

WINDSTREAM HOLDINGS, INC.  
UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions, except per share amounts)

|                                                                              | THREE MONTHS ENDED   |                      |                               |       | TWELVE MONTHS ENDED  |                      |                               |       |
|------------------------------------------------------------------------------|----------------------|----------------------|-------------------------------|-------|----------------------|----------------------|-------------------------------|-------|
|                                                                              | December 31,<br>2016 | December 31,<br>2015 | Increase (Decrease)<br>Amount | %     | December 31,<br>2016 | December 31,<br>2015 | Increase (Decrease)<br>Amount | %     |
| <b>UNDER GAAP:</b>                                                           |                      |                      |                               |       |                      |                      |                               |       |
| Revenues and sales:                                                          |                      |                      |                               |       |                      |                      |                               |       |
| Service revenues                                                             | \$ 1,289.1           | \$ 1,388.4           | \$ (99.3)                     | (7)   | \$ 5,279.9           | \$ 5,598.6           | \$ (318.7)                    | (6)   |
| Product sales                                                                | 20.0                 | 38.6                 | (18.6)                        | (48)  | 107.1                | 166.7                | (59.6)                        | (36)  |
| Total revenues and sales                                                     | <u>1,309.1</u>       | <u>1,427.0</u>       | <u>(117.9)</u>                | (8)   | <u>5,387.0</u>       | <u>5,765.3</u>       | <u>(378.3)</u>                | (7)   |
| Costs and expenses:                                                          |                      |                      |                               |       |                      |                      |                               |       |
| Cost of services (exclusive of depreciation and amortization included below) | 664.3                | 692.9                | (28.6)                        | (4)   | 2,677.8              | 2,762.0              | (84.2)                        | (3)   |
| Cost of products sold                                                        | 23.9                 | 33.4                 | (9.5)                         | (28)  | 98.5                 | 145.2                | (46.7)                        | (32)  |
| Selling, general and administrative                                          | 206.9                | 210.0                | (3.1)                         | (1)   | 797.7                | 866.5                | (68.8)                        | (8)   |
| Depreciation and amortization                                                | 329.5                | 333.5                | (4.0)                         | (1)   | 1,263.5              | 1,366.5              | (103.0)                       | (8)   |
| Merger, integration and other costs                                          | 3.3                  | 20.5                 | (17.2)                        | (84)  | 13.8                 | 95.0                 | (81.2)                        | (85)  |
| Restructuring charges                                                        | 7.5                  | 5.0                  | 2.5                           | 50    | 20.3                 | 20.7                 | (0.4)                         | (2)   |
| Total costs and expenses                                                     | <u>1,235.4</u>       | <u>1,295.3</u>       | <u>(59.9)</u>                 | (5)   | <u>4,871.6</u>       | <u>5,255.9</u>       | <u>(384.3)</u>                | (7)   |
| Operating income                                                             | 73.7                 | 131.7                | (58.0)                        | (44)  | 515.4                | 509.4                | 6.0                           | 1     |
| Dividend income on CS&L common stock                                         | —                    | 17.6                 | (17.6)                        | (100) | 17.6                 | 48.2                 | (30.6)                        | (63)  |
| Other income (expense), net                                                  | 1.3                  | 1.4                  | (0.1)                         | (7)   | (1.2)                | 9.3                  | (10.5)                        | (113) |
| Net gain on disposal of investment in CS&L common stock                      | —                    | —                    | —                             | *     | 15.2                 | —                    | 15.2                          | *     |
| (Loss) gain on sale of data center business                                  | (10.0)               | 326.1                | (336.1)                       | (103) | (10.0)               | 326.1                | (336.1)                       | (103) |
| Net loss on early extinguishment of debt                                     | —                    | (0.6)                | 0.6                           | (100) | (18.0)               | (36.4)               | 18.4                          | (51)  |
| Other-than-temporary impairment loss on investment in CS&L common stock      | —                    | —                    | —                             | *     | (181.9)              | —                    | (181.9)                       | *     |
| Interest expense (A)                                                         | (207.1)              | (224.4)              | 17.3                          | (8)   | (860.6)              | (813.2)              | (47.4)                        | 6     |
| (Loss) income before income taxes                                            | (142.1)              | 251.8                | (393.9)                       | *     | (523.5)              | 43.4                 | (566.9)                       | *     |
| Income tax (benefit) expense                                                 | (55.2)               | 111.3                | (166.5)                       | (150) | (140.0)              | 16.0                 | (156.0)                       | *     |
| Net (loss) income                                                            | <u>\$ (86.9)</u>     | <u>\$ 140.5</u>      | <u>\$ (227.4)</u>             | *     | <u>\$ (383.5)</u>    | <u>\$ 27.4</u>       | <u>\$ (410.9)</u>             | *     |
| Weighted average common shares                                               | 92.9                 | 96.2                 | (3.3)                         | (3)   | 93.9                 | 98.9                 | (5.0)                         | (5)   |
| Common shares outstanding                                                    | 96.3                 | 96.7                 | (0.4)                         | —     |                      |                      |                               |       |
| Basic and diluted (loss) earnings per share:                                 |                      |                      |                               |       |                      |                      |                               |       |
| Net (loss) income                                                            | (\$ .94)             | \$ 1.41              | (\$ 2.35)                     | *     | (\$ 4.11)            | \$ .24               | (\$ 4.35)                     | *     |

**ADJUSTED RESULTS OF OPERATIONS (B):**

|                                   |            |            |           |      |            |            |            |      |
|-----------------------------------|------------|------------|-----------|------|------------|------------|------------|------|
| Adjusted service revenues         | \$ 1,289.1 | \$ 1,360.0 | \$ (70.9) | (5)  | \$ 5,279.9 | \$ 5,467.4 | \$ (187.5) | (3)  |
| Adjusted revenues and sales       | \$ 1,309.1 | \$ 1,398.6 | \$ (89.5) | (6)  | \$ 5,387.0 | \$ 5,634.1 | \$ (247.1) | (4)  |
| Adjusted OIBDAR (C)               | \$ 481.5   | \$ 503.2   | \$ (21.7) | (4)  | \$ 1,913.7 | \$ 2,004.3 | \$ (90.6)  | (5)  |
| Adjusted OIBDA (D)                | \$ 318.1   | \$ 340.7   | \$ (22.6) | (7)  | \$ 1,260.1 | \$ 1,354.3 | \$ (94.2)  | (7)  |
| Adjusted capital expenditures (E) | \$ 183.1   | \$ 226.6   | \$ (43.5) | (19) | \$ 816.0   | \$ 965.0   | \$ (149.0) | (15) |

\* Not meaningful

(A) Includes additional interest expense associated with the master lease agreement with CS&L of \$123.7 million and \$500.8 million for the three and twelve months ended December 31, 2016, respectively, as compared to \$127.4 million and \$351.6 million for the three and twelve months ended December 31, 2015, respectively.

(B) Adjusted results exclude the impacts of the disposed data center and consumer CLEC businesses and directory publishing operations and all merger, integration and other costs related to strategic transactions. See Notes to Reconciliation of Non-GAAP Financial Measures.

(C) 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.

(D) Adjusted OIBDA is operating income before depreciation and amortization adjusted for the impact of restructuring charges, pension costs, share-based compensation expense and the annual cash rent payment due under the master lease agreement with CS&L.

(E) Adjusted capital expenditures exclude the impacts of capital 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 BUSINESS SEGMENT RESULTS  
 (In millions)

|                                                       | THREE MONTHS ENDED   |                      |                               |       | TWELVE MONTHS ENDED  |                      |                               |       |
|-------------------------------------------------------|----------------------|----------------------|-------------------------------|-------|----------------------|----------------------|-------------------------------|-------|
|                                                       | December 31,<br>2016 | December 31,<br>2015 | Increase (Decrease)<br>Amount | %     | December 31,<br>2016 | December 31,<br>2015 | Increase (Decrease)<br>Amount | %     |
| <b>Consumer and Small Business - ILEC</b>             |                      |                      |                               |       |                      |                      |                               |       |
| Revenues and sales:                                   |                      |                      |                               |       |                      |                      |                               |       |
| Service revenues                                      | \$ 309.5             | \$ 311.1             | \$ (1.6)                      | (1)   | \$ 1,243.6           | \$ 1,251.1           | \$ (7.5)                      | (1)   |
| Product sales                                         | 0.2                  | 0.6                  | (0.4)                         | (67)  | 1.1                  | 2.9                  | (1.8)                         | (62)  |
| Total consumer                                        | 309.7                | 311.7                | (2.0)                         | (1)   | 1,244.7              | 1,254.0              | (9.3)                         | (1)   |
| Small business - ILEC                                 | 82.0                 | 86.1                 | (4.1)                         | (5)   | 335.0                | 351.5                | (16.5)                        | (5)   |
| Total revenue and sales                               | 391.7                | 397.8                | (6.1)                         | (2)   | 1,579.7              | 1,605.5              | (25.8)                        | (2)   |
| Costs and expenses                                    | 158.3                | 168.0                | (9.7)                         | (6)   | 680.7                | 671.0                | 9.7                           | 1     |
| Segment income                                        | 233.4                | 229.8                | 3.6                           | 2     | 899.0                | 934.5                | (35.5)                        | (4)   |
| <b>Wholesale (A)</b>                                  |                      |                      |                               |       |                      |                      |                               |       |
| Service revenues                                      | 152.7                | 170.7                | (18.0)                        | (11)  | 631.0                | 687.9                | (56.9)                        | (8)   |
| Costs and expenses                                    | 43.8                 | 46.4                 | (2.6)                         | (6)   | 178.8                | 185.6                | (6.8)                         | (4)   |
| Segment income                                        | 108.9                | 124.3                | (15.4)                        | (12)  | 452.2                | 502.3                | (50.1)                        | (10)  |
| <b>Enterprise</b>                                     |                      |                      |                               |       |                      |                      |                               |       |
| Revenues and sales:                                   |                      |                      |                               |       |                      |                      |                               |       |
| Service revenues                                      | 486.3                | 497.5                | (11.2)                        | (2)   | 1,964.0              | 1,947.1              | 16.9                          | 1     |
| Product sales                                         | 11.3                 | 29.4                 | (18.1)                        | (62)  | 67.2                 | 120.1                | (52.9)                        | (44)  |
| Total revenue and sales                               | 497.6                | 526.9                | (29.3)                        | (6)   | 2,031.2              | 2,067.2              | (36.0)                        | (2)   |
| Costs and expenses                                    | 412.3                | 449.1                | (36.8)                        | (8)   | 1,712.5              | 1,826.6              | (114.1)                       | (6)   |
| Segment income                                        | 85.3                 | 77.8                 | 7.5                           | 10    | 318.7                | 240.6                | 78.1                          | 32    |
| <b>Small Business - CLEC</b>                          |                      |                      |                               |       |                      |                      |                               |       |
| Service revenues                                      | 111.1                | 131.5                | (20.4)                        | (16)  | 483.8                | 559.0                | (75.2)                        | (13)  |
| Costs and expenses                                    | 75.8                 | 90.2                 | (14.4)                        | (16)  | 328.7                | 378.2                | (49.5)                        | (13)  |
| Segment income                                        | 35.3                 | 41.3                 | (6.0)                         | (15)  | 155.1                | 180.8                | (25.7)                        | (14)  |
| Total segment revenues and sales:                     |                      |                      |                               |       |                      |                      |                               |       |
| Service revenues                                      | 1,141.6              | 1,196.9              | (55.3)                        | (5)   | 4,657.4              | 4,796.6              | (139.2)                       | (3)   |
| Product sales                                         | 11.5                 | 30.0                 | (18.5)                        | (62)  | 68.3                 | 123.0                | (54.7)                        | (44)  |
| Total segment revenues and sales                      | 1,153.1              | 1,226.9              | (73.8)                        | (6)   | 4,725.7              | 4,919.6              | (193.9)                       | (4)   |
| Total segment costs and expenses                      | 690.2                | 753.7                | (63.5)                        | (8)   | 2,900.7              | 3,061.4              | (160.7)                       | (5)   |
| Total segment income                                  | 462.9                | 473.2                | (10.3)                        | (2)   | 1,825.0              | 1,858.2              | (33.2)                        | (2)   |
| Regulatory and other operating revenues and sales (B) | 156.0                | 171.7                | (15.7)                        | (9)   | 661.3                | 714.5                | (53.2)                        | (7)   |
| Revenues and sales related to disposed businesses (C) | —                    | 28.4                 | (28.4)                        | (100) | —                    | 131.2                | (131.2)                       | (100) |
| Other unassigned operating expenses (D)               | (215.7)              | (189.0)              | (26.7)                        | 14    | (707.4)              | (739.7)              | 32.3                          | (4)   |
| Operating expenses related to disposed businesses (C) | —                    | (19.1)               | 19.1                          | (100) | —                    | (88.3)               | 88.3                          | (100) |
| Depreciation and amortization                         | (329.5)              | (333.5)              | 4.0                           | (1)   | (1,263.5)            | (1,366.5)            | 103.0                         | (8)   |
| Operating income                                      | \$ 73.7              | \$ 131.7             | \$ (58.0)                     | (44)  | \$ 515.4             | \$ 509.4             | \$ 6.0                        | 1     |

- (A) 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.
- (B) Other operating revenues are not allocated to the business segments. These revenues include revenue from federal and state universal service funds, CAF Phase II support, and 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.
- (C) Represents revenues and operating expenses associated with the disposed data center and consumer CLEC businesses and directory publishing operations that are not assigned to the business segments.
- (D) These expenses are not allocated to the business segments. Unallocated expenses include merger, integration and other costs, restructuring charges, stock-based compensation, pension costs, certain regulatory fees, cost of products sold to contractors, interconnection costs in consumer markets where we lease the connection to the customer premise and shared services, such as accounting and finance, information technology, engineering, network management, legal, human resources, and investor relations. These expenses are centrally managed and are not monitored by management at a segment level.

WINDSTREAM HOLDINGS, INC.  
 UNAUDITED SUPPLEMENTAL OPERATING INFORMATION  
 (In thousands)

|                                         | THREE MONTHS ENDED   |                      |                               |      | TWELVE MONTHS ENDED  |                      |                               |    |
|-----------------------------------------|----------------------|----------------------|-------------------------------|------|----------------------|----------------------|-------------------------------|----|
|                                         | December 31,<br>2016 | December 31,<br>2015 | Increase (Decrease)<br>Amount | %    | December 31,<br>2016 | December 31,<br>2015 | Increase (Decrease)<br>Amount | %  |
| <b>Consumer operating metrics</b>       |                      |                      |                               |      |                      |                      |                               |    |
| Households served                       | 1,354.6              | 1,445.8              | (91.2)                        | (6)  |                      |                      |                               |    |
| High-speed Internet customers           | 1,051.1              | 1,095.1              | (44.0)                        | (4)  |                      |                      |                               |    |
| Digital television customers            | 321.0                | 359.3                | (38.3)                        | (11) |                      |                      |                               |    |
| Net household losses                    | 23.9                 | 25.2                 | (1.3)                         | (5)  | 91.2                 | 82.9                 | 8.3                           | 10 |
| Net high-speed Internet customer losses | 11.9                 | 14.5                 | (2.6)                         | (18) | 44.0                 | 36.5                 | 7.5                           | 21 |
| <b>Small Business - ILEC customers</b>  | 135.9                | 146.8                | (10.9)                        | (7)  |                      |                      |                               |    |
| <b>Enterprise customers</b>             | 26.7                 | 26.3                 | 0.4                           | 2    |                      |                      |                               |    |
| <b>Small Business - CLEC customers</b>  | 72.1                 | 91.2                 | (19.1)                        | (21) |                      |                      |                               |    |

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 BALANCE SHEETS  
 (In millions)

|                                                   | December 31,<br>2016 | December 31,<br>2015 |
|---------------------------------------------------|----------------------|----------------------|
| <b>Assets</b>                                     |                      |                      |
| <b>Current Assets:</b>                            |                      |                      |
| Cash and cash equivalents                         | \$ 59.1              | \$ 31.3              |
| Accounts receivable, net                          | 618.6                | 643.9                |
| Inventories                                       | 77.5                 | 79.5                 |
| Prepaid expenses and other                        | 111.7                | 120.6                |
| Total current assets                              | <u>866.9</u>         | <u>875.3</u>         |
| Goodwill                                          | 4,213.6              | 4,213.6              |
| Other intangibles, net                            | 1,320.5              | 1,504.7              |
| Net property, plant and equipment                 | 5,283.5              | 5,279.8              |
| Investment in CS&L common stock                   | —                    | 549.2                |
| Other assets                                      | 85.5                 | 95.5                 |
| <b>Total Assets</b>                               | <u>\$ 11,770.0</u>   | <u>\$ 12,518.1</u>   |
| <b>Liabilities and Shareholders' Equity</b>       |                      |                      |
| <b>Current Liabilities:</b>                       |                      |                      |
| Current maturities of long-term debt              | \$ 14.9              | \$ 5.9               |
| Current portion of long-term lease obligations    | 168.7                | 152.7                |
| Accounts payable                                  | 390.2                | 430.1                |
| Advance payments and customer deposits            | 178.1                | 193.9                |
| Accrued taxes                                     | 78.0                 | 84.1                 |
| Accrued interest                                  | 58.1                 | 78.4                 |
| Other current liabilities                         | 366.6                | 322.0                |
| Total current liabilities                         | <u>1,254.6</u>       | <u>1,267.1</u>       |
| Long-term debt                                    | 4,848.7              | 5,164.6              |
| Long-term lease obligations                       | 4,831.9              | 5,000.4              |
| Deferred income taxes                             | 151.5                | 287.4                |
| Other liabilities                                 | 513.3                | 492.2                |
| Total liabilities                                 | <u>11,600.0</u>      | <u>12,211.7</u>      |
| <b>Shareholders' Equity:</b>                      |                      |                      |
| Common stock                                      | —                    | —                    |
| Additional paid-in capital                        | 559.7                | 602.9                |
| Accumulated other comprehensive income (loss)     | 5.9                  | (284.4)              |
| Accumulated deficit                               | (395.6)              | (12.1)               |
| Total shareholders' equity                        | <u>170.0</u>         | <u>306.4</u>         |
| <b>Total Liabilities and Shareholders' Equity</b> | <u>\$ 11,770.0</u>   | <u>\$ 12,518.1</u>   |

WINDSTREAM HOLDINGS, INC.  
 UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 (In millions)

|                                                                                  | <u>THREE MONTHS ENDED</u> |                      | <u>TWELVE MONTHS ENDED</u> |                      |
|----------------------------------------------------------------------------------|---------------------------|----------------------|----------------------------|----------------------|
|                                                                                  | December 31,<br>2016      | December 31,<br>2015 | December 31,<br>2016       | December 31,<br>2015 |
| <b>Cash Flows from Operating Activities:</b>                                     |                           |                      |                            |                      |
| Net (loss) income                                                                | \$ (86.9)                 | \$ 140.5             | \$ (383.5)                 | \$ 27.4              |
| Adjustments to reconcile net (loss) income to net cash provided from operations: |                           |                      |                            |                      |
| Depreciation and amortization                                                    | 329.5                     | 333.5                | 1,263.5                    | 1,366.5              |
| Provision for doubtful accounts                                                  | 10.7                      | 10.0                 | 43.8                       | 47.1                 |
| Share-based compensation expense                                                 | 9.8                       | 12.4                 | 41.6                       | 55.3                 |
| Pension expense                                                                  | 57.7                      | 9.6                  | 59.1                       | 1.2                  |
| Deferred income taxes                                                            | (58.3)                    | 87.0                 | (138.3)                    | (16.3)               |
| Net gain on disposal of investment in CS&L common stock                          | —                         | —                    | (15.2)                     | —                    |
| Noncash portion of net gain (loss) on early extinguishment of debt               | —                         | (3.5)                | (51.9)                     | (18.5)               |
| Other-than-temporary impairment loss on investment in CS&L common stock          | —                         | —                    | 181.9                      | —                    |
| Amortization of unrealized losses on de-designated interest rate swaps           | 1.8                       | 1.6                  | 4.8                        | 11.6                 |
| Loss (gain) from sale of data center                                             | 10.0                      | (326.1)              | 10.0                       | (326.1)              |
| Plan curtailment                                                                 | —                         | (1.5)                | (5.5)                      | (18.0)               |
| Other, net                                                                       | 1.4                       | 12.0                 | 1.2                        | 7.4                  |
| Changes in operating assets and liabilities, net:                                |                           |                      |                            |                      |
| Accounts receivable                                                              | 20.8                      | (10.6)               | (15.1)                     | (69.5)               |
| Prepaid income taxes                                                             | 5.3                       | (4.3)                | (4.4)                      | —                    |
| Prepaid expenses and other                                                       | 12.5                      | 10.5                 | 30.4                       | 1.4                  |
| Accounts payable                                                                 | 44.1                      | 69.0                 | (47.2)                     | 31.1                 |
| Accrued interest                                                                 | (34.9)                    | (60.6)               | (20.1)                     | (26.4)               |
| Accrued taxes                                                                    | 0.3                       | 19.9                 | (6.1)                      | 17.9                 |
| Other current liabilities                                                        | 2.9                       | (25.9)               | 21.2                       | (17.7)               |
| Other liabilities                                                                | (31.5)                    | (7.8)                | (42.4)                     | (11.6)               |
| Other, net                                                                       | 7.1                       | 4.6                  | (3.4)                      | (36.2)               |
| Net cash provided from operating activities                                      | <u>302.3</u>              | <u>270.3</u>         | <u>924.4</u>               | <u>1,026.6</u>       |
| <b>Cash Flows from Investing Activities:</b>                                     |                           |                      |                            |                      |
| Additions to property, plant and equipment                                       | (236.4)                   | (310.9)              | (989.8)                    | (1,055.3)            |
| Proceeds from the sale of property                                               | —                         | —                    | 6.3                        | —                    |
| Grant funds received for broadband stimulus projects                             | —                         | —                    | —                          | 23.5                 |
| Network expansion funded by Connect America Fund - Phase I                       | —                         | (6.5)                | —                          | (73.9)               |
| Disposition of data center business                                              | —                         | 574.2                | —                          | 574.2                |
| Change in restricted cash                                                        | —                         | —                    | —                          | 6.7                  |
| Other, net                                                                       | —                         | (6.1)                | (6.5)                      | 2.8                  |
| Net cash (used in) provided from investing activities                            | <u>(236.4)</u>            | <u>250.7</u>         | <u>(990.0)</u>             | <u>(522.0)</u>       |
| <b>Cash Flows from Financing Activities:</b>                                     |                           |                      |                            |                      |
| Dividends paid to shareholders                                                   | (14.5)                    | (15.1)               | (58.6)                     | (369.2)              |
| Payment received from CS&L in spin-off                                           | —                         | —                    | —                          | 1,035.0              |
| Funding received from CS&L for tenant capital improvements                       | —                         | 43.1                 | —                          | 43.1                 |
| Repayments of debt and swaps                                                     | (344.1)                   | (1,252.3)            | (3,263.7)                  | (3,350.9)            |
| Proceeds of debt issuance                                                        | 334.5                     | 715.0                | 3,674.5                    | 2,335.0              |
| Debt issuance costs                                                              | (0.1)                     | —                    | (12.4)                     | (4.3)                |
| Stock repurchases                                                                | —                         | (26.2)               | (28.9)                     | (46.2)               |
| Payments under long-term lease obligations                                       | (39.6)                    | (43.3)               | (152.8)                    | (102.6)              |
| Payments under capital lease obligations                                         | (4.6)                     | (6.8)                | (57.7)                     | (31.5)               |
| Other, net                                                                       | 0.2                       | (1.3)                | (7.0)                      | (9.5)                |
| Net cash (used in) provided from financing activities                            | <u>(68.2)</u>             | <u>(586.9)</u>       | <u>93.4</u>                | <u>(501.1)</u>       |
| (Decrease) increase in cash and cash equivalents                                 | (2.3)                     | (65.9)               | 27.8                       | 3.5                  |
| <b>Cash and Cash Equivalents:</b>                                                |                           |                      |                            |                      |
| Beginning of period                                                              | 61.4                      | 97.2                 | 31.3                       | 27.8                 |
| End of period                                                                    | <u>\$ 59.1</u>            | <u>\$ 31.3</u>       | <u>\$ 59.1</u>             | <u>\$ 31.3</u>       |

## WINDSTREAM HOLDINGS, INC.

## NON-GAAP FINANCIAL MEASURES - ADJUSTED FREE CASH FLOW AND ADJUSTED CAPITAL EXPENDITURES

(In millions)

|                                                      | THREE MONTHS ENDED   |                      | TWELVE MONTHS ENDED  |                      |
|------------------------------------------------------|----------------------|----------------------|----------------------|----------------------|
|                                                      | December 31,<br>2016 | December 31,<br>2015 | December 31,<br>2016 | December 31,<br>2015 |
| <b>Adjusted Free Cash Flow:</b>                      |                      |                      |                      |                      |
| Operating income under GAAP                          | \$ 73.7              | \$ 131.7             | \$ 515.4             | \$ 509.4             |
| Depreciation and amortization                        | 329.5                | 333.5                | 1,263.5              | 1,366.5              |
| OIBDA                                                | 403.2                | 465.2                | 1,778.9              | 1,875.9              |
| Adjustments:                                         |                      |                      |                      |                      |
| Merger, integration and other costs                  | 3.3                  | 20.5                 | 13.8                 | 95.0                 |
| Pension expense                                      | 57.7                 | 9.6                  | 59.1                 | 1.2                  |
| Restructuring charges                                | 7.5                  | 5.0                  | 20.3                 | 20.7                 |
| Share-based compensation expense                     | 9.8                  | 12.4                 | 41.6                 | 55.3                 |
| Master lease rent payment                            | (163.4)              | (162.5)              | (653.6)              | (446.0)              |
| Adjusted capital expenditures                        | (183.1)              | (226.6)              | (816.0)              | (965.0)              |
| Cash paid for interest on long-term debt obligations | (113.9)              | (160.3)              | (366.2)              | (487.8)              |
| Cash refunded (paid) for income taxes                | 2.0                  | (0.3)                | (6.2)                | (1.1)                |
| Cash dividends received on CS&L common stock         | —                    | 17.6                 | 35.2                 | 30.6                 |
| Adjusted free cash flow                              | <u>\$ 23.1</u>       | <u>\$ (19.4)</u>     | <u>\$ 106.9</u>      | <u>\$ 178.8</u>      |
| <b>Adjusted Capital Expenditures:</b>                |                      |                      |                      |                      |
| Capital expenditures under GAAP                      | \$ 236.4             | \$ 310.9             | \$ 989.8             | \$ 1,055.3           |
| Project Excel capital expenditures (A)               | (53.3)               | (41.2)               | (173.8)              | (47.2)               |
| Capital expenditures funded by CS&L                  | —                    | (43.1)               | —                    | (43.1)               |
| Adjusted capital expenditures                        | <u>\$ 183.1</u>      | <u>\$ 226.6</u>      | <u>\$ 816.0</u>      | <u>\$ 965.0</u>      |

(A) Represents capital 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.

WINDSTREAM HOLDINGS, INC.  
RECONCILIATION OF NON-GAAP FINANCIAL MEASURES  
(In millions)

|                                                                                        | THREE MONTHS ENDED   |                      | TWELVE MONTHS ENDED  |                      |
|----------------------------------------------------------------------------------------|----------------------|----------------------|----------------------|----------------------|
|                                                                                        | December 31,<br>2016 | December 31,<br>2015 | December 31,<br>2016 | December 31,<br>2015 |
| <b>Reconciliation of Revenues and Sales under GAAP to Adjusted Revenues and Sales:</b> |                      |                      |                      |                      |
| Service revenues under GAAP                                                            | \$ 1,289.1           | \$ 1,388.4           | \$ 5,279.9           | \$ 5,598.6           |
| Adjustments:                                                                           |                      |                      |                      |                      |
| Data center revenues                                                                   | (A) —                | (28.4)               | (A) —                | (119.4)              |
| Consumer CLEC revenues                                                                 | (A) —                | —                    | (A) —                | (10.2)               |
| Directory publishing revenues                                                          | (A) —                | —                    | (A) —                | (1.6)                |
| Adjusted service revenues                                                              | 1,289.1              | 1,360.0              | 5,279.9              | 5,467.4              |
| Product sales under GAAP                                                               | 20.0                 | 38.6                 | 107.1                | 166.7                |
| Adjusted revenues and sales                                                            | <u>\$ 1,309.1</u>    | <u>\$ 1,398.6</u>    | <u>\$ 5,387.0</u>    | <u>\$ 5,634.1</u>    |
| <b>Reconciliation of Net (Loss) Income under GAAP to Adjusted OIBDA:</b>               |                      |                      |                      |                      |
| Net (loss) income                                                                      | \$ (86.9)            | \$ 140.5             | \$ (383.5)           | \$ 27.4              |
| Adjustments:                                                                           |                      |                      |                      |                      |
| Dividend income on CS&L common stock                                                   | (B) —                | (17.6)               | (B) (17.6)           | (48.2)               |
| Other (income) expense, net                                                            | (B) (1.3)            | (1.4)                | (B) 1.2              | (9.3)                |
| Loss (gain) on sale of data center business                                            | (B) 10.0             | (326.1)              | (B) 10.0             | (326.1)              |
| Net loss on disposal of investment in CS&L common stock                                | (B) —                | —                    | (B) (15.2)           | —                    |
| Net loss on early extinguishment of debt                                               | (B) —                | 0.6                  | (B) 18.0             | 36.4                 |
| Other-than-temporary impairment loss on investment in CS&L common stock                | (B) —                | —                    | (B) 181.9            | —                    |
| Interest expense                                                                       | (B) 207.1            | 224.4                | (B) 860.6            | 813.2                |
| Income tax (benefit) expense                                                           | (B) (55.2)           | 111.3                | (B) (140.0)          | 16.0                 |
| Operating income under GAAP                                                            | (B) 73.7             | 131.7                | (B) 515.4            | 509.4                |
| Depreciation and amortization                                                          | (B) 329.5            | 333.5                | (B) 1,263.5          | 1,366.5              |
| Adjustments:                                                                           |                      |                      |                      |                      |
| Data center business operating loss                                                    | (A) —                | (7.3)                | (A) —                | (2.6)                |
| Consumer CLEC business operating income                                                | (A) —                | —                    | (A) —                | (3.3)                |
| Directory publishing operating income                                                  | (A) —                | —                    | (A) —                | (0.8)                |
| Depreciation and amortization - disposed businesses                                    | (A) —                | (2.0)                | (A) —                | (36.2)               |
| Merger, integration and other costs                                                    | (B) 3.3              | 20.5                 | (B) 13.8             | 95.0                 |
| Pension expense                                                                        | (B) 57.7             | 9.6                  | (B) 59.1             | 1.2                  |
| Restructuring charges                                                                  | (B) 7.5              | 5.0                  | (B) 20.3             | 20.7                 |
| Share-based compensation expense                                                       | (B) 9.8              | 12.2                 | (B) 41.6             | 54.4                 |
| Adjusted OIBDAR                                                                        | 481.5                | 503.2                | 1,913.7              | 2,004.3              |
| Master lease rent payment                                                              | (C) (163.4)          | (162.5)              | (C) (653.6)          | (650.0)              |
| Adjusted OIBDA                                                                         | <u>\$ 318.1</u>      | <u>\$ 340.7</u>      | <u>\$ 1,260.1</u>    | <u>\$ 1,354.3</u>    |

See Notes to Reconciliation of Non-GAAP Financial Measures

WINDSTREAM HOLDINGS, INC.  
RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

(In millions)

|                                                                                         | THREE MONTHS ENDED   |                      | TWELVE MONTHS ENDED  |                      |
|-----------------------------------------------------------------------------------------|----------------------|----------------------|----------------------|----------------------|
|                                                                                         | December 31,<br>2016 | December 31,<br>2015 | December 31,<br>2016 | December 31,<br>2015 |
| <b>Reconciliation of Net Cash Provided from Operating Activities to Adjusted OIBDA:</b> |                      |                      |                      |                      |
| Net Cash Provided From Operating Activities                                             | \$ 302.3             | \$ 270.3             | \$ 924.4             | \$ 1,026.6           |
| Adjustments:                                                                            |                      |                      |                      |                      |
| Master lease rent payment                                                               | (C) (163.4)          | (162.5)              | (C) (653.6)          | (650.0)              |
| Cash dividends received on CS&L common stock                                            | —                    | (17.6)               | (35.2)               | (30.6)               |
| Pretax operating results of disposed businesses                                         | (A) —                | (9.5)                | (A) —                | (43.8)               |
| Merger, integration and other costs                                                     | (B) 3.3              | 20.5                 | (B) 13.8             | 95.0                 |
| Restructuring charges                                                                   | (B) 7.5              | 5.0                  | (B) 20.3             | 20.7                 |
| Other income (expense), net                                                             | (B) (1.3)            | (1.4)                | (B) 1.2              | (9.3)                |
| Net loss on early extinguishment of debt                                                | (B) —                | 0.6                  | (B) 18.0             | 36.4                 |
| Interest expense                                                                        | (B) 207.1            | 224.4                | (B) 860.6            | 813.2                |
| Income tax benefit, net of deferred income taxes                                        | 3.1                  | 24.3                 | (1.7)                | 32.3                 |
| Provision for doubtful accounts                                                         | (D) (10.7)           | (10.0)               | (D) (43.8)           | (47.1)               |
| Noncash portion of net (gain) loss on early extinguishment of debt                      | (D) —                | 3.5                  | (D) 51.9             | 18.5                 |
| Amortization of unrealized losses on de-designated interest rate swaps                  | (D) (1.7)            | (1.6)                | (D) (4.8)            | (11.6)               |
| Plan curtailment                                                                        | (D) —                | 1.5                  | (D) 5.5              | 18.0                 |
| Other noncash adjustments, net                                                          | (F) (1.5)            | (12.0)               | (F) 16.4             | (25.0)               |
| Changes in operating assets and liabilities, net                                        | (D) (26.6)           | 5.2                  | (D) 87.1             | 111.0                |
| Adjusted OIBDA                                                                          | <u>\$ 318.1</u>      | <u>\$ 340.7</u>      | <u>\$ 1,260.1</u>    | <u>\$ 1,354.3</u>    |

**Reconciliation of Net Cash Provided from Operating Activities to Adjusted Free Cash Flow:**

|                                                                        |                |                  |                 |                 |
|------------------------------------------------------------------------|----------------|------------------|-----------------|-----------------|
| Net Cash Provided From Operating Activities                            | \$ 302.3       | \$ 270.3         | \$ 924.4        | \$ 1,026.6      |
| Adjustments:                                                           |                |                  |                 |                 |
| Cash paid for income taxes                                             | 2.0            | (0.3)            | (6.2)           | (1.1)           |
| Cash paid for interest on long-term debt obligations                   | (113.9)        | (160.3)          | (366.2)         | (487.8)         |
| Capital expenditures                                                   | (D) (236.4)    | (310.9)          | (D) (989.8)     | (1,055.3)       |
| Project Excel capital expenditures                                     | (E) 53.3       | 41.2             | (E) 173.8       | 47.2            |
| Capital expenditures funded by CS&L                                    | —              | 43.1             | —               | 43.1            |
| Master lease rent payment                                              | (A) (163.4)    | (162.5)          | (A) (653.6)     | (446.0)         |
| Merger, integration and other costs                                    | (B) 3.3        | 20.5             | (B) 13.8        | 95.0            |
| Restructuring charges                                                  | (B) 7.5        | 5.0              | (B) 20.3        | 20.7            |
| Other income (expense), net                                            | (B) (1.3)      | (1.4)            | (B) 1.2         | (9.3)           |
| Net loss on early extinguishment of debt                               | (B) —          | 0.6              | (B) 18.0        | 36.4            |
| Interest expense                                                       | (B) 207.1      | 224.4            | (B) 860.6       | 813.2           |
| Income tax benefit, net of deferred income taxes                       | 3.1            | 24.3             | (1.7)           | 32.3            |
| Provision for doubtful accounts                                        | (D) (10.7)     | (10.0)           | (D) (43.8)      | (47.1)          |
| Noncash portion of net (gain) loss on early extinguishment of debt     | (D) —          | 3.5              | (D) 51.9        | 18.5            |
| Amortization of unrealized losses on de-designated interest rate swaps | (D) (1.7)      | (1.6)            | (D) (4.8)       | (11.6)          |
| Plan curtailment                                                       | (D) —          | 1.5              | (D) 5.5         | 18.0            |
| Other noncash adjustments, net                                         | (F) (1.5)      | (12.0)           | (F) 16.4        | (25.0)          |
| Changes in operating assets and liabilities, net                       | (D) (26.6)     | 5.2              | (D) 87.1        | 111.0           |
| Adjusted Free Cash Flow                                                | <u>\$ 23.1</u> | <u>\$ (19.4)</u> | <u>\$ 106.9</u> | <u>\$ 178.8</u> |

See Notes to Reconciliation of Non-GAAP Financial Measures



- (A) Represents applicable amount related to the disposed data center and consumer CLEC businesses and directory publishing operations as reported under GAAP. There were no product sales attributed to the disposed businesses.
- (B) Represents applicable amount as reported under GAAP - See Unaudited Consolidated Statements of Operations.
- (C) Represents the impact of the annual cash rent payment due under the master lease agreement with CS&L assuming the lease payments began on January 1, 2015.
- (D) Represents applicable amount reported under GAAP - See Unaudited Consolidated Statements of Cash Flows.
- (E) Represents capital 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.
- (F) Consists of non-cash amortization of debt issuance costs, debt discounts and premiums, accretion expense related to asset retirement obligations, ineffectiveness on interest rate swaps, gains on the sale of property, and other non-cash miscellaneous income and expenses.

Windstream Holdings, Inc ("Windstream", "we", "us", "our") has presented in this press release unaudited adjusted results, which exclude the impacts of the disposed data center and consumer CLEC businesses and directory publishing operations and all merger, integration and other costs resulting from strategic transactions. 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"), and exclude the impacts of restructuring charges, pension costs and share-based compensation expense.

Our purpose for these adjustments is to improve the comparability of results of operations for all periods presented 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.