnati/Dayton, Columbus and Cleveland/Akron, Ohio; and Atlanta, Georgia. Others are expected to be announced later in 1992.

Several existing operations in densely populated areas such as Detroit, Michigan and Houston, Texas will open satellite offices to better service customers and improve market penetration.

Setting Standards for Growth

The growth rate of the paging industry is difficult to determine precisely. However, industry sources indicate that the number of pagers in service has been growing at a rate of nearly 20 percent a year, illustrating the wide appeal and broadening market for paging services.

PageNet is poised on the leading edge of this rapidly growing industry.

PageNet's growth in pagers in service with subscribers has been well above the industry average. In 1991, a year when the company opened no new geographic markets, PageNet increased pagers in service 44 percent over 1990. The company's compound annual growth rate is 51 percent since 1986 and 48.7 percent since 1982.

Following its high-quality, low-cost strategy, PageNet's talented and motivated employees have capitalized on the emerging paging market during the past ten years. The future for the industry looks even brighter, and PageNet intends to continue building on its successes.

Paging Network, Inc.
1991 Annual Report

Selected Financial and Operating Data

The following selected financial data for the five years ended December 31, 1991, are derived from the Consolidated Financial Statements of the Company. The data should be read in conjunction with the Company's Consolidated Financial Statements, related Notes and other financial information included herein. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Consolidated Statement of Operations Data:

(In thousands except per share data)

	Year Ended December 31,				
	1987	1988	1989	1990	**1991**
Net Revenues (1)	$ 38,420	$ 53,744	$ 77,808	$ 111,214	**$ 153,242**
Services, rent and maintenance expenses	7,212	9,201	14,218	18,646	**25,093**
Selling expenses	6,339	9,221	13,038	17,671	**21,491**
General and administrative expenses	13,425	17,809	25,234	35,627	**49,397**
Earnings before interest, taxes, depreciation and amortization	11,444	17,513	25,318	39,270	**57,261**
Depreciation and amortization	11,918	14,548	20,425	31,843	**41,154**
Operating income (loss)	(474)	2,965	4,893	7,427	**16,107**
Interest expense	5,291	11,032	18,539	26,004	**25,394**
Other income (2)	3,443	13,226	42	17,745	**29**
Income (loss) before extraordinary item	(2,322)	3,358	(13,604)	(832)	**(9,258)**
Net income (loss)	(2,322)	5,159	(13,604)	(832)	**(9,258)**
Net income (loss) per common share (3)					
Before extraordinary item	(0.07)	0.12	(0.51)	(0.03)	**(0.33)**
Extraordinary item (4)	-	0.06	-	-	**-**
Cash dividends per share	-	-	1.32	0.57	**-**

Other Data:

	1987	1988	1989	1990	**1991**
Pagers in service (at end of period)	260,603	393,764	624,175	892,389	**1,281,643**
Pagers in service per employee (at end of period)	579	626	644	715	**765**
Capital expenditures	$ 26,467	$ 37,785	$ 55,480	$ 64,080	**$ 71,875**

Consolidated Balance Sheet Data:

(in thousands)

	December 31,				
	1987	1988	1989	1990	**1991**
Current assets	$ 4,805	$ 5,427	$ 9,046	$ 11,846	**$ 9,933**
Total assets	70,133	91,114	134,081	162,633	**190,645**
Long-term obligations, less current maturities	59,963	110,096	188,619	234,500	**146,029**
Total stockholders' equity (deficit)	3,004	(26,145)	(74,146)	(89,937)	**16,578**

(1) Net Revenues represent revenues from services, rent and maintenance plus product sales less cost of products sold.

(2) Includes gain on sale of paging operations of $3.4 million in 1987, $13.2 million in 1988 and $17.7 million in 1990.

(3) Includes 186,650 shares of Common Stock issued, or subject to stock options granted, during the period August 15, 1990, through August 14, 1991 (net of shares assumed to be purchased with the proceeds received by the Company upon such issuances or exercises), as if such shares had been outstanding for all periods presented.

(4) Reflects the effect of the utilization of $1.8 million in net operating loss carryforwards for financial reporting purposes in 1988. Because the Company has yet to adopt Statement of Financial Accounting Standards No. 109, the utilization of net operating loss carryforwards is treated as an extraordinary item.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following table presents certain items in the Consolidated Statements of Operations as a percentage of revenues from services, rent and maintenance plus product sales less the cost of products sold (Net Revenues) for the years ended December 31, 1989, 1990 and 1991.

	Year Ended December 31,		
	1989	1990	**1991**
Net Revenues	100.0%	100.0%	**100.0%**
Operating expenses:			
Services, rent and maintenance	18.3	16.7	**16.4**
Selling	16.8	15.9	**14.0**
General and administrative	32.5	32.0	**32.2**
Earnings before interest, taxes, depreciation and amortization	32.4	35.4	**37.4**
Depreciation and amortization	26.2	28.6	**26.9**
Operating income	6.2	6.8	**10.5**
Net loss	(17.5)	(0.7)	**(6.0)**

Year Ended December 31, 1991, Compared to Year Ended December 31, 1990

Net Revenues for the year ended December 31, 1991, increased 37.8% to $153.2 million compared to $111.2 million for the year ended December 31, 1990. Services, rent and maintenance revenues for the year ended December 31, 1991, increased 35.8% to $145.8 million, compared to $107.4 million for the year ended December 31, 1990. The increase was primarily due to continued growth in the number of pagers in service with subscribers of the Company. The number of pagers in service with subscribers at December 31, 1991 was 1,281,643, compared to 892,389 pagers in service with subscribers at December 31, 1990, an increase of 43.6%. Product sales, less cost of products sold, increased from $3.8 million for the year ended December 31, 1990, to $7.5 million for the year ended December 31, 1991 and increased as a percentage of Net Revenues from 3.5% in 1990 to 4.9% in 1991. This increase in product sales is attributable to the Company's continued expansion into the third party reseller market.

Services, rent and maintenance expenses increased 34.6% to $25.1 million for the year ended December 31, 1991, compared to $18.6 million for the year ended December 31, 1990. As a percentage of Net Revenues, however, services, rent and maintenance expenses decreased from 16.7% to 16.4%, primarily as a result of improved operating efficiencies.

For the year ended December 31, 1991, selling expenses increased 21.6% to $21.5 million from $17.7 million for the year ended December 31, 1990. This increase resulted primarily from the addition of sales personnel in virtually all operating markets to support continued growth in both Net Revenues and the number of pagers in service with subscribers. Selling expenses as a percentage of Net Revenues decreased for the year ended December 31, 1991, as compared to the corresponding period in 1990, from 15.9% to 14.0%.

General and administrative expenses increased 38.7% to $49.4 million (32.2% of Net Revenues) for the year ended December 31, 1991, compared to $35.6 million (32.0% of Net Revenues) for the year ended December 31, 1990. This increase was attributable to additional corporate level costs resulting from the new regionalized management structure instituted by the Company in 1991, as the Company expanded the number of regional offices from four to six.

As a result of the above factors, for the year ended December 31, 1991, earnings before interest, taxes, depreciation and amortization increased 45.8% to $57.3 million (37.4% of Net Revenues) compared to $39.3 million (35.4% of Net Revenues) for the corresponding period in 1990.

Depreciation and amortization expenses increased for the year ended December 31, 1991 from the corresponding period in the prior year by 29.2% from $31.8 million to $41.2 million. The increase in depreciation and amortization expenses was primarily attributable to the increase in the number of pagers owned by the Company.

Operating income increased 116.9% to $16.1 million for the year ended December 31, 1991, compared to $7.4 million for the year ended December 31, 1990.

Interest expense for the year ended December 31, 1991, decreased $0.6 million from the year ended December 31, 1990, due to a decrease in the average level of indebtedness outstanding under the Credit Agreement in 1991. Average debt outstanding decreased as the Company applied all net proceeds (approximately $115.7 million) received from its initial public offering against debt.

Net loss for the year ended December 31, 1991, was $9.3 million as compared to net loss of $0.8 million for the year ended December 31, 1990. The year ended December 31, 1990, included a $17.7 million gain on the sale of the Company's Alabama paging properties. Exclusive of this gain, the net loss for such year would have been $18.5 million.

Year Ended December 31, 1990, Compared to Year Ended December 31, 1989

Net Revenues increased 42.9%, from $77.8 million in 1989 to $111.2 million in 1990. Services, rent and maintenance revenues for the year ended December 31, 1990, increased 43.5% to $107.4 million, compared to $74.8 million for the year ended December 31, 1989. The increase was primarily due to continued growth in the number of pagers in service with subscribers of the Company. The number of pagers in service with subscribers at December 31, 1990 was 892,389, compared to 624,175 in service with subscribers at December 31, 1989, an increase of 43.0%. Product sales, less cost of products sold, increased from $3.0 million for the year ended December 31, 1989, to $3.8 million for the year ended December 31, 1990, but declined as a percentage of Net Revenues from 3.9% in 1989 to 3.5% in 1990.

Services, rent and maintenance expenses increased 31.1% to $18.6 million (16.7% of Net Revenues) in 1990 compared to $14.2 million (18.3% of Net Revenues) in 1989. The decrease as a percentage of Net Revenues was due primarily to improved economies of scale achieved as the number of pagers in service with subscribers of the Company continued to grow.

Selling expenses for 1990 increased 35.5% to $17.7 million (15.9% of Net Revenues) from $13.0 million (16.8% of Net Revenues) in 1989. This increase was attributable to an increase in the number of pagers in service with subscribers of the Company, and the sales personnel added to support such growth.

General and administrative expenses were $35.6 million in 1990 compared to $25.2 million in 1989, representing a 41.2% increase. This increase was due largely to the addition of personnel to support the Company's expansion and growing customer base, including the establishment of a regionalized management structure.

Earnings before interest, taxes, depreciation and amortization increased $14.0 million to $39.3 million in 1990 from $25.3 million in 1989 and represented 35.4% of Net Revenues in 1990 compared with 32.4% in 1989.

Depreciation and amortization expenses increased from $20.4 million in 1989 to $31.8 million in 1990 as a result of increased investment by the Company in pagers and technical facilities. Although a significant portion of the investment in technical facilities related to start-up operations established in 1989, the Company did not incur a full year of depreciation expense with respect to these facilities until 1990.

Operating income increased from $4.9 million in 1989 to $7.4 million in 1990. In 1990, start-ups from the prior year generated an operating loss of $1.4 million, while operations established prior to 1989 contributed $8.8 million to operating income.

Interest expense increased by $7.5 million in 1990, as compared to 1989 due to an increase in the average level of indebtedness outstanding under the Credit Agreement in 1990, primarily related to cash dividends paid by the Company in 1989 of approximately $35.0 million and expenditures for pagers, paging equipment and other fixed assets paid in 1990 of approximately $64.1 million. During 1990 and 1989, indebtedness under the Credit Agreement increased $46.0 million and $78.9 million, respectively.

Net loss for 1990 was $0.8 million, as compared to a net loss of $13.6 million for 1989. Exclusive of the $17.7 million gain on the sale of the Alabama paging properties, the net loss for 1990 would have been $18.5 million.

Liquidity and Capital Resources

The Company's operations require substantial capital investment for the development and the installation of paging systems and for the procurement of paging equipment to support the Company's continuing growth. These investments have been funded by net cash provided by operating activities, borrowings and proceeds from sales of certain assets. Capital expenditures were $71.9 million, $64.1 million and $55.5 million for the years ended 1991, 1990 and 1989, respectively.

The Company's net cash provided by operating activities was $43.9 million, $9.3 million and $17.1 million for the years ended 1991, 1990 and 1989, respectively. Long-term obligations, less current maturities, decreased by approximately $88.5 million in 1991, coinciding with the Company's initial public offering whereby net proceeds of approximately $115.7 million were applied against outstanding borrowings under its Credit Agreement. Net increases in borrowings under the Credit Agreement were $46.0 million and $78.9 million for the years ended 1990 and 1989, respectively. The Company also generated approximately $25.5 million of cash through the sale of its paging operations in Alabama in 1990.

As of December 31, 1991, the Company's unused sources of funds consisted of approximately $1.9 million in cash and cash equivalents. In addition, under the Credit Agreement, which expires in June 1998, and conditioned upon meeting certain financial covenants, the Company can borrow up to the lesser of $265 million or a defined borrowing base, in either case reduced by outstanding letters of credit. As of December 31, 1991, the Company's indebtedness under the Credit Agreement was $146.0 million. Under the provisions of the Credit Agreement, the Company had approximately $119.0 million available for borrowing as of December 31, 1991. Management believes funds available under the Credit Agreement, plus funds generated from the Company's operations will be sufficient to meet projected capital expenditure requirements.

In February 1992, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes." The Company has not yet adopted the provisions of Statement No. 109, but it is not anticipated to have a significant adverse impact on the Company's financial position.

Inflation is not a material factor affecting the Company's business. Paging system equipment and transmission costs have not increased and pager costs have actually declined significantly over time (approximately 70% since 1984); this has been reflected in lower prices charged to the Company's subscribers. General operating expenses such as salaries, employee benefits and occupancy costs are, however, subject to normal inflationary pressures.

PAGING NETWORK, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share information)

	Year Ended December 31, 1989	1990	**1991**
Services, rent and maintenance revenues	$ 74,807	$107,371	**$145,793**
Product sales	8,164	10,425	**20,575**
Cost of products sold	(5,163)	(6,582)	**(13,126)**
	77,808	111,214	**153,242**
Operating expenses:			
Services, rent and maintenance	14,218	18,646	**25,093**
Selling	13,038	17,671	**21,491**
General and administrative	25,234	35,627	**49,397**
Depreciation and amortization	20,425	31,843	**41,154**
Total operating expenses	72,915	103,787	**137,135**
Operating income	4,893	7,427	**16,107**
Other income (expense):			
Interest expense (Note 2)	(18,539)	(26,004)	**(25,394)**
Gain on sale of paging operations (Note 1)	–	17,685	**–**
Other	42	60	**29**
Total other income (expense)	(18,497)	(8,259)	**(25,365)**
Net loss	$(13,604)	$ (832)	**$ (9,258)**
Net loss per share (Note 8)	$ (0.51)	$ (0.03)	**$ (0.33)**

See accompanying notes

PAGING NETWORK, INC.
CONSOLIDATED BALANCE SHEETS

(in thousands, except share information)

ASSETS

	December 31, 1990	December 31, 1991
Current assets:		
Cash	$ 1,830	**$ 1,892**
Accounts receivable (less allowance for doubtful accounts of $1,869 and $1,889 in 1990 and 1991, respectively)	7,436	**5,220**
Prepaid expenses	2,580	**2,821**
Total current assets	11,846	**9,933**
Equipment and leasehold improvements:		
Pagers and rental equipment	123,948	**155,784**
Machinery and equipment	44,612	**56,989**
Furniture and fixtures	6,617	**9,931**
Leasehold improvements	3,475	**4,856**
	178,652	**227,560**
Less accumulated depreciation and amortization	47,628	**65,002**
Net equipment and leasehold improvements	131,024	**162,558**
Intangible assets:		
Excess of cost over fair market value of net assets acquired (less accumulated amortization of $3,020 and $3,383 in 1990 and 1991, respectively)	11,473	**11,110**
Other (less accumulated amortization of $2,960 and $4,402 in 1990 and 1991, respectively)	8,290	**7,044**
Net intangible assets	19,763	**18,154**
	$162,633	**$190,645**

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

	1990	1991
Current liabilities:		
Current maturities of long-term obligations	$ 107	**$ –**
Accounts payable and accrued expenses	4,909	**10,678**
Accrued compensation, benefits and related items	393	**785**
Accrued taxes	1,721	**2,077**
Accrued interest	5,157	**5,958**
Customer deposits	5,072	**7,844**
Deferred revenue	711	**696**
Total current liabilities	18,070	**28,038**
Long-term obligations, less current maturities (Note 2)	234,500	**146,029**
Commitments and contingencies (Notes 5 and 7)		
Stockholders' equity (deficit) (Notes 2, 4 and 8):		
Common Stock - $.01 par, authorized 70,000,000 shares, issued and outstanding 26,473,233 shares at December 31, 1990 and 33,486,215 shares at December 31, 1991	265	**335**
Paid-in capital	–	**115,798**
Accumulated deficit	(90,202)	**(99,555)**
Total stockholders' equity (deficit)	(89,937)	**16,578**
	$162,633	**$190,645**

See accompanying notes

PAGING NETWORK, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended December 31,		
	1989	1990	**1991**
Cash flows from operating activities:			
Net loss	$(13,604)	$ (832)	**$(9,258)**
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	19,680	31,057	**40,336**
Amortization of intangible assets	745	786	**818**
Gain on sale of paging operations	–	(17,685)	**–**
Accounts receivable loss provision	2,398	3,787	**5,521**
(Increase) decrease in:			
Accounts receivable	(4,029)	(5,939)	**(3,305)**
Prepaid expenses	(706)	(614)	**(241)**
Increase (decrease) in:			
Accounts payable and accrued expenses	9,106	(6,477)	**5,769**
Accrued compensation, benefits and related items	33	(242)	**392**
Accrued taxes	175	460	**356**
Accrued interest	1,974	3,087	**801**
Customer deposits	1,279	1,888	**2,772**
Deferred revenue	89	16	**(15)**
Total adjustments	30,744	10,124	**53,204**
Net cash provided by operating activities	17,140	9,292	**43,946**
Cash flows from investing activities:			
Proceeds from sale of paging operations	–	25,467	**–**
Additions to equipment and leasehold improvements	(55,480)	(64,080)	**(71,875)**
Other	(749)	(1,442)	**(288)**
Net cash used in investing activities	(56,229)	(40,055)	**(72,163)**
Cash flows from financing activities:			
Increase in long-term obligations	203,200	71,000	**27,913**
Repayments of long-term obligations	(124,889)	(25,389)	**(116,491)**
Proceeds from sale of Common Stock	643	117	**115,883**
Redemption of Common Stock	(41)	(78)	**(110)**
Dividend distribution	(34,999)	(14,998)	**–**
Other	(3,544)	146	**1,084**
Net cash provided by financing activities	40,370	30,798	**28,279**
Net increase in cash	1,281	35	**62**
Cash balance at beginning of year	514	1,795	**1,830**
Cash balance at end of year	$ 1,795	$ 1,830	**$ 1,892**

See accompanying notes

PAGING NETWORK, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)

Years ended December 31, 1989, 1990 and 1991
(in thousands, except share and per share information)

	Common Stock	Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity (Deficit)
Balance, January 1, 1989	$260	$ 8,302	$ (34,707)	$(26,145)
Retirement of 39,473 shares of Common Stock for cash	–	(27)	(14)	(41)
Issuance of 484,538 shares of Common Stock upon exercise of stock options (Note 4)	5	638	–	643
Payment of cash dividend of $1.32 per share	–	(8,913)	(26,086)	(34,999)
Net loss	–	–	(13,604)	(13,604)
Balance, December 31, 1989	265	–	(74,411)	(74,146)
Retirement of 67,983 shares of Common Stock for cash	(1)	(23)	(54)	(78)
Issuance of 70,023 shares of Common Stock upon exercise of stock options (Note 4)	1	116	–	117
Payment of cash dividend of $0.57 per share	–	(93)	(14,905)	(14,998)
Net loss	–	–	(832)	(832)
Balance, December 31, 1990	**265**	**–**	**(90,202)**	**(89,937)**
Retirement of 41,250 shares of Common Stock for cash	**(1)**	**(14)**	**(95)**	**(110)**
Issuance of 104,232 shares of Common Stock upon exercise of stock options (Note 4)	**1**	**215**	**–**	**216**
Proceeds from 6,950,000 shares of Common Stock issued (Note 8)	**70**	**115,597**	**–**	**115,667**
Net loss	**–**	**–**	**(9,258)**	**(9,258)**
Balance, December 31, 1991	**$335**	**$115,798**	**$(99,555)**	**$16,578**

See accompanying notes

Paging Network, Inc.
Notes to Consolidated Financial Statements

1. The Company and Significant Accounting Policies Paging Network, Inc. (PageNet) was formed on September 2, 1981, for the purpose of acquiring, constructing and operating Radio Common Carriers (RCC) in various locations throughout the United States. PageNet's Common Stock is publicly traded although one stockholder, The Golder Thoma Fund, currently owns a majority of the shares outstanding.

The consolidated financial statements include the accounts of PageNet and its wholly-owned subsidiaries (the Company). All intercompany transactions have been eliminated.

Certain amounts for years ended prior to December 31, 1991 have been reclassified to conform to current year presentation.

In April, 1990, the Company sold its paging operation located in four cities in the State of Alabama for a gain of approximately $17,700,000. This amount has been reflected in the consolidated financial statements of the Company. During 1990, this entity contributed approximately 1.5% of the consolidated revenue of the Company.

Equipment and leasehold improvements - Equipment and leasehold improvements are stated at cost, less accumulated depreciation and amortization. Expenditures for maintenance are charged to expense as incurred. Upon retirement of units of equipment, the costs of units retired and the related accumulated depreciation amounts are removed from the accounts. Upon the sale of pagers, the cost of pagers and the related accumulated depreciation are removed from the accounts on a first-in, first-out basis, and the net book value charged to costs of products sold. Depreciation and amortization are computed using the straight-line method based on the following estimated useful lives:

Pagers and rental equipment	1 to 5 years
Machinery and equipment	3 to 7 years
Furniture and fixtures	7 years
Leasehold improvements	5 years

Intangible assets - The excess of the cost of an acquired RCC over the aggregate fair values assigned to identified tangible and intangible net assets acquired is amortized over 40 years on a straight-line basis.

Other intangible assets generally consist of organization, start-up and FCC application costs which are amortized on the straight-line basis over their estimated useful lives not exceeding ten years and loan origination fees which are amortized over the life of the loan.

Deferred revenue - Advance billings for certain services are deferred and recognized as revenue when earned.

2. Long-term Obligations

	December 31,	
	1990	**1991**
	(in thousands)	
Revolving loan	$234,500	**$146,029**
9% promissory note due monthly until 1991	107	-
	234,607	**146,029**
Less current maturities	107	-
Long-term obligations, less current maturities	$234,500	**$146,029**

Under a 1989 revolving loan agreement with a group of lenders (Credit Agreement), PageNet obtained a commitment for maximum borrowings under a reducing revolving loan of the lesser of $290,000,000 less outstanding letters of credit or the borrowing base, as defined. On August 13, 1991, PageNet entered into an amendment to the Credit Agreement effective upon the completion of PageNet's initial public offering, pursuant to which the maximum amount available for borrowing under the Credit Agreement was reduced to the lesser of $265,000,000 or the defined borrowing base, in either case reduced by outstanding letters of credit. At December 31, 1991, the borrowing base calculation indicated that additional borrowings of approximately $118,971,000 were allowable.

Prepayments of borrowings under the Credit Agreement may be required should certain defined tests not be met. Commitment fees of 1/2 of 1% per annum are charged on the unused amount available for borrowing. Borrowings under the Credit Agreement are collateralized by all of the Common Stock of PageNet's subsidiaries. Under the terms of the Credit Agreement, the maximum borrowings which may be outstanding begin reducing at March 31, 1993, and reduce quarterly until June 30, 1998, at which time the outstanding indebtedness must be fully repaid.

The Credit Agreement contains various covenants that, among other things, require the Company to maintain certain financial ratios, prohibit incurrence of additional debt, and restrict payment of cash dividends or other stockholder distributions by PageNet to an aggregate of $50,000,000 during the term of the Credit Agreement. Under the terms of the Credit Agreement, no additional amounts were available to pay dividends at December 31, 1991. The Credit Agreement also provides for an additional $1,000,000 for PageNet to utilize for the purchase of PageNet Common Stock of former employees (See Note 4). As of December 31, 1991, the Company had paid an aggregate of $188,000 to purchase the stock of such employees.

Under the Credit Agreement, PageNet may designate all or any portion of the borrowings outstanding to be either a Reference Rate Loan or a Eurodollar Rate Loan. The portion designated as a Reference Rate Loan bears interest at the bank's reference rate plus a predefined amount based upon the level of borrowings outstanding relative to the results of operations, which ranges from 0% to 1 - 3/4%. The portion designated as a Eurodollar Rate Loan bears interest at the London Interbank Offered Rate (LIBOR) (reserve adjusted) plus a predefined amount based upon the level of borrowings outstanding relative to the results of operations, which ranges from 1 - 1/4% to 3%. At current levels of borrowings, the adjustments to Reference Rate and LIBOR loans are 0% and 1 - 1/4%, respectively.

At December 31, 1991 and 1990, PageNet had designated $16,029,000 and $39,500,000, respectively, as Reference Rate Loans. The actual interest rate for Reference Rate Loans at December 31, 1991 and 1990, was 7 - 1/4% and 11 - 1/4% respectively. The interest rate on the various Eurodollar Rate Loans at December 31, 1991 ranged from 6.56% to 7.25%.

PageNet has utilized interest rate swap agreements to effectively establish fixed interest rates on $145,000,000 of variable rate debt. Under one agreement, PageNet is required to pay approximately 12.2% on a notional principal amount of $65,000,000 to Bankers Trust Company (the Bank). In return, PageNet receives payments equal to 1, 2, 3 or 6 month LIBOR or the current prime rate, as selected from time to time by the Bank, plus an agreed-upon spread factor multiplied by a notional principal amount of $65,000,000. This interest rate swap agreement was entered into in 1989, and expires on October 2, 1992. The Bank also has the option of extending the term on this swap for two years.

Under a second agreement, entered into in 1990 and expiring October 2, 1993, PageNet is required to pay approximately 11.53% on a notional principal amount of $30,000,000 to the Bank. In return, PageNet receives payments equal to the 1, 2, 3, or 6 month LIBOR rate, or the current prime rate, as selected from time to time by the Bank, plus an agreed-upon spread factor multiplied by the notional principal amount of $30,000,000. Under this agreement the Bank also has the option to extend the term for two years.

PageNet also entered into a basis swap agreement with the Bank on a notional principal amount of $100,000,000. Under this agreement, PageNet is required to pay to the Bank an amount equal to the three month LIBOR rate, which is fixed every three months, plus an agreed-upon spread factor multiplied by the notional principal amount of $100,000,000. At December 31, 1991, the three month LIBOR rate was approximately 8.22%. The Bank has fixed the interest rate for one-half of the notional principal amount ($50,000,000) at 11.03% per annum for the period from June 10, 1991 to October 2, 1992, and the Bank may elect to extend this rate for one-half the notional principal amount through October 2, 1994. In return, PageNet receives payments equal to 1, 2, 3 or 6 month LIBOR rate or the current prime rate, as selected from time to time by the Bank, plus an agreed-upon spread factor multiplied by the notional principal amount of $100,000,000. The term of this swap continues until October 9, 1994.

In addition to the above, PageNet has an interest rate cap agreement as a protection against future LIBOR rate increases above 11%. This agreement, entered into in 1989, is on a notional amount of $10,000,000 and is effective until March 30, 1992. Net receipts or payments under the above interest rate agreements are recognized as an adjustment to interest expense.

Actual interest paid in 1989, 1990 and 1991 respectively, was $15,827,000, $22,917,000 and $23,272,000.

The aggregate minimum maturities for the years 1992 through 1996 of long-term obligations outstanding at December 31, 1991, are as follows: 1992 – $0; 1993 – $15,900,000; 1994 – $31,800,000; 1995 – $42,400,000; and 1996 – $53,000,000.

3. Income Taxes For the years ended December 31, 1989, 1990 and 1991, no income tax provisions have been recorded since the Company incurred net operating losses for financial and tax reporting purposes.

In February 1992, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes." The Company has not yet adopted the provisions of Statement No. 109, but it is not anticipated to have a significant adverse impact on the Company's financial position.

At December 31, 1991, the Company had available financial reporting net operating loss carryforwards of approximately $25.9 million and for federal income tax reporting purposes approximately $60.2 million of net operating loss carryforwards expiring from 1999 to 2006. The difference between net operating loss carryforwards for financial reporting purposes and federal income tax purposes is due primarily to accelerated depreciation methods used for tax. Also, the Company had approximately $1.1 million of investment tax credit carryforwards, subject to 35% reduction, expiring from 1997 to 2001.

There were no federal or state income taxes paid in 1989, 1990 or 1991.

4. Stock Options The 1982 Incentive Stock Option Plan, as amended, for officers and key employees of the Company provided for the granting of options intended to qualify as Incentive Stock Options (ISOs) to purchase Common Stock at not less than 100% of the fair market value on the date the option was granted, as determined by the Board of Directors (Board). No additional options may be granted under the 1982 Plan.

Options granted were exercisable immediately, or in installments as the Board determined at the time it granted such options. The options have a duration of ten years from the date of grant. Any stock issued is subject to a repurchase option in the event the employee is no longer employed by the Company, with the repurchase to occur at the exercise price for the unvested portion of the shares issued and, at fair market value, as defined or allowed in the Stock Option Agreement, for the vested portion. Such options vest ratably over a five-year period from the date they first became exercisable. However, in the event of a change in ownership of the Company, all options which are exercisable upon change in ownership vest immediately.

The 1991 Stock Option Plan, for officers and key employees of the Company' provides for the granting of ISOs and nonstatutory options to purchase Common Stock at not less than 100% of the fair market value on the date the options are granted. The 1991 Plan is administered by a committee consisting of two members of the Board (the Committee). The total number of shares of Common Stock with respect to which options may be granted under the 1991 Plan may not exceed 1,400,000. No options have been granted under the 1991 Plan at December 31, 1991.

Options granted under the 1991 Plan are non-transferable (except by the laws of descent and distribution) and are exercisable either in full immediately, or in installments, as the Committee may determine at the time it grants such options. It is currently anticipated that options granted pursuant to the 1991 Plan will become exercisable in installments over a period of years but that once shares become exercisable they will not be subject to vesting or repurchase rights. However, ten business days before a merger or a change in the ownership of the Company, or a sale of substantially all of the assets of the Company, all options become immediately exercisable. Upon a merger or a change in ownership of the Company, or the sale of all or substantially all of the assets of the Company, all options issued under the 1991 Plan which have not been exercised terminate.

The 1992 Stock Option Plan for Directors (the Directors' Plan), for non-employee Directors of the Company, was adopted by the Board on January 20, 1992, subject to stockholders' approval, and provides for the granting of nonstatutory options to purchase Common Stock at not less than 100% of the fair market value on the date the options are granted. The Directors' Plan is administered by the Committee. The total number of shares of Common Stock with respect to which options may be granted under the Directors' Plan may not exceed 250,000. No options have been granted under the Directors' Plan at December 31, 1991.

Options granted under the Directors' Plan are non-transferrable (except by the laws of descent and distribution) and the Committee has exclusive authority to select the times when and the Directors to whom stock options may be granted, the number of shares of Common Stock to be acquired by exercise of stock options, the exercise price and the term during which options may be exercised. It is currently anticipated that options granted pursuant to the Directors' Plan will become exercisable in installments over a period of years, but that once shares become exercisable they will not be subject to vesting or repurchase rights.

Information concerning ISOs at December 31, 1989, 1990 and 1991 is as follows:

	1989	1990	**1991**
Outstanding January 1	1,387,313	941,805	**877,920**
Granted	180,000	276,000	**274,500**
Cancelled	(140,970)	(269,862)	**(256,215)**
Exercised	(484,538)	(70,023)	**(104,232)**
Outstanding December 31	941,805	877,920	**791,973**
Options exercisable	529,305	727,920	**791,973**
Option price range - options outstanding	$0.80-$8.00	$0.80-$13.67	**$1.20-$13.67**
Option price range - options exercised	$0.60-$8.00	$0.80-$11.67	**$0.80-$11.67**

Subsequent to December 31, 1991, a total of 3,532 ISOs were exercised at option prices ranging from $8.17-$11.67 per share. Additionally, a total of 138,100 options were granted pursuant to the 1991 Plan at an option price of $24.125 per share.

5. Commitments The Company has operating leases for office and transmitting sites with lease terms ranging from a month to approximately ten years. There are no significant renewal or purchase options. In most cases, the Company expects that in the normal course of business, leases will be renewed or replaced by other leases. Total rent expense for 1989, 1990 and 1991 was approximately $4,947,000, $6,988,000 and$9,064,000 respectively.

The following is a schedule by year of future minimum rental payments required under operating leases that have remaining noncancelable lease terms in excess of one year at December 31, 1991.

Year ending December 31:	
1992	$ 6,765,000
1993	6,873,000
1994	6,251,000
1995	4,817,000
1996	2,820,000
Later years	2,462,000
Total minimum payments required	$29,988,000

6. Other Related Party Transactions The Company had a $100,000 note receivable, bearing interest at an annual rate of 13%, outstanding in connection with the sale of a telephone answering business in 1985. The principal plus accrued interest was paid in 1991. Certain directors and stockholders of the Company are also directors of the company that purchased the telephone answering business.

Since 1982, the Company has paid Golder, Thoma & Cressey, a partnership of which Messrs. Stanley C. Golder and Carl D. Thoma, Directors of the Company, are general partners, an annual fee of $100,000 for financial advisory and mangement services. This arrangement was terminated in August 1991. During 1991, the Company paid Golder, Thoma & Cressey an aggregate of $50,000.

An affiliate of a Company stockholder is a bank included in the group of banks which provide the Company's financing under the Credit Agreement. The bank holds 15.1% of the outstanding debt under the Credit Agreement.

7. Contingencies The Company is involved in various lawsuits arising in the normal course of business. In management's opinion, the ultimate outcome of these lawsuits will not have a material adverse effect on the Company's financial position.

8. Common Stock and Net Income (Loss) Per Share Effective December 18, 1989, the Board declared a five-for-one stock split effected in the form of a 400% stock dividend paid in 1989. Accordingly, all information related to PageNet stock and per share amounts were restated at December 31, 1989 for periods prior to the stock split.

On July 26, 1991, the Board declared a three-for-two stock split effected in the form of a 50% stock dividend paid in 1991. Additionally, on August 14, 1991, PageNet increased the number of authorized shares of Common Stock to 70 million. Share and per share amounts for all periods presented reflect these changes.

Net loss per share amounts are computed based on (i) the weighted average number of shares of Common Stock outstanding for 1989, 1990, and 1991, and (ii) for all periods presented, the grant or exercise of Common Stock options of 186,650 for the period August 15, 1990 through August 14, 1991, net of shares assumed to be purchased with the proceeds, as if these shares had been outstanding. The number of shares used to compute per share amounts for years ended December 31, 1989, 1990 and 1991, was 26,512,625, 26,668,054 and 28,263,814, respectively.

On October 8, 1991, PageNet and certain stockholders of the Company sold an aggregate of 7,000,000 shares of Common Stock in a public offering at a price of $18 per share, of which PageNet sold 6,250,000 shares. On November 6, 1991, pursuant to the underwriters' exercise of their over-allotment options, an additional 1,050,000 shares were sold to the public, of which PageNet sold 700,000 shares. PageNet received net proceeds from the sales of approximately $115.7 million. PageNet applied all such net proceeds to the reduction of indebtedness under its Credit Agreement.

Supplementary net income per share for the year ended December 31, 1991 is $0.12, assuming (i) the issuance of the Common Stock offered by PageNet in connection with its public offering, receipt by PageNet of net proceeds from the offering of $115.7 million and application of such amount to repayment of PageNet's long-term indebtedness as of January 1, 1991; (ii) a weighted average interest rate of 11.59% for the year ended December 31, 1991; and (iii) weighted average common and common equivalent shares outstanding at December 31, 1991, of 34,253,391. This supplementary information is not necessarily indicative of either the results of operations that might have occurred had the offering and the application of net proceeds occurred at January 1, 1991 or the Company's results of operations for any future period.

Report of Independent Auditors
The Board of Directors and Stockholders
Paging Network, Inc.

We have audited the accompanying consolidated balance sheets of Paging Network, Inc. as of December 31, 1991 and 1990, and the related consolidated statements of operations, cash flows and stockholders' equity (deficit) for each of the three years in the period ended December 31, 1991. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Paging Network, Inc. at December 31, 1991 and 1990, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1991, in conformity with generally accepted accounting principles.

Ernst & Young

Dallas, Texas
March 6, 1992

Board of Directors

Steven B. Dodge
Chairman and Chief Executive Officer of Atlantic Radio Corporation. (1) (2)

Paul J. Finnegan
Vice President of First Capital Corporation of Chicago.

Stanley C. Golder
General Partner of Golder, Thoma & Cressey. (1)

Lee M. Mitchell
President and Chief Executive Officer of The Field Corporation. (1)

George M. Perrin
President and Chief Executive Officer of PageNet.

Carl D. Thoma
Chairman of the Board of PageNet. General Partner of Golder, Thoma & Cressey. (2)

(1) Member of Audit Committee
(2) Member of Stock Option/Compensation Committee

Officers

George M. Perrin
President and Chief Executive Officer

Terry L. Scott
Senior Vice President - Finance and Administration, Chief Financial Officer, Treasurer and Assistant Secretary

Phillip J. Scott
Senior Vice President - Operations and Chief Operating Officer

Kevin D. Broadway
Vice President - Information Systems

Paul M. Myers
Vice President - Human Resources

Gary G. Vescio
Assistant Vice President - Retail and Reseller Distribution

Michael D. Donnell
President, Paging Network - Northwestern Region, Inc.

Dean H. Finkenberg
President, Paging Network - Southwestern Region, Inc.

James K. Garrett
President, Paging Network - Southeastern Region, Inc.

John R. Mixon
President, Paging Network - Northeastern Region, Inc.

Wayne D. Morin
President, Paging Network - Southern Region, Inc.

Douglas R. Ritter
President, Paging Network - Central Region, Inc.

Directory of Operations

Arizona
4602 East University Drive
Suite 100
Phoenix, Arizona 85034
(602) 257-1958

California
Anaheim
2121 Towne Centre Place
Suite 100
Anaheim, California 92806
(714) 978-9977

Burbank
3800 West Alameda Ave.
Suite 1400
Burbank, California 91505
(818) 845-1400

Commerce
3322 South Garfield Avenue
Commerce, California 90040
(213) 721-0318

Long Beach
4300 Long Beach Blvd.
Suite 100
Long Beach, California 90807
(310) 422-4242

Los Angeles
11150 Santa Monica Blvd.
Suite 500
Los Angeles, California 90025
(310) 575-4100

Oakland
7677 Oakport Street
Suite 300
Oakland, California 94621
(415) 562-4800

Ontario
3401 Centrelake Drive
Suite 200
Ontario, California 91761
(714) 984-7777

San Carlos
1121 Industrial Road
San Carlos, California 94070
(415) 591-7900

San Diego
9360 Towne Centre
Suite 100
San Diego, California 92121
(619) 455-7243

San Francisco
444 Spear Street
San Francisco, California 94105
(415) 543-3073

San Jose
2150 N. First Street
Suite 400
San Jose, California 95131
(408) 977-1254

Connecticut
Merritt Eight Corporate Center
99 Hawley Lane
Suite 1120
Stratford, Connecticut 06497
(203) 383-7243

District of Columbia
9658 Baltimore Avenue
Suite 304
College Park, Maryland 20740
(301) 220-2525

Florida
Ft. Lauderdale
2901 Stirling Road
Suite 300
Ft. Lauderdale, Florida 33312
(305) 963-6855

Miami
6100 Blue Lagoon Drive
Suite 300
Miami, Florida 33126
(305) 267-4600

Georgia
Four Concourse Parkway
Suite 450
Atlanta, Georgia 30328

Illinois
Three Westbrook Corporate Center
Suite 300
Westchester, Illinois 60154
(708) 409-1100

Maryland
25 Crossroads Drive
Suite 110
Owings Mills, Maryland 21117
(301) 356-8980

Massachusetts
One Van de Graaf Drive
6th Floor
Burlington, Massachusetts 01803
(617) 272-7243

Michigan
25330 Telegraph Road
Suite 100
Southfield, Michigan 48034
(313) 827-3000

New Jersey
399 Thornall Street
7th Floor
Edison, New Jersey 08837
(908) 603-7200

New York
Long Island
990 Stewart Avenue
Garden City, New York 11530
(516) 745-0300

Manhattan
Two World Trade Center
Suite 1428
New York, New York 10048
(212) 912-1188

Staten Island
1 Teleport
Suite 103
Staten Island, New York 10311
(718) 983-2800

Ohio
Columbus
8351 N. High Street
Suite 150
Columbus, Ohio 43235
(614) 847-1600

Cincinnati
Two Crown Point
Suite 150
Sharonville, Ohio 45241
(513) 671-5554

Pennsylvania
Philadelphia
200 Four Falls Corporate Center
Suite 100
West Conshohocken, Pennsylvania
19428
(215) 940-1300

Texas
Beaumont
3255 Executive Blvd.
Suite 103
Beaumont, Texas 77705
(409) 842-9477

Dallas
5429 LBJ Freeway
Suite 300
Dallas, Texas 75240
(214) 247-7243

Fort Worth
9001 Airport Freeway
Suite 900
Fort Worth, Texas 76180
(817) 545-7243

Houston
7447 Harwin Road
Suite 100
Houston, Texas 77036
(713) 781-7781

480 Sam Houston Parkway
Suite 102
Houston, Texas 77060
(713) 999-9933

Stockholder Information

Corporate Headquarters
Paging Network, Inc.
Suite 500
4965 Preston Park Blvd.
Plano, Texas
75093
(214) 985-4100

Annual Meeting
The annual meeting of stockholders will be held at 9 a.m. Thursday, May 21, 1992, in the Pavilion Room on the Terrace Level of the South Tower at the Fairmont Hotel, Ross at Akard Streets, Dallas, Texas.

Form 10-K
A copy of PageNet's annual report on Form 10-K filed with the Securities and Exchange Commission can be obtained by stockholders without charge by writing:

Investor Relations
Paging Network, Inc.
Suite 500
4965 Preston Park Blvd.
Plano, Texas
75093

Independent Auditors
Ernst & Young
2121 San Jacinto
Suite 500
Dallas, Texas
75201

Legal Counsel
Bingham, Dana & Gould
150 Federal Street
Boston, Massachusetts
02110

Transfer Agent
The First National Bank of Boston
P.O. Box 644
Boston, Massachusetts
02102-0644
(617) 575-2900

Investor Relations
Security analysts, investment professionals and stockholders should direct their business-related inquiries to:

Investor Relations
Paging Network, Inc.
4965 Preston Park Blvd.
Suite 500
Plano, Texas
75093
Or call, (214) 985-6986

Common Stock
On October 1, 1991, PageNet initially offered its Common Stock to the public. The initial offering price was $18 per share.

Prior to that offering there was no public market for the Common Stock of the Company. The Common Stock is listed on the NASDAQ National Market System under the symbol PAGE.

Price Range
Quarter Ended
December 1991

High	Low
21 1/2	16 1/8

PAGENET®
Paging Network, Inc.
4965 Preston Park Boulevard / Suite 500 / Plano, Texas 75093