

WINDSTREAM HOLDINGS, INC.  
 UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS  
 (In millions, except per share amounts)

	THREE MONTHS ENDED			
	March 31, 2016	March 31, 2015	Increase (Decrease) Amount	%
<b>UNDER GAAP:</b>				
Revenues and sales:				
Service revenues	\$ 1,340.6	\$ 1,381.8	\$ (41.2)	(3)
Product sales	32.8	36.8	(4.0)	(11)
Total revenues and sales	<u>1,373.4</u>	<u>1,418.6</u>	<u>(45.2)</u>	(3)
Costs and expenses:				
Cost of services (exclusive of depreciation and amortization included below)	668.8	680.0	(11.2)	(2)
Cost of products sold	28.9	31.9	(3.0)	(9)
Selling, general and administrative	203.8	225.0	(21.2)	(9)
Depreciation and amortization	304.8	340.7	(35.9)	(11)
Merger and integration costs	5.0	14.1	(9.1)	(65)
Restructuring charges	4.4	7.0	(2.6)	(37)
Total costs and expenses	<u>1,215.7</u>	<u>1,298.7</u>	<u>(83.0)</u>	(6)
Operating income	157.7	119.9	37.8	32
Dividend income on CS&L common stock	17.6	—	17.6	*
Other expense, net	(1.2)	(1.2)	—	—
Net loss on early extinguishment of debt	(35.4)	—	(35.4)	*
Other-than-temporary impairment loss on investment in CS&L common stock	(181.9)	—	(181.9)	*
Interest expense (A)	<u>(219.7)</u>	<u>(141.1)</u>	<u>(78.6)</u>	56
Loss before income taxes	(262.9)	(22.4)	(240.5)	*
Income tax benefit	<u>(31.0)</u>	<u>(27.7)</u>	<u>(3.3)</u>	12
Net (loss) income	<u>\$ (231.9)</u>	<u>\$ 5.3</u>	<u>\$ (237.2)</u>	*
Weighted average common shares	92.2	99.9	(7.7)	(8)
Common shares outstanding	96.3	100.8	(4.5)	(4)
Basic and diluted (loss) earnings per share:				
Net (loss) income	(\$2.52)	\$0.05	(\$2.57)	*
<b>PRO FORMA RESULTS OF OPERATIONS (B):</b>				
Pro forma service revenues	\$ 1,340.6	\$ 1,343.1	\$ (2.5)	—
Pro forma revenues and sales	\$ 1,373.4	\$ 1,379.9	\$ (6.5)	—
Pro forma adjusted OIBDAR (C)	\$ 485.3	\$ 481.3	\$ 4.0	1
Pro forma adjusted OIBDA (D)	\$ 321.8	\$ 318.8	\$ 3.0	1
Adjusted capital expenditures (E)	\$ 230.1	\$ 189.3	\$ 40.8	22

\* Not meaningful

- (A) Includes additional interest expense associated with the master lease agreement with CS&L of \$126.9 million for the three months ended March 31, 2016.
- (B) Pro forma results adjust operating results under GAAP to exclude the impacts of the disposed data center and consumer CLEC businesses and directory publishing operations and all merger and integration costs related to strategic transactions. See Notes to Reconciliation of Non-GAAP Financial Measures.
- (C) Pro forma adjusted OIBDAR is pro forma 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) Pro forma adjusted OIBDA is operating income before depreciation and amortization adjusted for the impact of restructuring charges, pension income, share-based compensation 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 \$250 million capital program funded entirely using a portion of the \$575 million proceeds from the sale of the data center business completed on December 18, 2015.

WINDSTREAM HOLDINGS, INC.  
 UNAUDITED BUSINESS SEGMENT RESULTS  
 (In millions)

	THREE MONTHS ENDED			
	March 31, 2016	March 31, 2015	Increase (Decrease) Amount	%
<b>Consumer and Small Business - ILEC</b>				
Revenues and sales:				
Service revenues	\$ 311.7	\$ 312.2	\$ (0.5)	—
Product sales	<u>0.4</u>	<u>1.1</u>	<u>(0.7)</u>	(64)
Total consumer	312.1	313.3	(1.2)	—
Small business - ILEC	<u>85.1</u>	<u>89.5</u>	<u>(4.4)</u>	(5)
Total revenue and sales	397.2	402.8	(5.6)	(1)
Costs and expenses	<u>169.1</u>	<u>163.2</u>	<u>5.9</u>	4
Segment income	<u>228.1</u>	<u>239.6</u>	<u>(11.5)</u>	(5)
<b>Carrier</b>				
Service revenues	163.2	176.3	(13.1)	(7)
Costs and expenses	<u>45.5</u>	<u>46.1</u>	<u>(0.6)</u>	(1)
Segment income	<u>117.7</u>	<u>130.2</u>	<u>(12.5)</u>	(10)
<b>Enterprise</b>				
Revenues and sales:				
Service revenues	491.4	475.7	15.7	3
Product sales	<u>21.7</u>	<u>27.6</u>	<u>(5.9)</u>	(21)
Total revenue and sales	513.1	503.3	9.8	2
Costs and expenses	<u>442.6</u>	<u>451.4</u>	<u>(8.8)</u>	(2)
Segment income	<u>70.5</u>	<u>51.9</u>	<u>18.6</u>	36
<b>Small Business - CLEC</b>				
Service revenues	128.7	146.6	(17.9)	(12)
Costs and expenses	<u>87.4</u>	<u>98.0</u>	<u>(10.6)</u>	(11)
Segment income	<u>41.3</u>	<u>48.6</u>	<u>(7.3)</u>	(15)
Total segment revenues and sales:				
Service revenues	1,180.1	1,200.3	(20.2)	(2)
Product sales	<u>22.1</u>	<u>28.7</u>	<u>(6.6)</u>	(23)
Total segment revenues and sales	1,202.2	1,229.0	(26.8)	(2)
Total segment costs and expenses	<u>744.6</u>	<u>758.7</u>	<u>(14.1)</u>	(2)
Total segment income	457.6	470.3	(12.7)	(3)
Regulatory and other operating revenues and sales (A)	171.2	150.9	20.3	13
Revenues and sales related to disposed businesses (B)	—	38.7	(38.7)	(100)
Other unassigned operating expenses (C)	(166.3)	(173.7)	7.4	(4)
Operating expenses related to disposed businesses (B)	—	(25.6)	25.6	(100)
Depreciation and amortization	<u>(304.8)</u>	<u>(340.7)</u>	<u>35.9</u>	(11)
Operating income	<u>\$ 157.7</u>	<u>\$ 119.9</u>	<u>\$ 37.8</u>	32

- (A) 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.
- (B) 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.
- (C) These expenses are not allocated to the business segments. Unallocated expenses include merger and integration costs, restructuring charges, stock-based compensation, pension costs, and shared services, such as accounting and finance, legal, human resources, investor relations, etc. 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			
	March 31, 2016	March 31, 2015	Increase (Decrease) Amount	%
<b>Consumer operating metrics</b>				
Households served	1,430.7	1,516.5	(85.8)	(6)
High-speed Internet	1,092.0	1,132.4	(40.4)	(4)
Digital television customers	350.1	378.8	(28.7)	(8)
Net household losses	15.1	12.2	2.9	24
Net high-speed Internet (losses) additions	(3.1)	0.8	(3.9)	*
<b>Small Business - ILEC customers (A)</b>	144.3	155.9	(11.6)	(7)
<b>Enterprise business customers (B)</b>	26.4	26.2	0.2	1
<b>Small Business - CLEC customers (C)</b>	86.4	107.3	(20.9)	(19)

\* Not meaningful

- (A) Small business customer relationships that generate less than \$1,500 in revenue per month and are located in service areas in which we are the incumbent local exchange carrier ("ILEC") and provide services over network facilities operated by us.
- (B) Enterprise customers represent customers that generate \$1,500 or more in revenue per month.
- (C) Small business customer relationships that generate less than \$1,500 in revenue per month and are located in service areas in which we are the competitive local exchange carrier ("CLEC") and provide services over network facilities primarily leased from other carriers.

WINDSTREAM HOLDINGS, INC.  
 UNAUDITED CONSOLIDATED BALANCE SHEETS UNDER GAAP  
 (In millions)

	March 31, 2016	December 31, 2015
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 74.6	\$ 31.3
Accounts receivable, net	636.1	643.9
Inventories	79.4	79.5
Prepaid expenses and other	149.9	120.6
Total current assets	<u>940.0</u>	<u>875.3</u>
Goodwill	4,213.6	4,213.6
Other intangibles, net	1,457.2	1,504.7
Net property, plant and equipment	5,255.7	5,279.8
Investment in CS&L common stock	653.8	549.2
Other assets	90.9	95.5
<b>Total Assets</b>	<u>\$ 12,611.2</u>	<u>\$ 12,518.1</u>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current Liabilities:</b>		
Current maturities of long-term debt	\$ 11.9	\$ 5.9
Current portion of long-term lease obligations	156.6	152.7
Accounts payable	323.6	430.1
Advance payments and customer deposits	193.9	193.9
Accrued taxes	71.6	84.1
Accrued interest	118.1	78.4
Other current liabilities	273.9	322.0
Total current liabilities	<u>1,149.6</u>	<u>1,267.1</u>
Long-term debt	5,433.1	5,164.6
Long-term lease obligations	4,959.8	5,000.4
Deferred income taxes	254.9	287.4
Other liabilities	476.1	492.2
Total liabilities	<u>12,273.5</u>	<u>12,211.7</u>
<b>Shareholders' Equity:</b>		
Common stock	—	—
Additional paid-in capital	587.6	602.9
Accumulated other comprehensive loss	(5.9)	(284.4)
Accumulated deficit	(244.0)	(12.1)
Total shareholders' equity	<u>337.7</u>	<u>306.4</u>
<b>Total Liabilities and Shareholders' Equity</b>	<u>\$ 12,611.2</u>	<u>\$ 12,518.1</u>

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

	THREE MONTHS ENDED	
	March 31, 2016	March 31, 2015
Cash Flows from Operating Activities:		
Net (loss) income	\$ (231.9)	\$ 5.3
Adjustments to reconcile net (loss) income to net cash provided from operations:		
Depreciation and amortization	304.8	340.7
Provision for doubtful accounts	9.7	10.3
Share-based compensation expense	13.7	14.8
Deferred income taxes	(27.5)	(33.8)
Other-than-temporary impairment loss on investment in CS&L common stock	181.9	—
Noncash portion of net loss on early extinguishment of debt	(7.4)	—
Amortization of unrealized losses on de-designated interest rate swaps	1.2	3.4
Plan curtailment	(5.5)	—
Other, net	(15.3)	6.9
Changes in operating assets and liabilities, net:		
Accounts receivable	(2.0)	(33.3)
Prepaid income taxes	(5.8)	7.8
Prepaid expenses and other	(6.0)	(24.8)
Accounts payable	(100.2)	(64.2)
Accrued interest	39.8	67.4
Accrued taxes	(12.5)	(10.9)
Other current liabilities	4.2	(43.2)
Other liabilities	(10.0)	(2.6)
Other, net	(4.0)	—
Net cash provided from operating activities	<u>127.2</u>	<u>243.8</u>
Cash Flows from Investing Activities:		
Additions to property, plant and equipment	(263.8)	(189.3)
Proceeds from the sale of property	6.2	—
Grant funds received for broadband stimulus projects	—	7.4
Network expansion funded by Connect America Fund - Phase I	—	(8.3)
Change in restricted cash	—	(0.4)
Other, net	—	(2.1)
Net cash used in investing activities	<u>(257.6)</u>	<u>(192.7)</u>
Cash Flows from Financing Activities:		
Dividends paid to shareholders	(14.9)	(151.5)
Repayments of debt and swaps	(985.3)	(325.4)
Proceeds of debt issuance	1,278.0	490.0
Debt issuance costs	(10.7)	—
Stock repurchases	(28.9)	—
Payments under long-term lease obligations	(36.8)	—
Payments under capital lease obligations	(19.8)	(11.2)
Other, net	(7.9)	(6.8)
Net cash provided from (used in) financing activities	<u>173.7</u>	<u>(4.9)</u>
Increase in cash and cash equivalents	43.3	46.2
Cash and Cash Equivalents:		
Beginning of period	31.3	27.8
End of period	<u>\$ 74.6</u>	<u>\$ 74.0</u>

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

	THREE MONTHS ENDED	
	March 31, 2016	March 31, 2015
Reconciliation of Revenues and Sales under GAAP to Pro forma Revenues and Sales:		
Service revenues under GAAP	\$ 1,340.6	\$ 1,381.8
Pro forma adjustments:		
Data center revenues	(B) —	(29.2)
Consumer CLEC revenues	(B) —	(7.9)
Directory publishing revenues	(B) —	(1.6)
Pro forma service revenues	1,340.6	1,343.1
Product sales under GAAP	32.8	36.8
Pro forma revenues and sales	<u>\$ 1,373.4</u>	<u>\$ 1,379.9</u>
Reconciliation of Operating Income under GAAP to Pro forma Adjusted OIBDA:		
Operating income under GAAP	\$ 157.7	\$ 119.9
Depreciation and amortization expense	(C) 304.8	340.7
Pro forma adjustments:		
Data center business operating loss	(B) —	1.5
Data center business depreciation and amortization expense	(B) —	(10.3)
Consumer CLEC business operating income	(B) —	(2.5)
Consumer CLEC business amortization expense	(B) —	(1.0)
Directory publishing operating income	(B) —	(0.8)
Merger and integration costs	(C) 5.0	14.1
Pension income	(C) (0.3)	(1.8)
Restructuring charges	(C) 4.4	7.0
Share-based compensation	(C) 13.7	14.5
Pro forma adjusted OIBDAR	485.3	481.3
Master lease rent payment	(D) (163.5)	(162.5)
Pro forma adjusted OIBDA	<u>\$ 321.8</u>	<u>\$ 318.8</u>

- (A) Pro forma results adjust operating results under GAAP to exclude the impacts of the disposed consumer CLEC business and directory publishing operations and all merger and integration costs related to strategic transactions. See Notes to Reconciliation of Non-GAAP Financial Measures.
- (B) Represents applicable amount related to the disposed business as reported under GAAP.
- (C) Represents applicable expense as reported under GAAP.
- (D) 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.

## WINDSTREAM HOLDINGS, INC.

## UNAUDITED RECONCILIATION OF OPERATING INCOME UNDER GAAP TO ADJUSTED FREE CASH FLOW

(In millions)

	THREE MONTHS ENDED	
	March 31, 2016	March 31, 2015
Adjusted Free Cash Flow:		
Operating income under GAAP	\$ 157.7	\$ 119.9
Depreciation and amortization	304.8	340.7
OIBDA	462.5	460.6
Merger and integration costs	5.0	14.1
Pension income	(0.3)	(1.8)
Restructuring charges	4.4	7.0
Share-based compensation	13.7	14.8
Adjusted OIBDAR (A)	485.3	494.7
Master lease rent payment	(163.5)	—
Adjusted OIBDA (B)	321.8	494.7
Adjustments:		
Adjusted capital expenditures	(230.1)	(189.3)
Cash paid for interest	(55.5)	(74.7)
Cash (paid) refunded for taxes	(6.5)	1.2
CS&L dividends received	17.6	—
Adjusted free cash flow	\$ 47.3	\$ 231.9
Capital expenditures under GAAP	\$ 263.8	\$ 189.3
Project Excel capital expenditures (C)	(33.7)	—
Adjusted capital expenditures	\$ 230.1	\$ 189.3

Note: Adjusted OIBDAR and adjusted OIBDA include the results of the disposed data center and consumer CLEC businesses and directory publishing operations.

(A) Adjusted OIBDAR is adjusted OIBDA before the annual cash rent payment due under the master lease agreement with CS&L.

(B) Adjusted OIBDA is OIBDA before restructuring charges, pension income and share-based compensation.

(C) Represents capital expenditures related to Project Excel, a \$250 million capital program funded entirely using a portion of the \$575 million proceeds from the sale of the data center business completed on December 18, 2015.

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

Windstream Holdings, Inc ("Windstream", "we", "us", "our") has disclosed in our Form 8-K furnished on May 5, 2016, that we have presented in this press release unaudited pro forma results, which exclude the impacts of the disposed data center and consumer CLEC businesses and directory publishing operations and all merger and integration costs resulting from strategic transactions. In addition to pro forma 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 income and share-based compensation.

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 associated with providing telecommunication services. Additionally, management believes that presenting pro forma measures assists investors by providing more meaningful comparisons of results from current and prior periods, and by providing information that is a better reflection of the true earnings capacity of our current operations. We use pro forma results, including pro forma adjusted OIBDA, pro forma adjusted OIBDAR and adjusted free cash flow 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.

We claim the protection of the safe-harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. Forward looking statements are subject to uncertainties that could cause actual future events and results to differ materially from those expressed in the forward-looking statements. Forward-looking statements include, but are not limited to, statements about our expectation to return a portion of our cash flow to shareholders through our dividend, expectations regarding our "network first" strategy to improve financial performance and increase market share, expectations regarding revenue trends and improving margins in our business segments, growth in adjusted OIBDA, the amount that Windstream Services, LLC may reduce its debt by disposing of its equity stake in CS&L and its ability to improve its debt profile and reduce interest, 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, expectations regarding expanding IPTV and 1 Gbps services to more locations and expanding our carrier network, our expected ability to fund operations, expected required contributions to our pension plan, the completion and benefits from network investments related to the Connect America Fund to fund the deployment of broadband services and forecasted capital expenditure amounts related to these investments, anticipated benefits of Project Excel, anticipated capital expenditures and certain debt maturities from cash flows from operations, 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: 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 Connect America Fund, Phase 2, and the impact of such election on our future receipt of federal universal service funds and capital expenditures; the impact of new, emerging or competing technologies; 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 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; 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; 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 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, 2015, 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).