

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

	THREE MONTHS ENDED			
	March 31, 2017	March 31, 2016	Increase (Decrease) Amount	%
<b>UNDER GAAP:</b>				
Revenues and sales:				
Service revenues	\$ 1,344.4	\$ 1,340.6	\$ 3.8	—
Product sales	21.3	32.8	(11.5)	(35)
Total revenues and sales	<u>1,365.7</u>	<u>1,373.4</u>	<u>(7.7)</u>	<u>(1)</u>
Costs and expenses:				
Cost of services (exclusive of depreciation and amortization included below)	682.4	668.8	13.6	2
Cost of products sold	20.8	28.9	(8.1)	(28)
Selling, general and administrative	213.3	203.8	9.5	5
Depreciation and amortization	338.5	304.8	33.7	11
Merger, integration and other costs	57.3	5.0	52.3	*
Restructuring charges	7.4	4.4	3.0	68
Total costs and expenses	<u>1,319.7</u>	<u>1,215.7</u>	<u>104.0</u>	<u>9</u>
Operating income	46.0	157.7	(111.7)	(71)
Dividend income on Uniti common stock	—	17.6	(17.6)	(100)
Other income (expense), net	0.7	(1.2)	1.9	(158)
Loss on early extinguishment of debt	(3.2)	(35.4)	32.2	(91)
Other-than-temporary impairment loss on investment in Uniti common stock	—	(181.9)	181.9	(100)
Interest expense (A)	<u>(211.8)</u>	<u>(219.7)</u>	<u>7.9</u>	<u>(4)</u>
Loss before income taxes	(168.3)	(262.9)	94.6	(36)
Income tax benefit	(57.0)	(31.0)	(26.0)	84
Net loss	<u>\$ (111.3)</u>	<u>\$ (231.9)</u>	<u>\$ 120.6</u>	<u>(52)</u>
Weighted average common shares	126.1	92.2	33.9	37
Common shares outstanding	190.4			
Basic and diluted loss per share:				
Net loss	(\$ .89)	(\$ 2.52)	\$ 1.63	(65)
<b>ADJUSTED RESULTS OF OPERATIONS (B):</b>				
Adjusted service revenues	\$ 1,493.7	\$ 1,598.6	\$ (104.9)	(7)
Adjusted revenues and sales	\$ 1,515.2	\$ 1,631.5	\$ (116.3)	(7)
Adjusted OIBDAR (C)	\$ 498.4	\$ 546.0	\$ (47.6)	(9)
Adjusted OIBDA (D)	\$ 335.0	\$ 382.5	\$ (47.5)	(12)
Adjusted capital expenditures (E)	\$ 230.5	\$ 248.7	\$ (18.2)	(7)

\* Not meaningful

- (A) Includes interest expense associated with the master lease agreement with Uniti of \$122.8 million and \$126.9 million for the three months ended March 31, 2017 and 2016, respectively.
- (B) Adjusted results of operations are based upon the combined historical financial information of Windstream and EarthLink for all periods presented. 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 Uniti.
- (D) 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.
- (E) Adjusted capital expenditures includes applicable amounts for EarthLink for periods prior to the merger date of February 27, 2017 and excludes post-merger integration capital expenditures and amounts related to Project Excel, a capital program funded entirely using a portion of the proceeds from the sale of the data center business completed in December 2015.

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

	THREE MONTHS ENDED			
	March 31, 2017	March 31, 2016	Increase (Decrease) Amount	%
<b>ILEC Consumer and Small Business</b>				
Revenues and sales:				
Service revenues	\$ 310.7	\$ 311.7	\$ (1.0)	—
Product sales	0.2	0.4	(0.2)	(50)
Total consumer	310.9	312.1	(1.2)	—
Small business - ILEC	80.1	85.1	(5.0)	(6)
Total revenue and sales	391.0	397.2	(6.2)	(2)
Costs and expenses	169.3	169.1	0.2	—
Segment income	221.7	228.1	(6.4)	(3)
<b>Wholesale</b>				
Service revenues	157.5	163.2	(5.7)	(3)
Costs and expenses	50.0	45.5	4.5	10
Segment income	107.5	117.7	(10.2)	(9)
<b>Enterprise</b>				
Revenues and sales:				
Service revenues	515.9	491.4	24.5	5
Product sales	9.6	21.7	(12.1)	(56)
Total revenue and sales	525.5	513.1	12.4	2
Costs and expenses	443.0	442.6	0.4	—
Segment income	82.5	70.5	12.0	17
<b>CLEC Consumer and Small Business</b>				
Service revenues	140.3	128.7	11.6	9
Costs and expenses	91.5	87.4	4.1	5
Segment income	48.8	41.3	7.5	18
Total segment revenues and sales:				
Service revenues	1,204.5	1,180.1	24.4	2
Product sales	9.8	22.1	(12.3)	(56)
Total segment revenues and sales	1,214.3	1,202.2	12.1	1
Total segment costs and expenses	753.8	744.6	9.2	1
Total segment income	460.5	457.6	2.9	1
Regulatory and other operating revenues and sales (A)	151.4	171.2	(19.8)	(12)
Other unassigned operating expenses (B)	(227.4)	(166.3)	(61.1)	37
Depreciation and amortization	(338.5)	(304.8)	(33.7)	11
Operating income	\$ 46.0	\$ 157.7	\$ (111.7)	(71)

Note: Results for 2016 exclude the acquired EarthLink operations.

- (A) 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.
- (B) 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 CONSOLIDATED BALANCE SHEETS  
 (In millions)

	March 31, 2017	December 31, 2016
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 51.5	\$ 59.1
Accounts receivable, net	654.8	618.6
Inventories	87.0	77.5
Prepaid expenses and other	169.8	111.7
Total current assets	<u>963.1</u>	<u>866.9</u>
Goodwill	4,690.2	4,213.6
Other intangibles, net	1,577.7	1,320.5
Net property, plant and equipment	5,575.6	5,283.5
Other assets	97.6	85.5
<b>Total Assets</b>	<u>\$ 12,904.2</u>	<u>\$ 11,770.0</u>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current Liabilities:</b>		
Current maturities of long-term debt	\$ 19.3	\$ 14.9
Current portion of long-term lease obligations	172.9	168.7
Accounts payable	335.8	390.2
Advance payments and customer deposits	215.1	178.1
Accrued taxes	80.9	78.0
Accrued interest	96.0	58.1
Other current liabilities	381.0	366.6
Total current liabilities	<u>1,301.0</u>	<u>1,254.6</u>
Long-term debt	5,459.8	4,848.7
Long-term lease obligations	4,787.1	4,831.9
Deferred income taxes	98.2	151.5
Other liabilities	535.7	513.3
Total liabilities	<u>12,181.8</u>	<u>11,600.0</u>
<b>Shareholders' Equity:</b>		
Common stock	—	—
Additional paid-in capital	1,220.5	559.7
Accumulated other comprehensive income	8.8	5.9
Accumulated deficit	(506.9)	(395.6)
Total shareholders' equity	<u>722.4</u>	<u>170.0</u>
<b>Total Liabilities and Shareholders' Equity</b>	<u>\$ 12,904.2</u>	<u>\$ 11,770.0</u>

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

	THREE MONTHS ENDED	
	March 31, 2017	March 31, 2016
<b>Cash Flows from Operating Activities:</b>		
Net loss	\$ (111.3)	\$ (231.9)
Adjustments to reconcile net loss to net cash provided from operations:		
Depreciation and amortization	338.5	304.8
Provision for doubtful accounts	9.6	9.7
Share-based compensation expense	16.8	13.7
Deferred income taxes	(55.2)	(27.5)
Noncash portion of net loss on early extinguishment of debt	(15.1)	(7.4)
Other-than-temporary impairment loss on investment in Uniti common stock	—	181.9
Amortization of unrealized losses on de-designated interest rate swaps	1.5	1.2
Plan curtailment	—	(5.5)
Other, net	0.7	(15.3)
Changes in operating assets and liabilities, net:		
Accounts receivable	33.8	(2.0)
Prepaid income taxes	(5.6)	(5.8)
Prepaid expenses and other	(30.5)	(6.0)
Accounts payable	(61.5)	(100.2)
Accrued interest	29.9	39.8
Accrued taxes	(2.3)	(12.5)
Other current liabilities	(5.3)	4.2
Other liabilities	2.4	(10.0)
Other, net	(13.9)	(4.0)
Net cash provided from operating activities	<u>132.5</u>	<u>127.2</u>
<b>Cash Flows from Investing Activities:</b>		
Additions to property, plant and equipment	(243.4)	(263.8)
Proceeds from the sale of property	—	6.2
Cash acquired from EarthLink	5.0	—
Other, net	(2.5)	—
Net cash used in investing activities	<u>(240.9)</u>	<u>(257.6)</u>
<b>Cash Flows from Financing Activities:</b>		
Dividends paid to shareholders	(23.7)	(14.9)
Proceeds from stock issuance	9.6	—
Repayments of debt and swaps	(1,133.4)	(985.3)
Proceeds of debt issuance	1,315.6	1,278.0
Debt issuance costs	(7.0)	(10.7)
Stock repurchases	—	(28.9)
Payments under long-term lease obligations	(40.6)	(36.8)
Payments under capital lease obligations	(8.7)	(19.8)
Other, net	(11.0)	(7.9)
Net cash provided from financing activities	<u>100.8</u>	<u>173.7</u>
(Decrease) increase in cash and cash equivalents	(7.6)	43.3
<b>Cash and Cash Equivalents:</b>		
Beginning of period	59.1	31.3
End of period	<u>\$ 51.5</u>	<u>\$ 74.6</u>

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

	THREE MONTHS ENDED			
	March 31, 2017	March 31, 2016	Increase Amount	%
<b>ILEC Consumer operating metrics</b>				
Households served	1,337.5	1,430.7	(93.2)	(7)
High-speed Internet customers	1,047.6	1,092.0	(44.4)	(4)
Digital television customers	310.0	350.1	(40.1)	(11)
Net household losses	17.1	15.1	2.0	13
Net high-speed Internet customer losses	3.5	3.1	0.4	13
<b>ILEC Small Business customers</b>	133.0	144.3	(11.3)	(8)
<b>Enterprise customers</b>	35.3	36.1	(0.8)	(2)
<b>CLEC Consumer customers</b>	647.4	696.8	(49.4)	(7)
<b>CLEC Small Business customers</b>	95.5	120.4	(24.9)	(21)

Note: Customer metrics include acquired EarthLink customers for all periods presented.

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.

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

(In millions)

	THREE MONTHS ENDED	
	March 31, 2017	March 31, 2016
<b>Adjusted Capital Expenditures:</b>		
Capital expenditures under GAAP	\$ 243.4	\$ 263.8
EarthLink capital expenditures pre-merger	15.2	18.6
Project Excel capital expenditures	(23.6)	(33.7)
Integration capital expenditures	(4.5)	—
Adjusted capital expenditures (A)	<u>\$ 230.5</u>	<u>\$ 248.7</u>
		THREE MONTHS ENDED
		March 31, 2017
<b>Adjusted Free Cash Flow:</b>		
Operating income under GAAP		\$ 46.0
Depreciation and amortization		338.5
OIBDA		<u>384.5</u>
Adjustments:		
EarthLink operating income (B)		30.8
Merger, integration and other costs (C)		63.3
Restructuring charges		7.4
Share-based compensation expense (D)		12.4
Master lease rent payment		<u>(163.4)</u>
Adjusted OIBDA		335.0
Adjusted capital expenditures		(230.5)
Cash paid for interest on long-term debt obligations		<u>(47.6)</u>
Adjusted free cash flow		<u>\$ 56.9</u>

(A) Adjusted capital expenditures includes applicable amounts for EarthLink for periods prior to the merger date of February 27, 2017 and excludes post-merger integration capital expenditures and amounts related to Project Excel, a capital program funded entirely using a portion of the proceeds from the sale of the data center business completed in December 2015.

(B) Represents EarthLink operating results for the pre-merger period January 1, 2017 to February 26, 2017. This amount excludes EarthLink's historical depreciation and amortization, restructuring, merger and integration costs and share-based compensation.

(C) These costs also include a reserve for a potential penalty attributable to not meeting certain spend commitments under a circuit discount plan of approximately \$6.0 million.

(D) Excludes \$4.4 million of share-based compensation expense included in merger, integration and other costs.

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

	THREE MONTHS ENDED	
	March 31, 2017	March 31, 2016
<b>Reconciliation of Revenues and Sales under GAAP to Adjusted Revenues and Sales:</b>		
Service revenues under GAAP	\$ 1,344.4	\$ 1,340.6
Adjustments:		
EarthLink service revenues	(A) 149.3	258.0
Adjusted service revenues	1,493.7	1,598.6
Product sales under GAAP	21.3	32.8
Adjustments:		
EarthLink product sales	(A) 0.2	0.1
Adjusted product sales	21.5	32.9
Adjusted revenues and sales	<u>\$ 1,515.2</u>	<u>\$ 1,631.5</u>
<b>Reconciliation of Net Loss under GAAP to Adjusted OIBDA:</b>		
Net loss	\$ (111.3)	\$ (231.9)
Adjustments:		
Dividend income on Uniti common stock	(B) —	(17.6)
Other (income) expense, net	(B) (0.7)	1.2
Net loss on early extinguishment of debt	(B) 3.2	35.4
Other-than-temporary impairment loss on investment in Uniti common stock	(B) —	181.9
Interest expense	(B) 211.8	219.7
Income tax benefit	(B) (57.0)	(31.0)
Operating income under GAAP	(B) 46.0	157.7
Depreciation and amortization	(B) 338.5	304.8
Adjustments:		
EarthLink operating income	(C) 30.8	60.7
Merger, integration and other costs	(E) 63.3	5.0
Pension income	(B) —	(0.3)
Restructuring charges	(B) 7.4	4.4
Share-based compensation expense	(F) 12.4	13.7
Adjusted OIBDAR	498.4	546.0
Master lease rent payment	(D) (163.4)	(163.5)
Adjusted OIBDA	<u>\$ 335.0</u>	<u>\$ 382.5</u>

See Notes to Reconciliation of Non-GAAP Financial Measures

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

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

	THREE MONTHS ENDED	
	March 31, 2017	March 31, 2016
Net Cash Provided From Operating Activities	\$ 132.5	\$ 127.2
Adjustments:		
Master lease rent payment	(D) (163.4)	(163.5)
Cash dividends received on Uniti common stock	(B) —	(17.6)
EarthLink operating income	(C) 30.8	60.7
Merger, integration and other costs	(E) 63.3	5.0
Restructuring charges	(B) 7.4	4.4
Other (income) expense, net	(B) (0.7)	1.2
Net loss on early extinguishment of debt	(B) 3.2	35.4
Interest expense	(B) 211.8	219.7
Income tax benefit, net of deferred income taxes	(1.8)	(3.5)
Provision for doubtful accounts	(G) (9.6)	(9.7)
Noncash portion of net loss on early extinguishment of debt	(G) 15.1	7.4
Amortization of unrealized losses on de-designated interest rate swaps	(G) (1.5)	(1.2)
Plan curtailment	(G) —	5.5
Other noncash adjustments, net	(I) (5.1)	15.0
Changes in operating assets and liabilities, net	(G) 53.0	96.5
Adjusted OIBDA	<u>\$ 335.0</u>	<u>\$ 382.5</u>

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

Net Cash Provided From Operating Activities	\$ 132.5
Adjustments:	
Cash paid for interest on long-term debt obligations	(47.6)
Capital expenditures	(243.4)
Project Excel capital expenditures	(H) 23.6
Post-merger integration capital expenditures	4.5
EarthLink capital expenditures pre-merger	(15.2)
EarthLink operating income	(C) 30.8
Master lease rent payment	(D) (163.4)
Merger, integration and other costs	(E) 63.3
Restructuring charges	(B) 7.4
Other income, net	(B) (0.7)
Net loss on early extinguishment of debt	(B) 3.2
Interest expense	(B) 211.8
Income tax benefit, net of deferred income taxes	(1.8)
Provision for doubtful accounts	(G) (9.6)
Noncash portion of net loss on early extinguishment of debt	(G) 15.1
Amortization of unrealized losses on de-designated interest rate swaps	(G) (1.5)
Other noncash adjustments, net	(I) (5.1)
Changes in operating assets and liabilities, net	(G) 53.0
Adjusted Free Cash Flow	<u>\$ 56.9</u>

See Notes to Reconciliation of Non-GAAP Financial Measures



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

Windstream Holdings, Inc ("Windstream", "we", "us", "our") has presented in this press release unaudited adjusted results, which includes the results of operations of EarthLink Holdings Corp. ("EarthLink") as if the merger with EarthLink had been completed as of January 1, 2016. The adjusted results are based upon the combined historical financial information of Windstream and EarthLink for all periods presented. The adjusted results exclude pension costs, restructuring charges, share-based compensation expense, and all merger, integration and other costs resulting from strategic transactions. We have made certain reclassifications to the historical financial information of EarthLink to conform to our presentation. We have presented certain measures of our operating performance, on an adjusted basis, that reflects the impact of the annual cash rent payment due under the master lease agreement with Uniti Group, Inc. ("Uniti"), formerly Communications Sales & Leasing, Inc.

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.

- (A) Represents EarthLink revenues and sales prior to the merger date of February 27, 2017.
- (B) Represents applicable amount as reported under GAAP - See Unaudited Consolidated Statements of Operations.
- (C) Represents EarthLink operating results for periods prior to the merger date of February 27, 2017. These amounts exclude EarthLink's historical depreciation and amortization, restructuring, merger and integration costs and share-based compensation.
- (D) Represents the impact of the annual cash rent payment due under the master lease agreement with Uniti.
- (E) In addition to amounts reported in the Unaudited Consolidated Statement of Operations, other costs for the three months ended March 31, 2017 includes a reserve for a potential penalty attributable to not meeting certain spend commitments under a circuit discount plan of approximately \$6.0 million.
- (F) The three month period ended March 31, 2017 excludes \$4.4 million of share-based compensation expense included in merger, integration and other costs.
- (G) Represents applicable amount reported under GAAP - See Unaudited Consolidated Statements of Cash Flows.
- (H) 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 in December 2015.
- (I) 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.