

Windstream Holdings, Inc. ("Windstream", "we", "us", "our") has presented in this package unaudited adjusted results, which excludes pension costs, restructuring charges, share-based compensation expense, all merger, integration and other costs resulting from strategic transactions, and the results of operations of the disposed data center and consumer CLEC businesses and directory publishing operations. We have made certain reclassifications and revisions to prior periods to conform with the current year presentation. In addition to these adjustments, we have presented certain measures of our operating performance that adjusts for the impact of the annual cash rent payment due under the master lease agreement with Communications Sales & Leasing ("CS&L"). Effective February 27, 2017, CS&L changed its name to Uniti Group Inc.

Our purpose for presenting adjusted results is to improve the comparability of results of operations between current and prior periods in order to focus on the true earnings capacity of our core business operations and our ability to generate cash flow. We use adjusted results, including adjusted OIBDA, adjusted OIBDAR, adjusted free cash flow, and adjusted capital expenditures as key measures of the operational performance of our business. Our management, including the chief operating decision-maker, consistently uses these measures for internal reporting and the evaluation of business objectives, opportunities and performance, and the determination of management compensation. Adjusted OIBDAR is also used by rating agencies and lenders to evaluate our operating performance and credit worthiness. Management believes that adjusted free cash flow provides investors with useful information about the ability of our core operations to generate cash flow.

We claim the protection of the safe-harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 for this Annual Report on Form 10-K. 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 regarding the anticipated benefits of the merger with EarthLink, including future financial and operating results, projected synergies in operating and capital expenditures and the timing of achieving the synergies reduction in net leverage, and improvement in our ability to compete; our expectation to return a portion of our cash flow to shareholders through our dividend; expectations regarding our network investments to improve financial performance and increase market share; expectations regarding revenue trends, sales opportunities, improving margins in, and the directional outlook of, our business segments; network cost optimization; stability and growth in adjusted OIBDA; expected levels of support from universal service funds or other government programs; expected rates of loss of consumer households served or inter-carrier compensation; expected increases in high-speed Internet and business data connections, including increasing availability of higher Internet speeds and services utilizing next generation technology for customers; expectations regarding expanding enhanced services related to Internet speeds, IPTV and 1 Gbps services to more locations and expanding our fiber network; our expected ability to fund operations; expected required contributions to our pension plan and our ability to make contributions utilizing our common stock; the completion and benefits from network investments related to the Connect America Fund to fund the deployment of broadband services and capital expenditure amounts related to these investments; anticipated benefits of Project Excel to improve network capabilities and offer premium Internet speeds; anticipated capital expenditures and certain debt maturities from cash flows from operations; improving our debt profile and reducing interest costs; and expected effective federal income tax rates. These and other forward-looking 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: the cost savings and expected synergies from the merger with EarthLink may not be fully realized or may take longer to realize than expected; the integration of Windstream and EarthLink may not be successful, may cause disruption in relationships with customers, vendors and suppliers and may divert attention of management and key personnel; changes to our current dividend practice which is subject to our capital allocation policy and may be changed at any time at the discretion of our board of directors; further adverse changes in economic conditions in the markets served by us; the extent, timing and overall effects of competition in the communications business; our election to accept state-wide offers under the Federal Communications Commission ("FCC") Connect America Fund, Phase 2, and the impact of such election on our future receipt of federal universal service funds and capital expenditures, and any return of support received pursuant to the program; the potential for incumbent carriers to impose monetary penalties for failure to meet specific volume and term commitments under their special access pricing and tariff plans, which Windstream uses to lease last-mile connections to serve its retail business data service customers, without FCC action; the impact of new, emerging or competing technologies and our ability to utilize these technologies to provide services to our customers; 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; unfavorable rulings by state public service commissions in current and further proceedings regarding universal service funds, inter-carrier compensation or other matters that could reduce revenues or increase expenses; material changes in the communications industry that could adversely affect vendor relationships with equipment and network suppliers and customer relationships with wholesale customers; our ability to make rent payments under the master lease to CS&L, which may be affected by results of operations, changes in our cash requirements, cash tax payment obligations, or overall financial position; unanticipated increases or other changes in our future cash requirements, whether caused by unanticipated increases in capital expenditures, increases in pension funding requirements, or otherwise; 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; 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 or other actuarial assumptions; unfavorable results of litigation or intellectual property infringement claims asserted against us; the risks associated with 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, or non-compliance by us, our partners, or our subcontractors with any terms of our government contracts; the effects of federal and state legislation, and rules and regulations, and changes thereto, governing the communications industry; continued loss of consumer households served and consumer high-speed Internet customers; the impact of equipment failure, natural disasters or terrorist acts; the effects of work stoppages by our employees or employees of other communications companies on whom we rely for service; and those additional factors under the caption "Risk Factors" in our Form 10-K for the year ended December 31, 2016, and in subsequent filings with the Securities and Exchange Commission at [www.sec.gov](http://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](http://www.sec.gov).

WINDSTREAM HOLDINGS, INC.  
 UNAUDITED ADJUSTED RESULTS OF OPERATIONS (NON-GAAP) (A)  
 QUARTERLY SUPPLEMENTAL INFORMATION  
 for the quarterly periods in the years 2016 and 2015  
 (In millions)

	2016					2015				
	Total	4th Qtr.	3rd Qtr.	2nd Qtr.	1st Qtr.	Total	4th Qtr.	3rd Qtr.	2nd Qtr.	1st Qtr.
<b>ADJUSTED RESULTS OF OPERATIONS:</b>										
Revenues and sales:										
Total service revenues	\$ 5,279.9	\$ 1,289.1	\$ 1,318.9	\$ 1,331.3	\$ 1,340.6	\$ 5,467.4	\$ 1,360.0	\$ 1,419.8	\$ 1,344.5	\$ 1,343.1
Product sales	107.1	20.0	26.0	28.3	32.8	166.7	38.6	47.4	43.9	36.8
Total revenues and sales	<u>5,387.0</u>	<u>1,309.1</u>	<u>1,344.9</u>	<u>1,359.6</u>	<u>1,373.4</u>	<u>5,634.1</u>	<u>1,398.6</u>	<u>1,467.2</u>	<u>1,388.4</u>	<u>1,379.9</u>
Costs and expenses:										
Cost of services	2,624.5	621.3	673.7	663.1	666.4	2,675.1	666.2	683.8	668.3	656.8
Cost of products sold	98.5	23.9	21.5	24.2	28.9	145.2	33.4	41.4	38.5	31.9
Selling, general and administrative	750.3	182.4	185.0	190.1	192.8	809.5	195.8	201.5	202.3	209.9
Costs and expenses excluding pension and share-based compensation expense	<u>3,473.3</u>	<u>827.6</u>	<u>880.2</u>	<u>877.4</u>	<u>888.1</u>	<u>3,629.8</u>	<u>895.4</u>	<u>926.7</u>	<u>909.1</u>	<u>898.6</u>
Adjusted OIBDAR (B)	1,913.7	481.5	464.7	482.2	485.3	2,004.3	503.2	540.5	479.3	481.3
Master lease rent payment	<u>653.6</u>	<u>163.4</u>	<u>163.3</u>	<u>163.4</u>	<u>163.5</u>	<u>650.0</u>	<u>162.5</u>	<u>162.5</u>	<u>162.5</u>	<u>162.5</u>
Adjusted OIBDA (C)	<u>\$ 1,260.1</u>	<u>\$ 318.1</u>	<u>\$ 301.4</u>	<u>\$ 318.8</u>	<u>\$ 321.8</u>	<u>\$ 1,354.3</u>	<u>\$ 340.7</u>	<u>\$ 378.0</u>	<u>\$ 316.8</u>	<u>\$ 318.8</u>
Margins (D):										
Adjusted OIBDAR margin	35.5%	36.8%	34.6%	35.5%	35.3%	35.6%	36.0%	36.8%	34.5%	34.9%
Adjusted OIBDA margin	23.4%	24.3%	22.4%	23.4%	23.4%	24.0%	24.4%	25.8%	22.8%	23.1%
<b>CAPITAL EXPENDITURES:</b>										
Capital expenditures under GAAP	\$ 989.8	\$ 236.4	\$ 243.1	\$ 246.5	\$ 263.8	\$ 1,055.3	\$ 310.9	\$ 300.1	\$ 255.0	\$ 189.3
Project Excel capital expenditures	(173.8)	(53.3)	(49.9)	(36.9)	(33.7)	(47.2)	(41.2)	(6.0)	-	-
Capital expenditures funded by CS&L	-	-	-	-	-	(43.1)	(43.1)	-	-	-
Adjusted capital expenditures (E)	<u>\$ 816.0</u>	<u>\$ 183.1</u>	<u>\$ 193.2</u>	<u>\$ 209.6</u>	<u>\$ 230.1</u>	<u>\$ 965.0</u>	<u>\$ 226.6</u>	<u>\$ 294.1</u>	<u>\$ 255.0</u>	<u>\$ 189.3</u>

(A) Adjusted results of operations exclude the impacts of the disposed data center and consumer CLEC businesses and directory publishing operations.

(B) Adjusted OIBDAR is adjusted OIBDA before the annual cash rent payment due under the master lease agreement with CS&L assuming the lease payments began on January 1, 2015.

(C) Adjusted OIBDA is operating income before depreciation and amortization, excluding merger, integration and other costs related to strategic transactions, restructuring charges, pension costs and share-based compensation expense as shown on page 7.

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

(E) Adjusted capital expenditures exclude the impacts of capital expenditures funded by CS&L and expenditures related to Project Excel, a capital program funded entirely using a portion of the proceeds from the sale of the data center business completed on December 18, 2015.

Note: Effective February 27, 2017, CS&L changed its name to Uniti Group Inc.

WINDSTREAM HOLDINGS, INC.  
 UNAUDITED ADJUSTED RESULTS OF OPERATIONS (NON-GAAP)  
 QUARTERLY SUPPLEMENTAL INFORMATION  
 for the quarterly periods in the years 2016 and 2015  
 (In millions)

REVENUE SUPPLEMENT (A)	2016					2015				
	Total	4th Qtr.	3rd Qtr.	2nd Qtr.	1st Qtr.	Total	4th Qtr.	3rd Qtr.	2nd Qtr.	1st Qtr.
Service revenues:										
High-speed Internet bundles	\$ 1,049.0	\$ 263.2	\$ 263.2	\$ 261.5	\$ 261.1	\$ 1,032.8	\$ 258.4	\$ 259.9	\$ 258.7	\$ 255.8
Voice only	148.8	34.9	37.0	37.9	39.0	169.3	40.4	41.8	42.9	44.2
Video and miscellaneous	45.8	11.4	11.4	11.4	11.6	49.0	12.3	12.3	12.2	12.2
Total consumer	1,243.6	309.5	311.6	310.8	311.7	1,251.1	311.1	314.0	313.8	312.2
Small business - ILEC	335.0	82.0	83.7	84.2	85.1	351.5	86.1	87.2	88.7	89.5
Consumer and small business - ILEC	1,578.6	391.5	395.3	395.0	396.8	1,602.6	397.2	401.2	402.5	401.7
Core wholesale (B)	512.4	125.5	126.5	129.6	130.8	543.4	136.7	132.9	135.4	138.4
Resale (C)	74.6	17.7	18.3	18.9	19.7	80.5	19.9	20.5	20.4	19.7
Total core wholesale and resale	587.0	143.2	144.8	148.5	150.5	623.9	156.6	153.4	155.8	158.1
Wireless TDM	44.0	9.5	10.4	11.4	12.7	64.0	14.1	15.3	16.4	18.2
Wholesale	631.0	152.7	155.2	159.9	163.2	687.9	170.7	168.7	172.2	176.3
Voice and long distance	572.0	137.5	141.3	145.1	148.1	604.7	151.2	151.6	149.9	152.0
Data and integrated services (D)	1,285.1	321.2	326.6	320.0	317.3	1,238.8	319.5	317.5	303.1	298.7
Miscellaneous	106.9	27.6	27.1	26.2	26.0	103.6	26.8	26.6	25.2	25.0
Enterprise	1,964.0	486.3	495.0	491.3	491.4	1,947.1	497.5	495.7	478.2	475.7
Small business - CLEC	483.8	111.1	118.7	125.3	128.7	559.0	131.5	139.0	141.9	146.6
Switched access	104.2	22.8	24.1	28.4	28.9	133.5	30.1	30.7	37.0	35.7
CAF Phase II funding and frozen federal USF	193.8	47.8	49.0	48.5	48.5	197.5	49.6	97.8	25.0	25.1
State USF and ARM support	121.9	28.5	31.0	31.2	31.2	144.2	33.7	35.4	37.5	37.6
Pass through taxes and surcharges	175.9	41.7	44.1	44.9	45.2	171.1	42.5	44.0	43.2	41.4
Miscellaneous	26.7	6.7	6.5	6.8	6.7	24.5	7.2	7.3	7.0	3.0
Regulatory and other	622.5	147.5	154.7	159.8	160.5	670.8	163.1	215.2	149.7	142.8
Total service revenues	5,279.9	1,289.1	1,318.9	1,331.3	1,340.6	5,467.4	1,360.0	1,419.8	1,344.5	1,343.1
Product sales:										
Enterprise	67.2	11.3	16.2	18.0	21.7	120.1	29.4	31.4	31.7	27.6
Consumer	1.1	0.2	0.3	0.2	0.4	2.9	0.6	0.6	0.6	1.1
Other	38.8	8.5	9.5	10.1	10.7	43.7	8.6	15.4	11.6	8.1
Total product sales	107.1	20.0	26.0	28.3	32.8	166.7	38.6	47.4	43.9	36.8
Total revenues and sales	\$ 5,387.0	\$ 1,309.1	\$ 1,344.9	\$ 1,359.6	\$ 1,373.4	\$ 5,634.1	\$ 1,398.6	\$ 1,467.2	\$ 1,388.4	\$ 1,379.9

- (A) Revenue amounts presented above exclude the impacts of the disposed data center and consumer CLEC businesses and directory publishing operations.  
 (B) Core wholesale revenues primarily include revenues from providing special access circuits, fiber connections, data transport and wireless backhaul services.  
 (C) Revenues represent voice and data services sold to other communications services providers on a resale basis.  
 (D) Data and integrated service revenues primarily include voice and broadband services delivered over a single Internet connection as well as multi-site networking services.

WINDSTREAM HOLDINGS, INC.  
 UNAUDITED ADJUSTED SEGMENT RESULTS (NON-GAAP) (A)  
 QUARTERLY SUPPLEMENTAL INFORMATION  
 for the quarterly periods in the years 2016 and 2015  
 (In millions)

	2016					2015				
	Total	4th Qtr.	3rd Qtr.	2nd Qtr.	1st Qtr.	Total	4th Qtr.	3rd Qtr.	2nd Qtr.	1st Qtr.
<b>Consumer and Small Business - ILEC</b>										
Revenues and sales:										
Service revenues	\$ 1,243.6	\$ 309.5	\$ 311.6	\$ 310.8	\$ 311.7	\$ 1,251.1	\$ 311.1	\$ 314.0	\$ 313.8	\$ 312.2
Product sales	1.1	0.2	0.3	0.2	0.4	2.9	0.6	0.6	0.6	1.1
Total consumer	1,244.7	309.7	311.9	311.0	312.1	1,254.0	311.7	314.6	314.4	313.3
Small business - ILEC	335.0	82.0	83.7	84.2	85.1	351.5	86.1	87.2	88.7	89.5
Total revenues and sales	1,579.7	391.7	395.6	395.2	397.2	1,605.5	397.8	401.8	403.1	402.8
Costs and expenses	680.7	158.3	183.5	169.8	169.1	671.0	168.0	178.0	161.8	163.2
Consumer and Small Business - ILEC contribution margin	\$ 899.0	\$ 233.4	\$ 212.1	\$ 225.4	\$ 228.1	\$ 934.5	\$ 229.8	\$ 223.8	\$ 241.3	\$ 239.6
Consumer and Small Business - ILEC contribution margin %	56.9%	59.6%	53.6%	57.0%	57.4%	58.2%	57.8%	55.7%	59.9%	59.5%
<b>Wholesale (B)</b>										
Service revenues	\$ 631.0	\$ 152.7	\$ 155.2	\$ 159.9	\$ 163.2	\$ 687.9	\$ 170.7	\$ 168.7	\$ 172.2	\$ 176.3
Costs and expenses	178.8	43.8	44.3	45.2	45.5	185.6	46.4	44.8	48.3	46.1
Wholesale contribution margin	\$ 452.2	\$ 108.9	\$ 110.9	\$ 114.7	\$ 117.7	\$ 502.3	\$ 124.3	\$ 123.9	\$ 123.9	\$ 130.2
Wholesale contribution margin %	71.7%	71.3%	71.5%	71.7%	72.1%	73.0%	72.8%	73.4%	72.0%	73.9%
<b>Enterprise</b>										
Revenues and sales:										
Service revenues	\$ 1,964.0	\$ 486.3	\$ 495.0	\$ 491.3	\$ 491.4	\$ 1,947.1	\$ 497.5	\$ 495.7	\$ 478.2	\$ 475.7
Product sales	67.2	11.3	16.2	18.0	21.7	120.1	29.4	31.4	31.7	27.6
Total revenues and sales	2,031.2	497.6	511.2	509.3	513.1	2,067.2	526.9	527.1	509.9	503.3
Costs and expenses	1,712.5	412.3	428.1	429.5	442.6	1,826.6	449.1	463.8	462.3	451.4
Enterprise contribution margin	\$ 318.7	\$ 85.3	\$ 83.1	\$ 79.8	\$ 70.5	\$ 240.6	\$ 77.8	\$ 63.3	\$ 47.6	\$ 51.9
Enterprise contribution margin %	15.7%	17.1%	16.3%	15.7%	13.7%	11.6%	14.8%	12.0%	9.3%	10.3%
<b>Small business - CLEC</b>										
Service revenues	\$ 483.8	\$ 111.1	\$ 118.7	\$ 125.3	\$ 128.7	\$ 559.0	\$ 131.5	\$ 139.0	\$ 141.9	\$ 146.6
Costs and expenses	328.7	75.8	81.4	84.1	87.4	378.2	90.2	92.7	97.3	98.0
Small Business - CLEC contribution margin	\$ 155.1	\$ 35.3	\$ 37.3	\$ 41.2	\$ 41.3	\$ 180.8	\$ 41.3	\$ 46.3	\$ 44.6	\$ 48.6
Small Business - CLEC contribution margin %	32.1%	31.8%	31.4%	32.9%	32.1%	32.3%	31.4%	33.3%	31.4%	33.2%
<b>Total segment revenues and expenses</b>										
Revenues and sales:										
Service revenues	\$ 4,657.4	\$ 1,141.6	\$ 1,164.2	\$ 1,171.5	\$ 1,180.1	\$ 4,796.6	\$ 1,196.9	\$ 1,204.6	\$ 1,194.8	\$ 1,200.3
Product sales	68.3	11.5	16.5	18.2	22.1	123.0	30.0	32.0	32.3	28.7
Total segment revenues and sales	4,725.7	1,153.1	1,180.7	1,189.7	1,202.2	4,919.6	1,226.9	1,236.6	1,227.1	1,229.0
Total segment costs and expenses	2,900.7	690.2	737.3	728.6	744.6	3,061.4	753.7	779.3	769.7	758.7
Segment contribution margin	\$ 1,825.0	\$ 462.9	\$ 443.4	\$ 461.1	\$ 457.6	\$ 1,858.2	\$ 473.2	\$ 457.3	\$ 457.4	\$ 470.3
Segment contribution margin %	38.6%	40.1%	37.6%	38.8%	38.1%	37.8%	38.6%	37.0%	37.3%	38.3%

WINDSTREAM HOLDINGS, INC.  
 UNAUDITED ADJUSTED SEGMENT RESULTS (NON-GAAP) (A)  
 QUARTERLY SUPPLEMENTAL INFORMATION  
 for the quarterly periods in the years 2016 and 2015  
 (In millions)

	2016					2015				
	Total	4th Qtr.	3rd Qtr.	2nd Qtr.	1st Qtr.	Total	4th Qtr.	3rd Qtr.	2nd Qtr.	1st Qtr.
<b>Consolidated revenues and expenses</b>										
Revenues and sales:										
Segment revenues and sales										
Service revenues	\$ 4,657.4	\$ 1,141.6	\$ 1,164.2	\$ 1,171.5	\$ 1,180.1	\$ 4,796.6	\$ 1,196.9	\$ 1,204.6	\$ 1,194.8	\$ 1,200.3
Product sales	68.3	11.5	16.5	18.2	22.1	123.0	30.0	32.0	32.3	28.7
Segment revenues and sales	4,725.7	1,153.1	1,180.7	1,189.7	1,202.2	4,919.6	1,226.9	1,236.6	1,227.1	1,229.0
Regulatory and other revenues and sales (C)										
Service revenues	622.5	147.5	154.7	159.8	160.5	670.8	163.1	215.2	149.7	142.8
Product sales	38.8	8.5	9.5	10.1	10.7	43.7	8.6	15.4	11.6	8.1
Regulatory and other revenues and sales	661.3	156.0	164.2	169.9	171.2	714.5	171.7	230.6	161.3	150.9
Consolidated revenues and sales										
Service revenues	5,279.9	1,289.1	1,318.9	1,331.3	1,340.6	5,467.4	1,360.0	1,419.8	1,344.5	1,343.1
Product sales	107.1	20.0	26.0	28.3	32.8	166.7	38.6	47.4	43.9	36.8
Consolidated revenues and sales	\$ 5,387.0	\$ 1,309.1	\$ 1,344.9	\$ 1,359.6	\$ 1,373.4	\$ 5,634.1	\$ 1,398.6	\$ 1,467.2	\$ 1,388.4	\$ 1,379.9
Consolidated costs and expenses										
Segment costs and expenses	\$ 2,900.7	\$ 690.2	\$ 737.3	\$ 728.6	\$ 744.6	\$ 3,061.4	\$ 753.7	\$ 779.3	\$ 769.7	\$ 758.7
Regulatory and other expenses (D)	204.4	47.4	51.1	52.8	53.1	208.1	49.4	57.6	53.2	47.9
Shared expenses (E)	368.2	90.0	91.8	96.0	90.4	360.3	92.3	89.8	86.2	92.0
Consolidated costs and expenses	\$ 3,473.3	\$ 827.6	\$ 880.2	\$ 877.4	\$ 888.1	\$ 3,629.8	\$ 895.4	\$ 926.7	\$ 909.1	\$ 898.6
Consolidated										
Adjusted OIBDAR	\$ 1,913.7	\$ 481.5	\$ 464.7	\$ 482.2	\$ 485.3	\$ 2,004.3	\$ 503.2	\$ 540.5	\$ 479.3	\$ 481.3
Adjusted OIBDAR margin	35.5%	36.8%	34.6%	35.5%	35.3%	35.6%	36.0%	36.8%	34.5%	34.9%

- (A) Adjusted results of operations exclude the impacts of the disposed data center and consumer CLEC businesses and directory publishing operations, merger, integration and other costs related to strategic transactions, restructuring charges, pension costs, and share-based compensation expense as shown on page 7.
- (B) During the third quarter of 2016, we changed the name of our Carrier segment to Wholesale to better reflect our customer base and the products and services we are selling in the marketplace.
- (C) These revenues are not allocated to the business segments and include revenue from federal and state universal service funds, CAF Phase II support, funds received from federal access recovery mechanisms, revenues from providing switched access services, and certain surcharges assessed to our customers, including billings for our required contributions to federal and state USF programs. These revenues also include product sales to contractors and consumer revenues generated in markets where we lease the connection to the customer premise.
- (D) These expenses are not allocated to the business segments and primarily consist of various regulatory fees, cost of products sold to contractors, and interconnection costs in consumer markets where we lease the connection to the customer premise.
- (E) Shared expenses are not allocated to the segments and primarily consist of accounting and finance, information technology, engineering, legal, human resources, and investor relations, that are centrally managed and are not monitored by management at a segment level.

WINDSTREAM HOLDINGS, INC.  
 UNAUDITED OPERATING METRICS (NON-GAAP)  
 QUARTERLY SUPPLEMENTAL INFORMATION  
 for the quarterly periods in the years 2016 and 2015  
 (Units in thousands, Dollars in millions, except per unit amounts)

KEY OPERATING METRICS:	2016					2015				
	Total	4th Qtr.	3rd Qtr.	2nd Qtr.	1st Qtr.	Total	4th Qtr.	3rd Qtr.	2nd Qtr.	1st Qtr.
<b>Consumer</b>										
Households served	1,354.6	1,354.6	1,378.5	1,403.8	1,430.7	1,445.8	1,445.8	1,471.0	1,494.2	1,516.5
<i>YOY change in households served</i>	-6.3%	-6.3%	-6.3%	-6.1%	-5.7%	-5.4%	-5.4%	-5.2%	-5.2%	-5.6%
<i>Average revenue per household served per month</i>	\$ 74.45	\$ 75.49	\$ 74.66	\$ 73.10	\$ 72.24	\$ 70.36	\$ 71.11	\$ 70.60	\$ 69.49	\$ 68.35
High-speed Internet customers	1,051.1	1,051.1	1,063.0	1,075.8	1,092.0	1,095.1	1,095.1	1,109.6	1,120.8	1,132.4
Digital television customers	321.0	321.0	329.3	342.0	350.1	359.3	359.3	366.0	372.5	378.8
<i>YOY change in high-speed Internet</i>	-4.0%	-4.0%	-4.2%	-4.0%	-3.6%	-3.2%	-3.2%	-2.8%	-2.9%	-3.2%
<i>YOY change in digital television customers</i>	-10.7%	-10.7%	-10.0%	-8.2%	-7.6%	-6.7%	-6.7%	-6.1%	-5.5%	-5.0%
<b>Small business - ILEC</b>										
Small business - ILEC customers	135.9	135.9	138.5	141.0	144.3	146.8	146.8	148.6	151.6	155.9
<i>YOY change in small business - ILEC customers</i>	-7.4%	-7.4%	-6.8%	-7.0%	-7.4%	-8.4%	-8.4%	-9.6%	-10.0%	-9.6%
<i>Average revenue per small business - ILEC customer per month</i>	\$ 199.51	\$ 199.22	\$ 199.64	\$ 196.75	\$ 194.89	\$ 194.34	\$ 194.31	\$ 193.65	\$ 192.30	\$ 188.76
<b>Enterprise</b>										
Enterprise customers	26.7	26.7	26.6	26.8	26.4	26.3	26.3	26.2	26.0	26.2
<i>YOY change in enterprise customers</i>	1.5%	1.5%	1.5%	3.1%	0.8%	-	-	-0.4%	-0.8%	0.4%
<i>Average revenue per enterprise customer per month</i>	\$ 6,147.10	\$ 6,082.55	\$ 6,179.78	\$ 6,156.64	\$ 6,216.32	\$ 6,198.98	\$ 6,317.46	\$ 6,330.78	\$ 6,107.28	\$ 6,040.63
<b>Small business - CLEC</b>										
Small business - CLEC customers	72.1	72.1	76.7	81.2	86.4	91.2	91.2	95.2	99.3	107.3
<i>YOY change in small business - CLEC customers</i>	-20.9%	-20.9%	-19.4%	-18.2%	-19.5%	-15.2%	-15.2%	-14.5%	-14.0%	-10.4%
<i>Average revenue per small business - CLEC customer per month</i>	\$ 509.69	\$ 497.76	\$ 501.16	\$ 498.41	\$ 483.11	\$ 474.13	\$ 470.31	\$ 476.44	\$ 457.89	\$ 455.00
<b>Revenues Used in Average Revenue Per Month</b>										
<b>Computations Above</b> (per page 3):										
Consumer revenue	\$ 1,243.6	\$ 309.5	\$ 311.6	\$ 310.8	\$ 311.7	\$ 1,251.1	\$ 311.1	\$ 314.0	\$ 313.8	\$ 312.2
Small business - ILEC revenue	\$ 335.0	\$ 82.0	\$ 83.7	\$ 84.2	\$ 85.1	\$ 351.5	\$ 86.1	\$ 87.2	\$ 88.7	\$ 89.5
Enterprise revenue	\$ 1,964.0	\$ 486.3	\$ 495.0	\$ 491.3	\$ 491.4	\$ 1,947.1	\$ 497.5	\$ 495.7	\$ 478.2	\$ 475.7
Small business - CLEC revenue	\$ 483.8	\$ 111.1	\$ 118.7	\$ 125.3	\$ 128.7	\$ 559.0	\$ 131.5	\$ 139.0	\$ 141.9	\$ 146.6

Note: Enterprise customers consist of those relationships that have the propensity now or in the future to generate at least \$1,500 or more in monthly recurring revenue. Business customers not meeting this criterion are classified as small business. Our small business customer base is further disaggregated between those customers located in service areas in which we are the incumbent local exchange carrier ("ILEC") and provide services over network facilities operated by us and those customers located in service areas in which we are a competitive local exchange carrier ("CLEC") and provide services over network facilities primarily leased from other carriers.

In classifying our business customers, we consider the maximum potential revenue to be generated from the customer relationship for both our existing customer base and any new customers in determining which business unit can best support the customer. Accordingly, over time, we may prospectively change the classification of a particular business customer between enterprise and small business.

WINDSTREAM HOLDINGS, INC.  
UNAUDITED CONSOLIDATED RESULTS (NON-GAAP)  
QUARTERLY SUPPLEMENTAL INFORMATION  
for the quarterly periods in the years 2016 and 2015  
(In millions)

	2016					2015				
	Total	4th Qtr.	3rd Qtr.	2nd Qtr.	1st Qtr.	Total	4th Qtr.	3rd Qtr.	2nd Qtr.	1st Qtr.
<b>ADJUSTED FREE CASH FLOW:</b>										
Operating income under GAAP	\$ 515.4	\$ 73.7	\$ 129.4	\$ 154.6	\$ 157.7	\$ 509.4	\$ 131.7	\$ 178.5	\$ 79.3	\$ 119.9
Depreciation and amortization	1,263.5	329.5	321.0	308.2	304.8	1,366.5	333.5	350.5	341.8	340.7
OIBDA	1,778.9	403.2	450.4	462.8	462.5	1,875.9	465.2	529.0	421.1	460.6
Adjustments:										
Merger, integration and other costs	13.8	3.3	2.9	2.6	5.0	95.0	20.5	3.1	57.3	14.1
Pension expense (income)	59.1	57.7	(0.3)	2.0	(0.3)	1.2	9.6	(1.9)	(4.7)	(1.8)
Restructuring charges	20.3	7.5	2.5	5.9	4.4	20.7	5.0	5.3	3.4	7.0
Share-based compensation expense	41.6	9.8	9.2	8.9	13.7	55.3	12.4	14.6	13.5	14.8
Master lease rent payment	(653.6)	(163.4)	(163.3)	(163.4)	(163.5)	(446.0)	(162.5)	(162.5)	(121.0)	-
Adjusted capital expenditures (A)	(816.0)	(183.1)	(193.2)	(209.6)	(230.1)	(965.0)	(226.6)	(294.1)	(255.0)	(189.3)
Cash paid for interest on long-term debt obligations	(366.2)	(113.9)	(58.0)	(138.8)	(55.5)	(487.8)	(160.3)	(46.5)	(206.3)	(74.7)
Cash (paid) refunded for income taxes	(6.2)	2.0	(0.3)	(1.4)	(6.5)	(1.1)	(0.3)	(2.3)	0.3	1.2
Cash dividends received on CS&L common stock	35.2	-	-	17.6	17.6	30.6	17.6	13.0	-	-
Adjusted free cash flow	\$ 106.9	\$ 23.1	\$ 49.9	\$ (13.4)	\$ 47.3	\$ 178.8	\$ (19.4)	\$ 57.7	\$ (91.4)	\$ 231.9
Dividends paid	\$ 58.6	\$ 14.5	\$ 14.6	\$ 14.6	\$ 14.9	\$ 369.2	\$ 15.1	\$ 11.5	\$ 191.1	\$ 151.5
Weighted average common shares	93.9									
Common stock outstanding	96.3									
<b>DEBT LEVERAGE RATIO:</b>										
	As of									
	12/31/2016									
Long-term debt, including current maturities	\$ 4,863.6									
Capital lease obligations	54.3									
Total long-term debt and capital lease obligations	4,917.9									
Cash and cash equivalents	59.1									
Net debt	\$ 4,858.8									
<b>Twelve Months Ended</b>										
<b>12/31/2016</b>										
Adjusted OIBDA (per page 2)	\$ 1,260.1									
Net leverage ratio (B)	3.86									

(A) Adjusted capital expenditures exclude the impacts of capital expenditures funded by CS&L and expenditures related to Project Excel, a capital program funded entirely using a portion of the proceeds from the sale of the data center business completed on December 18, 2015.

(B) The net leverage ratio is computed by dividing net debt by adjusted OIBDA.

WINDSTREAM HOLDINGS, INC.  
RECONCILIATIONS OF NON-GAAP FINANCIAL MEASURES (A)  
for the quarterly periods in the years 2016 and 2015  
(In millions)

	2016					2015				
	Total	4th Qtr.	3rd Qtr.	2nd Qtr.	1st Qtr.	Total	4th Qtr.	3rd Qtr.	2nd Qtr.	1st Qtr.
Reconciliation of Revenues and Sales under GAAP to										
Adjusted Revenues and Sales:										
Service revenues under GAAP	\$ 5,279.9	\$ 1,289.1	\$ 1,318.9	\$ 1,331.3	\$ 1,340.6	\$ 5,598.6	\$ 1,388.4	\$ 1,451.2	\$ 1,377.2	\$ 1,381.8
Adjustments:										
Data center revenues	-	-	-	-	-	(119.4)	(28.4)	(31.4)	(30.4)	(29.2)
Consumer CLEC revenues	-	-	-	-	-	(10.2)	-	-	(2.3)	(7.9)
Directory publishing revenues	-	-	-	-	-	(1.6)	-	-	-	(1.6)
Adjusted service revenues	5,279.9	1,289.1	1,318.9	1,331.3	1,340.6	5,467.4	1,360.0	1,419.8	1,344.5	1,343.1
Product sales under GAAP	107.1	20.0	26.0	28.3	32.8	166.7	38.6	47.4	43.9	36.8
Adjusted revenues and sales:	<u>\$ 5,387.0</u>	<u>\$ 1,309.1</u>	<u>\$ 1,344.9</u>	<u>\$ 1,359.6</u>	<u>\$ 1,373.4</u>	<u>\$ 5,634.1</u>	<u>\$ 1,398.6</u>	<u>\$ 1,467.2</u>	<u>\$ 1,388.4</u>	<u>\$ 1,379.9</u>
Reconciliation of Net (Loss) Income under GAAP to Adjusted OIBDA:										
Net (loss) income	\$ (383.5)	\$ (86.9)	\$ (66.2)	\$ 1.5	\$ (231.9)	\$ 27.4	\$ 140.5	\$ (7.2)	\$ (111.2)	\$ 5.3
Adjustments:										
Dividend income on CS&L common stock	(17.6)	-	-	-	(17.6)	(48.2)	(17.6)	(17.6)	(13.0)	-
Other expense (income), net	1.2	(1.3)	(0.6)	1.9	1.2	(9.3)	(1.4)	0.2	(9.3)	1.2
Loss (gain) on sale of data center business	10.0	10.0	-	-	-	(326.1)	(326.1)	-	-	-
Net (gain) loss on disposal of investment in CS&L common stock	(15.2)	-	2.1	(17.3)	-	-	-	-	-	-
Net loss (gain) on early extinguishment of debt	18.0	-	20.1	(37.5)	35.4	36.4	0.6	(7.6)	43.4	-
Other-than-temporary impairment loss on investment in CS&L common stock	181.9	-	-	-	181.9	-	-	-	-	-
Interest expense	860.6	207.1	216.4	217.4	219.7	813.2	224.4	230.2	217.5	141.1
Income tax (benefit) expense	(140.0)	(55.2)	(42.4)	(11.4)	(31.0)	16.0	111.3	(19.5)	(48.1)	(27.7)
Operating income under GAAP	515.4	73.7	129.4	154.6	157.7	509.4	131.7	178.5	79.3	119.9
Depreciation and amortization	1,263.5	329.5	321.0	308.2	304.8	1,366.5	333.5	350.5	341.8	340.7
Adjustments:										
Data center business operating (income) loss	-	-	-	-	-	(2.6)	(7.3)	1.1	2.1	1.5
Consumer CLEC business operating income	-	-	-	-	-	(3.3)	-	-	(0.8)	(2.5)
Directory publishing operating income	-	-	-	-	-	(0.8)	-	-	-	(0.8)
Depreciation and amortization - disposed businesses	-	-	-	-	-	(36.2)	(2.0)	(10.5)	(12.4)	(11.3)
Merger, integration and other costs	13.8	3.3	2.9	2.6	5.0	95.0	20.5	3.1	57.3	14.1
Pension expense (income)	59.1	57.7	(0.3)	2.0	(0.3)	1.2	9.6	(1.9)	(4.7)	(1.8)
Restructuring charges	20.3	7.5	2.5	5.9	4.4	20.7	5.0	5.3	3.4	7.0
Share-based compensation expense	41.6	9.8	9.2	8.9	13.7	54.4	12.2	14.4	13.3	14.5
Adjusted OIBDAR (B)	1,913.7	481.5	464.7	482.2	485.3	2,004.3	503.2	540.5	479.3	481.3
Master lease rent payment	(653.6)	(163.4)	(163.3)	(163.4)	(163.5)	(650.0)	(162.5)	(162.5)	(162.5)	(162.5)
Adjusted OIBDA (C)	<u>\$ 1,260.1</u>	<u>\$ 318.1</u>	<u>\$ 301.4</u>	<u>\$ 318.8</u>	<u>\$ 321.8</u>	<u>\$ 1,354.3</u>	<u>\$ 340.7</u>	<u>\$ 378.0</u>	<u>\$ 316.8</u>	<u>\$ 318.8</u>

(A) Adjusted results of operations exclude the impacts of the disposed data center and consumer CLEC businesses and directory publishing operations.

(B) Adjusted OIBDAR is adjusted OIBDA before the annual cash rent payment due under the master lease agreement with CS&L assuming the lease payments began on January 1, 2015.

(C) Adjusted OIBDA is operating income before depreciation and amortization, excluding merger, integration and other costs related to strategic transactions, restructuring charges, pension costs and share-based compensation expense as shown on page 7.

WINDSTREAM HOLDINGS, INC.  
RECONCILIATIONS OF NON-GAAP FINANCIAL MEASURES  
for the quarterly periods in the years 2016 and 2015  
(In millions)

	2016					2015				
	Total	4th Qtr.	3rd Qtr.	2nd Qtr.	1st Qtr.	Total	4th Qtr.	3rd Qtr.	2nd Qtr.	1st Qtr.
Reconciliation of Net Cash Provided from Operating Activities to Adjusted OIBDA:										
Net Cash Provided from Operating Activities	\$ 924.4	\$ 302.3	\$ 197.6	\$ 297.3	\$ 127.2	\$ 1,026.6	\$ 270.3	\$ 376.3	\$ 136.2	\$ 243.8
Adjustments:										
Master lease rent payment	(653.6)	(163.4)	(163.3)	(163.4)	(163.5)	(650.0)	(162.5)	(162.5)	(162.5)	(162.5)
Cash dividends received on CS&L common stock	(35.2)	-	-	(17.6)	(17.6)	(30.6)	(17.6)	(13.0)	-	-
Pretax operating results of disposed businesses	-	-	-	-	-	(43.8)	(9.5)	(9.6)	(11.3)	(13.4)
Merger, integration and other costs	13.8	3.3	2.9	2.6	5.0	95.0	20.5	3.1	57.3	14.1
Restructuring charges	20.3	7.5	2.5	5.9	4.4	20.7	5.0	5.3	3.4	7.0
Other expense (income), net	1.2	(1.3)	(0.6)	1.9	1.2	(9.3)	(1.4)	0.2	(9.3)	1.2
Net loss (gain) on early extinguishment of debt	18.0	-	20.1	(37.5)	35.4	36.4	0.6	(7.6)	43.4	-
Interest expense	860.6	207.1	216.4	217.4	219.7	813.2	224.4	230.2	217.5	141.1
Income tax benefit, net of deferred income taxes	(1.7)	3.1	(2.7)	1.4	(3.5)	32.3	24.3	0.4	1.5	6.1
Provision for doubtful accounts	(43.8)	(10.7)	(12.6)	(10.8)	(9.7)	(47.1)	(10.0)	(13.6)	(13.2)	(10.3)
Noncash portion of net loss (gain) on early extinguishment of debt	51.9	-	6.8	37.7	7.4	18.5	3.5	12.1	2.9	-
Amortization of unrealized losses on de-designated interest rate swaps	(4.8)	(1.7)	(0.9)	(1.0)	(1.2)	(11.6)	(1.6)	(2.9)	(3.7)	(3.4)
Plan curtailment	5.5	-	-	-	5.5	18.0	1.5	3.0	13.5	-
Other noncash adjustments, net	16.4	(1.5)	(6.7)	9.6	15.0	(25.0)	(12.0)	(0.8)	(3.5)	(8.7)
Changes in operating assets and liabilities, net	87.1	(26.6)	41.9	(24.7)	96.5	111.0	5.2	(42.6)	44.6	103.8
Adjusted OIBDA	<u>\$ 1,260.1</u>	<u>\$ 318.1</u>	<u>\$ 301.4</u>	<u>\$ 318.8</u>	<u>\$ 321.8</u>	<u>\$ 1,354.3</u>	<u>\$ 340.7</u>	<u>\$ 378.0</u>	<u>\$ 316.8</u>	<u>\$ 318.8</u>
Reconciliation of Net Cash Provided from Operating Activities to Adjusted Free Cash Flow:										
Net Cash Provided from Operating Activities	\$ 924.4	\$ 302.3	\$ 197.6	\$ 297.3	\$ 127.2	\$ 1,026.6	\$ 270.3	\$ 376.3	\$ 136.2	\$ 243.8
Adjustments:										
Cash (paid) refunded for income taxes	(6.2)	2.0	(0.3)	(1.4)	(6.5)	(1.1)	(0.3)	(2.3)	0.3	1.2
Cash paid for interest on long-term debt obligations	(366.2)	(113.9)	(58.0)	(138.8)	(55.5)	(487.8)	(160.3)	(46.5)	(206.3)	(74.7)
Capital expenditures	(989.8)	(236.4)	(243.1)	(246.5)	(263.8)	(1,055.3)	(310.9)	(300.1)	(255.0)	(189.3)
Project Excel capital expenditures	173.8	53.3	49.9	36.9	33.7	47.2	41.2	6.0	-	-
Capital expenditures funded by CS&L	-	-	-	-	-	43.1	-	-	-	-
Master lease rent payment	(653.6)	(163.4)	(163.3)	(163.4)	(163.5)	(446.0)	(162.5)	(162.5)	(121.0)	-
Merger, integration and other costs	13.8	3.3	2.9	2.6	5.0	95.0	20.5	3.1	57.3	14.1
Restructuring charges	20.3	7.5	2.5	5.9	4.4	20.7	5.0	5.3	3.4	7.0
Other expense (income), net	1.2	(1.3)	(0.6)	1.9	1.2	(9.3)	(1.4)	0.2	(9.3)	1.2
Net loss (gain) on early extinguishment of debt	18.0	-	20.1	(37.5)	35.4	36.4	0.6	(7.6)	43.4	-
Interest expense	860.6	207.1	216.4	217.4	219.7	813.2	224.4	230.2	217.5	141.1
Income tax benefit, net of deferred income taxes	(1.7)	3.1	(2.7)	1.4	(3.5)	32.3	24.3	0.4	1.5	6.1
Provision for doubtful accounts	(43.8)	(10.7)	(12.6)	(10.8)	(9.7)	(47.1)	(10.0)	(13.6)	(13.2)	(10.3)
Noncash portion of net loss (gain) on early extinguishment of debt	51.9	-	6.8	37.7	7.4	18.5	3.5	12.1	2.9	-
Amortization of unrealized losses on de-designated interest rate swaps	(4.8)	(1.7)	(0.9)	(1.0)	(1.2)	(11.6)	(1.6)	(2.9)	(3.7)	(3.4)
Plan curtailment	5.5	-	-	-	5.5	18.0	1.5	3.0	13.5	-
Other noncash adjustments, net	16.4	(1.5)	(6.7)	9.6	15.0	(25.0)	(12.0)	(0.8)	(3.5)	(8.7)
Changes in operating assets and liabilities, net	87.1	(26.6)	41.9	(24.7)	96.5	111.0	5.2	(42.6)	44.6	103.8
Adjusted Free Cash Flow	<u>\$ 106.9</u>	<u>\$ 23.1</u>	<u>\$ 49.9</u>	<u>\$ (13.4)</u>	<u>\$ 47.3</u>	<u>\$ 178.8</u>	<u>\$ (19.4)</u>	<u>\$ 57.7</u>	<u>\$ (91.4)</u>	<u>\$ 231.9</u>