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

	THREE MONTHS ENDED				TWELVE MONTHS ENDED			
	December 31, 2015	December 31, 2014	Increase (Decrease) Amount	%	December 31, 2015	December 31, 2014	Increase (Decrease) Amount	%
UNDER GAAP:								
Revenues and sales:								
Service revenues	$ 1,388.4	$ 1,400.6	$ (12.2)	(1)	$ 5,598.6	$ 5,647.6	$ (49.0)	(1)
Product sales	38.6	42.5	(3.9)	(9)	166.7	181.9	(15.2)	(8)
Total revenues and sales	1,427.0	1,443.1	(16.1)	(1)	5,765.3	5,829.5	(64.2)	(1)
Costs and expenses:								
Cost of services (exclusive of depreciation and amortization included below)	692.9	764.7	(71.8)	(9)	2,762.0	2,773.3	(11.3)	—
Cost of products sold	33.4	36.5	(3.1)	(8)	145.2	156.6	(11.4)	(7)
Selling, general and administrative	210.0	235.9	(25.9)	(11)	866.5	929.8	(63.3)	(7)
Depreciation and amortization	333.5	355.0	(21.5)	(6)	1,366.5	1,386.4	(19.9)	(1)
Merger and integration costs	20.5	14.4	6.1	42	95.0	40.4	54.6	*
Restructuring charges	5.0	16.1	(11.1)	(69)	20.7	35.9	(15.2)	(42)
Total costs and expenses	1,295.3	1,422.6	(127.3)	(9)	5,255.9	5,322.4	(66.5)	(1)
Operating income	131.7	20.5	111.2	*	509.4	507.1	2.3	—
Other income, net	19.0	—	19.0	—	57.5	0.1	57.4	*
Gain on sale of data center business	326.1	—	326.1	—	326.1	—	326.1	—
Loss on early extinguishment of debt	(0.6)	—	(0.6)	—	(36.4)	—	(36.4)	—
Interest expense (A)	(224.4)	(144.0)	(80.4)	56	(813.2)	(571.8)	(241.4)	42
Income (loss) before income taxes	251.8	(123.5)	49.2	(40)	43.4	(64.6)	108.0	*
Income tax expense (benefit)	111.3	(46.0)	157.3	*	16.0	(25.1)	41.1	*
Net income (loss)	$ 140.5	$ (77.5)	$ 218.0	*	$ 27.4	$ (39.5)	$ 66.9	*
Weighted average common shares (B)	96.2	99.7	(3.5)	(4)	98.9	99.5	(0.6)	(1)
Common shares outstanding (B)	96.7	100.5	(3.8)	(4)				
Basic and diluted earnings (loss) per share: (B)								
Net income (loss)	$1.41	($.80)	$2.21	*	$.24	($.45)	$.69	*
PRO FORMA RESULTS OF OPERATIONS (C):								
Revenues and sales	$ 1,398.6	$ 1,403.5	$ (4.9)	—	$ 5,634.1	$ 5,675.0	$ (40.9)	(1)
Adjusted OIBDAR (D)	$ 503.2	$ 516.3	$ (13.1)	(3)	$ 2,004.3	$ 2,086.4	$ (82.1)	(4)
Adjusted OIBDA (E)	$ 340.7	$ 353.8	$ (13.1)	(4)	$ 1,354.3	$ 1,436.4	$ (82.1)	(6)
Adjusted capital expenditures (F)	$ 226.6	$ 233.8	$ (7.2)	(3)	$ 965.0	$ 786.5	$ 178.5	23

* Not meaningful

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

(B) Reflects the effects of the one-for-six reverse stock split, which was effective on April 26, 2015.

(C) 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. For further details of these adjustments, see the Notes to Reconciliation of Non-GAAP Financial Measures.

(D) 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, 2014. For further details of these adjustments, see the Notes to Reconciliation of Non-GAAP Financial Measures.

(E) Adjusted OIBDA is operating income before depreciation and amortization adjusted for the impact of restructuring charges, pension expense, share-based compensation and the annual cash rent payment due under the master lease agreement with CS&L. For further details of these adjustments, see the Notes to Reconciliation of Non-GAAP Financial Measures.

(F) Adjusted capital expenditures exclude the impacts of capital expenditures funded by CS&L and 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				TWELVE MONTHS ENDED			
	December 31, 2015	December 31, 2014	Increase (Decrease) Amount	%	December 31, 2015	December 31, 2014	Increase (Decrease) Amount	%
Consumer and Small Business - ILEC								
Revenues and sales	$ 397.8	$ 408.8	$ (11.0)	(3)	$ 1,605.5	$ 1,644.4	$ (38.9)	(2)
Costs and expenses	168.0	163.8	4.2	3	671.0	696.9	(25.9)	(4)
Segment income	229.8	245.0	(15.2)	(6)	934.5	947.5	(13.0)	(1)
Carrier								
Revenues	170.7	180.3	(9.6)	(5)	687.9	729.7	(41.8)	(6)
Costs and expenses	46.4	44.4	2.0	5	185.6	172.5	13.1	8
Segment income	124.3	135.9	(11.6)	(9)	502.3	557.2	(54.9)	(10)
Enterprise								
Revenues and sales	526.9	507.1	19.8	4	2,067.2	2,003.0	64.2	3
Costs and expenses	449.1	439.2	9.9	2	1,826.6	1,757.4	69.2	4
Segment income	77.8	67.9	9.9	15	240.6	245.6	(5.0)	(2)
Small Business - CLEC								
Revenues	131.5	152.6	(21.1)	(14)	559.0	658.3	(99.3)	(15)
Costs and expenses	90.2	99.9	(9.7)	(10)	378.2	408.7	(30.5)	(7)
Segment income	41.3	52.7	(11.4)	(22)	180.8	249.6	(68.8)	(28)
Total segment revenues and sales	1,226.9	1,248.8	(21.9)	(2)	4,919.6	5,035.4	(115.8)	(2)
Total segment costs and expenses	753.7	747.3	6.4	1	3,061.4	3,035.5	25.9	1
Total segment income	473.2	501.5	(28.3)	(6)	1,858.2	1,999.9	(141.7)	(7)
Regulatory and other operating revenues and sales (A)	171.7	154.7	17.0	11	714.5	639.6	74.9	12
Revenues and sales related to disposed businesses (B)	28.4	39.6	(11.2)	(28)	131.2	154.5	(23.3)	(15)
Other unassigned operating expenses (C)	189.0	295.8	(106.8)	(36)	739.7	798.9	(59.2)	(7)
Operating expenses related to disposed businesses (B)	19.1	24.5	(5.4)	(22)	88.3	101.6	(13.3)	(13)
Depreciation and amortization	333.5	355.0	(21.5)	(6)	1,366.5	1,386.4	(19.9)	(1)
Operating income	$ 131.7	$ 20.5	$ 111.2	*	$ 509.4	$ 507.1	$ 2.3	—

(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				TWELVE MONTHS ENDED			
	December 31, 2015	December 31, 2014	Increase (Decrease) Amount	%	December 31, 2015	December 31, 2014	Increase (Decrease) Amount	%
Consumer operating metrics								
Households served	1,445.8	1,528.7	(82.9)	(5)				
High-speed Internet	1,095.1	1,131.6	(36.5)	(3)				
Digital television customers	359.3	385.3	(26.0)	(7)				
Net household losses	25.2	22.4	2.8	13	82.9	92.5	(9.6)	(10)
Net high-speed Internet losses	14.5	10.4	4.1	39	36.5	39.3	(2.8)	(7)
Small Business - ILEC customers (A)	146.8	160.2	(13.4)	(8)				
Enterprise business customers (B)	26.3	26.3	1.0	4				
Small Business - CLEC customers (C)	91.2	107.5	(16.3)	(15)				

(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)

ASSETS

	December 31, 2015	December 31, 2014
CURRENT ASSETS:		
Cash and cash equivalents	$ 31.3	$ 27.8
Restricted cash	—	6.7
Accounts receivable, net	643.9	635.5
Inventories	79.5	63.7
Prepaid expenses and other	120.6	164.6
Total current assets	875.3	898.3
Goodwill	4,213.6	4,352.8
Other intangibles, net	1,504.7	1,764.0
Net property, plant and equipment	5,279.8	5,412.3
Investment in CS&L common stock	549.2	—
Other assets	95.5	92.9
TOTAL ASSETS	$ 12,518.1	$ 12,520.3

LIABILITIES AND SHAREHOLDERS' EQUITY

	December 31, 2015	December 31, 2014
CURRENT LIABILITIES:		
Current maturities of long-term debt	$ 5.9	$ 717.5
Current portion of long-term lease obligations	152.7	—
Accounts payable	430.1	403.3
Advance payments and customer deposits	193.9	214.7
Accrued dividends	15.1	152.4
Accrued taxes	84.1	95.2
Accrued interest	78.4	102.5
Other current liabilities	306.9	357.4
Total current liabilities	1,267.1	2,043.0
Long-term debt	5,164.6	7,846.5
Long-term lease obligations	5,000.4	81.0
Deferred income taxes	287.4	1,773.2
Other liabilities	492.2	551.8
Total liabilities	12,211.7	12,295.5
SHAREHOLDERS' EQUITY:		
Common stock	—	—
Additional paid-in capital	602.9	252.2
Accumulated other comprehensive (loss) income	(284.4)	12.1
Accumulated deficit	(12.1)	(39.5)
Total shareholders' equity	306.4	224.8
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 12,518.1	$ 12,520.3

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

	THREE MONTHS ENDED		TWELVE MONTHS ENDED	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Cash Provided from Operations:				
Net income (loss)	$ 140.5	$ (77.5)	$ 27.4	$ (39.5)
Adjustments to reconcile net income (loss) to net cash provided from operations:				
Depreciation and amortization	333.5	355.0	1,366.5	1,386.4
Provision for doubtful accounts	10.0	16.1	47.1	54.9
Share-based compensation expense	12.4	3.5	55.3	41.8
Pension expense	9.6	122.1	1.2	128.3
Deferred income taxes	87.0	(24.2)	(16.3)	(13.4)
Unamortized net premium on retired debt	0.2	—	(14.8)	—
Amortization of unrealized losses on de-designated interest rate swaps	1.6	3.6	11.6	15.8
Gains from sales of data center and software businesses	(326.1)	—	(326.1)	—
Plan curtailments and other, net	6.8	1.5	(14.3)	6.8
Changes in operating assets and liabilities, net:				
Accounts receivable	(10.6)	(34.2)	(69.5)	(55.0)
Prepaid income taxes	(4.3)	(7.6)	—	1.1
Prepaid expenses and other	10.5	(1.9)	1.4	(6.0)
Accounts payable	69.0	36.1	31.1	(13.1)
Accrued interest	(60.6)	(67.9)	(26.4)	(3.1)
Accrued taxes	19.9	(2.4)	17.9	(9.0)
Other current liabilities	(25.9)	9.2	(17.7)	8.4
Other liabilities	(7.8)	16.8	(11.6)	(21.5)
Other, net	4.6	6.5	(36.2)	(15.6)
Net cash provided from operations	270.3	354.7	1,026.6	1,467.3
Cash Flows from Investing Activities:				
Additions to property, plant and equipment	(310.9)	(233.8)	(1,055.3)	(786.5)
Broadband network expansion funded by stimulus grants	—	(1.7)	—	(13.3)
Changes in restricted cash	—	1.0	6.7	3.0
Grant funds received for broadband stimulus projects	—	7.4	23.5	33.2
Grant funds received from Connect America Fund - Phase I	—	—	—	26.0
Network expansion funded by Connect America Fund - Phase I	(6.5)	(10.8)	(73.9)	(12.8)
Acquisition of a business	—	(22.6)	—	(22.6)
Dispositions of data center and software businesses	574.2	—	574.2	—
Other, net	(6.1)	3.9	2.8	3.9
Net cash provided from (used in) investing activities	250.7	(256.6)	(522.0)	(769.1)
Cash Flows from Financing Activities:				
Dividends paid to shareholders	(15.1)	(150.6)	(369.2)	(602.2)
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	(1,252.3)	(346.4)	(3,350.9)	(1,395.4)
Proceeds of debt issuance	715.0	330.0	2,335.0	1,315.0
Debt issuance costs	—	—	(4.3)	—
Stock repurchases	(26.2)	—	(46.2)	—
Payments under long-term lease obligations	(43.3)	—	(102.6)	—
Payments under capital lease obligations	(6.8)	(7.0)	(31.5)	(26.8)
Other, net	(1.3)	—	(9.5)	(9.2)
Net cash used in financing activities	(586.9)	(174.0)	(501.1)	(718.6)
(Decrease) increase in cash and cash equivalents	(65.9)	(75.9)	3.5	(20.4)
Cash and Cash Equivalents:				
Beginning of period	97.2	103.7	27.8	48.2
End of period	$ 31.3	$ 27.8	$ 31.3	$ 27.8

WINDSTREAM HOLDINGS, INC.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES (A)

(In millions)

		THREE MONTHS ENDED			TWELVE MONTHS ENDED	
		December 31, 2015	December 31, 2014		December 31, 2015	December 31, 2014
Reconciliation of Revenues and Sales under GAAP to Pro forma Revenues and Sales:						
Revenues and sales under GAAP		$ 1,427.0	$ 1,443.1		$ 5,765.3	$ 5,829.5
Pro forma adjustments:						
Data center revenues	(B)	(28.4)	(29.6)	(B)	(119.4)	(111.2)
Consumer CLEC revenues	(B)	—	(8.3)	(B)	(10.2)	(36.0)
Directory publishing revenues	(B)	—	(1.7)	(B)	(1.6)	(7.3)
Pro forma revenues and sales		$ 1,398.6	$ 1,403.5		$ 5,634.1	$ 5,675.0
Operating income under GAAP		$ 131.7	$ 20.5		$ 509.4	$ 507.1
Depreciation and amortization expense	(C)	333.5	355.0	(C)	1,366.5	1,386.4
Pro forma adjustments:						
Data center business operating (income) loss	(B)	(7.3)	0.9	(B)	(2.6)	9.3
Data center business depreciation and amortization expense	(B)	(2.0)	(11.3)	(B)	(34.8)	(41.7)
Consumer CLEC business operating income	(B)	—	(2.8)	(B)	(3.3)	(12.3)
Consumer CLEC business amortization expense	(B)	—	(1.1)	(B)	(1.4)	(4.6)
Directory publishing operating income	(B)	—	(0.8)	(B)	(0.8)	(3.6)
Merger and integration costs	(C)	20.5	14.4	(C)	95.0	40.4
Pension expense	(C)	9.6	122.1	(C)	1.2	128.3
Restructuring charges	(C)	5.0	16.1	(C)	20.7	35.9
Share-based compensation	(C)	12.2	3.3	(C)	54.4	41.2
Pro forma adjusted OIBDAR		503.2	516.3		2,004.3	2,086.4
Master lease rent payment	(D)	(162.5)	(162.5)	(D)	(650.0)	(650.0)
Pro forma adjusted OIBDA		$ 340.7	$ 353.8		$ 1,354.3	$ 1,436.4
Capital expenditures under GAAP		$ 310.9	$ 233.8		$ 1,055.3	$ 786.5
Project excel capital expenditures	(E)	(41.2)	—	(E)	(47.2)	—
Capital expenditures funded by CS&L	(E)	(43.1)	—	(E)	(43.1)	—
Adjusted capital expenditures		$ 226.6	$ 233.8		$ 965.0	$ 786.5

(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. For further details of these adjustments, see the 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, 2014.

(E) Represents capital expenditures funded by CS&L and 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 February 25, 2016, that we have presented in this press release unaudited pro forma results, which excludes 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 excludes the impact of restructuring charges, pension expense 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 and pro forma adjusted OIBDAR, 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 amended our certificate of incorporation to decrease the number of authorized shares of common stock from 1.0 billion to 166.7 million and enacted a one-for-six reverse stock split with respect to all of our outstanding shares of common stock, which became effective on April 26, 2015. All share data of Windstream Holdings presented within has been retrospectively adjusted to reflect the effects of the decrease in our authorized shares and the reverse stock split, as appropriate.

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 growth, cost management, and improving margins in our business segments, growth in adjusted OBIDA, the amount that Windstream may reduce its debt by selling 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.

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.