

WINDSTREAM HOLDINGS, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions, except per share amounts)

	THREE MONTHS ENDED				NINE MONTHS ENDED			
	September 30, 2016	September 30, 2015	Increase (Decrease) Amount	%	September 30, 2016	September 30, 2015	Increase (Decrease) Amount	%
UNDER GAAP:								
Revenues and sales:								
Service revenues	\$ 1,318.9	\$ 1,451.2	\$ (132.3)	(9)	\$ 3,990.8	\$ 4,210.2	\$ (219.4)	(5)
Product sales	26.0	47.4	(21.4)	(45)	87.1	128.1	(41.0)	(32)
Total revenues and sales	<u>1,344.9</u>	<u>1,498.6</u>	<u>(153.7)</u>	(10)	<u>4,077.9</u>	<u>4,338.3</u>	<u>(260.4)</u>	(6)
Costs and expenses:								
Cost of services (exclusive of depreciation and amortization included below)	677.5	703.9	(26.4)	(4)	2,013.5	2,069.1	(55.6)	(3)
Cost of products sold	21.5	41.5	(20.0)	(48)	74.6	111.8	(37.2)	(33)
Selling, general and administrative	190.1	215.8	(25.7)	(12)	590.8	656.5	(65.7)	(10)
Depreciation and amortization	321.0	350.5	(29.5)	(8)	934.0	1,033.0	(99.0)	(10)
Merger and integration costs	2.9	3.1	(0.2)	(6)	10.5	74.5	(64.0)	(86)
Restructuring charges	2.5	5.3	(2.8)	(53)	12.8	15.7	(2.9)	(18)
Total costs and expenses	<u>1,215.5</u>	<u>1,320.1</u>	<u>(104.6)</u>	(8)	<u>3,636.2</u>	<u>3,960.6</u>	<u>(324.4)</u>	(8)
Operating income	129.4	178.5	(49.1)	(28)	441.7	377.7	64.0	17
Dividend income on CS&L common stock	—	17.6	(17.6)	(100)	17.6	30.6	(13.0)	(42)
Other income (expense), net	0.6	(0.2)	0.8	*	(2.5)	7.9	(10.4)	(132)
Net (loss) gain on disposal of investment in CS&L common stock	(2.1)	—	(2.1)	*	15.2	—	15.2	*
Net (loss) gain on early extinguishment of debt	(20.1)	7.6	(27.7)	*	(18.0)	(35.8)	17.8	(50)
Other-than-temporary impairment loss on investment in CS&L common stock	—	—	—	*	(181.9)	—	(181.9)	*
Interest expense (A)	<u>(216.4)</u>	<u>(230.2)</u>	<u>13.8</u>	(6)	<u>(653.5)</u>	<u>(588.8)</u>	<u>(64.7)</u>	11
Loss before income taxes	(108.6)	(26.7)	(81.9)	*	(381.4)	(208.4)	(173.0)	83
Income tax benefit	<u>(42.4)</u>	<u>(19.5)</u>	<u>(22.9)</u>	117	<u>(84.8)</u>	<u>(95.3)</u>	<u>10.5)</u>	(11)
Net loss	<u>\$ (66.2)</u>	<u>\$ (7.2)</u>	<u>\$ (59.0)</u>	*	<u>\$ (296.6)</u>	<u>\$ (113.1)</u>	<u>\$ (183.5)</u>	*
Weighted average common shares	92.8	99.3	(6.5)	(7)	93.6	99.9	(6.3)	(6)
Common shares outstanding	96.1	101.0	(4.9)	(5)				
Basic and diluted loss per share:								
Net loss	(\$.72)	(\$.08)	(\$.64)	*	(\$3.19)	(\$1.16)	(\$2.03)	*
ADJUSTED RESULTS OF OPERATIONS (B):								
Adjusted service revenues	\$ 1,318.9	\$ 1,419.8	\$ (100.9)	(7)	\$ 3,990.8	\$ 4,107.4	\$ (116.6)	(3)
Adjusted revenues and sales	\$ 1,344.9	\$ 1,467.2	\$ (122.3)	(8)	\$ 4,077.9	\$ 4,235.5	\$ (157.6)	(4)
Adjusted OIBDAR (C)	\$ 464.7	\$ 540.5	\$ (75.8)	(14)	\$ 1,432.2	\$ 1,501.1	\$ (68.9)	(5)
Adjusted OIBDA (D)	\$ 301.4	\$ 378.0	\$ (76.6)	(20)	\$ 942.0	\$ 1,013.6	\$ (71.6)	(7)
Adjusted capital expenditures (E)	\$ 193.2	\$ 294.1	\$ (100.9)	(34)	\$ 632.9	\$ 738.4	\$ (105.5)	(14)

* Not meaningful

- (A) Includes additional interest expense associated with the master lease agreement with CS&L of \$124.8 million and \$377.1 million for the three and nine months ended September 30, 2016, respectively, as compared to \$128.2 million and \$224.2 million for the three and nine months ended September 30, 2015, respectively.
- (B) Adjusted results 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) 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 \$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				NINE MONTHS ENDED			
	September 30, 2016	September 30, 2015	Increase (Decrease) Amount	%	September 30, 2016	September 30, 2015	Increase (Decrease) Amount	%
Consumer and Small Business - ILEC								
Revenues and sales:								
Service revenues	\$ 311.6	\$ 314.0	\$ (2.4)	(1)	\$ 934.1	\$ 940.0	\$ (5.9)	(1)
Product sales	<u>0.3</u>	<u>0.6</u>	<u>(0.3)</u>	(50)	<u>0.9</u>	<u>2.3</u>	<u>(1.4)</u>	(61)
Total consumer	311.9	314.6	(2.7)	(1)	935.0	942.3	(7.3)	(1)
Small business - ILEC	<u>83.7</u>	<u>87.2</u>	<u>(3.5)</u>	(4)	<u>253.0</u>	<u>265.4</u>	<u>(12.4)</u>	(5)
Total revenue and sales	395.6	401.8	(6.2)	(2)	1,188.0	1,207.7	(19.7)	(2)
Costs and expenses	<u>183.5</u>	<u>178.0</u>	<u>5.5</u>	3	<u>522.4</u>	<u>503.0</u>	<u>19.4</u>	4
Segment income	<u>212.1</u>	<u>223.8</u>	<u>(11.7)</u>	(5)	<u>665.6</u>	<u>704.7</u>	<u>(39.1)</u>	(6)
Wholesale (A)								
Service revenues	155.2	168.7	(13.5)	(8)	478.3	517.2	(38.9)	(8)
Costs and expenses	<u>44.3</u>	<u>44.8</u>	<u>(0.5)</u>	(1)	<u>135.0</u>	<u>139.2</u>	<u>(4.2)</u>	(3)
Segment income	<u>110.9</u>	<u>123.9</u>	<u>(13.0)</u>	(10)	<u>343.3</u>	<u>378.0</u>	<u>(34.7)</u>	(9)
Enterprise								
Revenues and sales:								
Service revenues	495.0	495.7	(0.7)	—	1,477.7	1,449.6	28.1	2
Product sales	<u>16.2</u>	<u>31.4</u>	<u>(15.2)</u>	(48)	<u>55.9</u>	<u>90.7</u>	<u>(34.8)</u>	(38)
Total revenue and sales	511.2	527.1	(15.9)	(3)	1,533.6	1,540.3	(6.7)	—
Costs and expenses	<u>428.1</u>	<u>463.8</u>	<u>(35.7)</u>	(8)	<u>1,300.2</u>	<u>1,377.5</u>	<u>(77.3)</u>	(6)
Segment income	<u>83.1</u>	<u>63.3</u>	<u>19.8</u>	31	<u>233.4</u>	<u>162.8</u>	<u>70.6</u>	43
Small Business - CLEC								
Service revenues	118.7	139.0	(20.3)	(15)	372.7	427.5	(54.8)	(13)
Costs and expenses	<u>81.4</u>	<u>92.7</u>	<u>(11.3)</u>	(12)	<u>252.9</u>	<u>288.0</u>	<u>(35.1)</u>	(12)
Segment income	<u>37.3</u>	<u>46.3</u>	<u>(9.0)</u>	(19)	<u>119.8</u>	<u>139.5</u>	<u>(19.7)</u>	(14)
Total segment revenues and sales:								
Service revenues	1,164.2	1,204.6	(40.4)	(3)	3,515.8	3,599.7	(83.9)	(2)
Product sales	<u>16.5</u>	<u>32.0</u>	<u>(15.5)</u>	(48)	<u>56.8</u>	<u>93.0</u>	<u>(36.2)</u>	(39)
Total segment revenues and sales	1,180.7	1,236.6	(55.9)	(5)	3,572.6	3,692.7	(120.1)	(3)
Total segment costs and expenses	<u>737.3</u>	<u>779.3</u>	<u>(42.0)</u>	(5)	<u>2,210.5</u>	<u>2,307.7</u>	<u>(97.2)</u>	(4)
Total segment income	443.4	457.3	(13.9)	(3)	1,362.1	1,385.0	(22.9)	(2)
Regulatory and other operating revenues and sales (B)	164.2	230.6	(66.4)	(29)	505.3	542.8	(37.5)	(7)
Revenues and sales related to disposed businesses (C)	—	31.4	(31.4)	*	—	102.8	(102.8)	*
Other unassigned operating expenses (D)	(157.2)	(168.3)	11.1	(7)	(491.7)	(550.7)	59.0	(11)
Operating expenses related to disposed businesses (C)	—	(22.0)	22.0	*	—	(69.2)	69.2	*
Depreciation and amortization	<u>(321.0)</u>	<u>(350.5)</u>	<u>29.5</u>	(8)	<u>(934.0)</u>	<u>(1,033.0)</u>	<u>99.0</u>	(10)
Operating income	<u>\$ 129.4</u>	<u>\$ 178.5</u>	<u>\$ (49.1)</u>	(28)	<u>\$ 441.7</u>	<u>\$ 377.7</u>	<u>\$ 64.0</u>	17

* Not meaningful

- (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 and integration 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				NINE MONTHS ENDED			
	September 30, 2016	September 30, 2015	Increase (Decrease) Amount	%	September 30, 2016	September 30, 2015	Increase (Decrease) Amount	%
Consumer operating metrics								
Households served	1,378.5	1,471.0	(92.5)	(6)				
High-speed Internet customers	1,063.0	1,109.6	(46.6)	(4)				
Digital television customers	329.3	366.0	(36.7)	(10)				
Net household losses	25.3	23.2	2.1	9	67.3	57.7	9.6	17
Net high-speed Internet customer losses	12.8	11.2	1.6	14	32.1	22.0	10.1	46
Small Business - ILEC customers (A)	138.5	148.6	(10.1)	(7)				
Enterprise customers (B)	26.6	26.2	0.4	2				
Small Business - CLEC customers (C)	76.7	95.2	(18.5)	(19)				

- (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
 (In millions)

	September 30, 2016	December 31, 2015
Assets		
Current Assets:		
Cash and cash equivalents	\$ 61.4	\$ 31.3
Accounts receivable, net	649.7	643.9
Inventories	80.3	79.5
Prepaid expenses and other	129.6	120.6
Total current assets	<u>921.0</u>	<u>875.3</u>
Goodwill	4,213.6	4,213.6
Other intangibles, net	1,365.3	1,504.7
Net property, plant and equipment	5,238.8	5,279.8
Investment in CS&L common stock	—	549.2
Other assets	84.9	95.5
Total Assets	<u>\$ 11,823.6</u>	<u>\$ 12,518.1</u>
Liabilities and Shareholders' Equity		
Current Liabilities:		
Current maturities of long-term debt	\$ 13.4	\$ 5.9
Current portion of long-term lease obligations	164.5	152.7
Accounts payable	327.8	430.1
Advance payments and customer deposits	183.9	193.9
Accrued taxes	77.6	84.1
Accrued interest	93.1	78.4
Other current liabilities	288.1	322.0
Total current liabilities	<u>1,148.4</u>	<u>1,267.1</u>
Long-term debt	4,852.7	5,164.6
Long-term lease obligations	4,875.7	5,000.4
Deferred income taxes	199.7	287.4
Other liabilities	496.8	492.2
Total liabilities	<u>11,573.3</u>	<u>12,211.7</u>
Shareholders' Equity:		
Common stock	—	—
Additional paid-in capital	569.3	602.9
Accumulated other comprehensive loss	(10.3)	(284.4)
Accumulated deficit	(308.7)	(12.1)
Total shareholders' equity	<u>250.3</u>	<u>306.4</u>
Total Liabilities and Shareholders' Equity	<u>\$ 11,823.6</u>	<u>\$ 12,518.1</u>

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

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Cash Flows from Operating Activities:				
Net loss	\$ (66.2)	\$ (7.2)	\$ (296.6)	\$ (113.1)
Adjustments to reconcile net loss to net cash provided from operations:				
Depreciation and amortization	321.0	350.5	934.0	1,033.0
Provision for doubtful accounts	12.6	13.6	33.1	37.1
Share-based compensation expense	9.2	14.6	31.8	42.9
Deferred income taxes	(39.7)	(19.9)	(80.0)	(103.3)
Net gain on disposal of investment in CS&L common stock	2.1	—	(15.2)	—
Noncash portion of net gain (loss) on early extinguishment of debt	(6.8)	(12.1)	(51.9)	(15.0)
Other-than-temporary impairment loss on investment in CS&L common stock	—	—	181.9	—
Amortization of unrealized losses on de-designated interest rate swaps	0.8	2.9	3.0	10.0
Plan curtailment	—	(3.0)	(5.5)	(16.5)
Other, net	6.5	(5.7)	1.2	(13.0)
Changes in operating assets and liabilities, net:				
Accounts receivable	(33.7)	(5.2)	(35.9)	(58.9)
Prepaid income taxes	(3.6)	(4.9)	(9.7)	4.3
Prepaid expenses and other	4.8	3.4	17.9	(9.1)
Accounts payable	(10.4)	(8.7)	(91.3)	(37.9)
Accrued interest	26.8	54.4	14.8	34.2
Accrued taxes	1.4	0.1	(6.4)	(2.0)
Other current liabilities	(5.8)	21.2	18.3	8.2
Other liabilities	0.8	2.9	(10.9)	(3.8)
Other, net	(22.2)	(20.6)	(10.5)	(40.8)
Net cash provided from operating activities	<u>197.6</u>	<u>376.3</u>	<u>622.1</u>	<u>756.3</u>
Cash Flows from Investing Activities:				
Additions to property, plant and equipment	(243.1)	(300.1)	(753.4)	(744.4)
Proceeds from the sale of property	0.1	—	6.3	—
Grant funds received for broadband stimulus projects	—	6.0	—	23.5
Network expansion funded by Connect America Fund - Phase I	—	(24.5)	—	(67.4)
Change in restricted cash	—	2.9	—	6.7
Other, net	(2.2)	(0.1)	(6.5)	8.9
Net cash used in investing activities	<u>(245.2)</u>	<u>(315.8)</u>	<u>(753.6)</u>	<u>(772.7)</u>
Cash Flows from Financing Activities:				
Dividends paid to shareholders	(14.6)	(11.5)	(44.1)	(354.1)
Payment received from CS&L in spin-off	—	—	—	1,035.0
Repayments of debt and swaps	(1,288.1)	(456.7)	(2,919.6)	(2,098.6)
Proceeds of debt issuance	1,415.0	520.0	3,340.0	1,620.0
Debt issuance costs	(0.6)	(0.6)	(12.3)	(4.3)
Stock repurchases	—	(20.0)	(28.9)	(20.0)
Payments under long-term lease obligations	(38.7)	(34.8)	(113.2)	(59.3)
Payments under capital lease obligations	(5.9)	(6.3)	(53.1)	(24.7)
Other, net	0.3	(0.4)	(7.2)	(8.2)
Net cash provided from (used in) financing activities	<u>67.4</u>	<u>(10.3)</u>	<u>161.6</u>	<u>85.8</u>
Increase in cash and cash equivalents	19.8	50.2	30.1	69.4
Cash and Cash Equivalents:				
Beginning of period	41.6	47.0	31.3	27.8
End of period	<u>\$ 61.4</u>	<u>\$ 97.2</u>	<u>\$ 61.4</u>	<u>\$ 97.2</u>

WINDSTREAM HOLDINGS, INC.

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

(In millions)

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Adjusted Free Cash Flow:				
Operating income under GAAP	\$ 129.4	\$ 178.5	\$ 441.7	\$ 377.7
Depreciation and amortization	321.0	350.5	934.0	1,033.0
OIBDA	450.4	529.0	1,375.7	1,410.7
Adjustments:				
Merger and integration costs	2.9	3.1	10.5	74.5
Pension (income) expense	(0.3)	(1.9)	1.4	(8.4)
Restructuring charges	2.5	5.3	12.8	15.7
Share-based compensation expense	9.2	14.6	31.8	42.9
Master lease rent payment	(163.3)	(162.5)	(490.2)	(283.5)
Adjusted capital expenditures	(193.2)	(294.1)	(632.9)	(738.4)
Cash paid for interest on long-term debt obligations	(58.0)	(46.5)	(252.3)	(327.5)
Cash paid for income taxes	(0.3)	(2.3)	(8.2)	(0.8)
Cash dividends received on CS&L common stock	—	13.0	35.2	13.0
Adjusted free cash flow	<u>\$ 49.9</u>	<u>\$ 57.7</u>	<u>\$ 83.8</u>	<u>\$ 198.2</u>
Adjusted Capital Expenditures:				
Capital expenditures under GAAP	\$ 243.1	\$ 300.1	\$ 753.4	\$ 744.4
Project Excel capital expenditures (A)	(49.9)	(6.0)	(120.5)	(6.0)
Adjusted capital expenditures	<u>\$ 193.2</u>	<u>\$ 294.1</u>	<u>\$ 632.9</u>	<u>\$ 738.4</u>

(A) 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.
RECONCILIATION OF NON-GAAP FINANCIAL MEASURES
(In millions)

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Reconciliation of Revenues and Sales under GAAP to Adjusted Revenues and Sales:				
Service revenues under GAAP	\$ 1,318.9	\$ 1,451.2	\$ 3,990.8	\$ 4,210.2
Adjustments:				
Data center revenues	(A) —	(31.4)	(A) —	(91.0)
Consumer CLEC revenues	(A) —	—	(A) —	(10.2)
Directory publishing revenues	(A) —	—	(A) —	(1.6)
Adjusted service revenues	1,318.9	1,419.8	3,990.8	4,107.4
Product sales under GAAP	26.0	47.4	87.1	128.1
Adjusted revenues and sales	<u>\$ 1,344.9</u>	<u>\$ 1,467.2</u>	<u>\$ 4,077.9</u>	<u>\$ 4,235.5</u>
Reconciliation of Net Loss under GAAP to Adjusted OIBDA:				
Net loss	\$ (66.2)	\$ (7.2)	\$ (296.6)	\$ (113.1)
Adjustments:				
Dividend income on CS&L common stock	(B) —	(17.6)	(B) (17.6)	(30.6)
Other (income) expense, net	(B) (0.6)	0.2	(B) 2.5	(7.9)
Net loss (gain) on disposal of investment in CS&L common stock	(B) 2.1	—	(B) (15.2)	—
Net loss (gain) on early extinguishment of debt	(B) 20.1	(7.6)	(B) 18.0	35.8
Other-than-temporary impairment loss on investment in CS&L common stock	(B) —	—	(B) 181.9	—
Interest expense	(B) 216.4	230.2	(B) 653.5	588.8
Income tax benefit	(B) (42.4)	(19.5)	(B) (84.8)	(95.3)
Operating income under GAAP	(B) 129.4	178.5	(B) 441.7	377.7
Depreciation and amortization	(B) 321.0	350.5	(B) 934.0	1,033.0
Adjustments:				
Data center business operating loss	(A) —	1.1	(A) —	4.7
Consumer CLEC business operating income	(A) —	—	(A) —	(3.3)
Directory publishing operating income	(A) —	—	(A) —	(0.8)
Depreciation and amortization - disposed businesses	(A) —	(10.5)	(A) —	(34.2)
Merger and integration costs	(B) 2.9	3.1	(B) 10.5	74.5
Pension (income) expense	(B) (0.3)	(1.9)	(B) 1.4	(8.4)
Restructuring charges	(B) 2.5	5.3	(B) 12.8	15.7
Share-based compensation expense	(B) 9.2	14.4	(B) 31.8	42.2
Adjusted OIBDAR	464.7	540.5	1,432.2	1,501.1
Master lease rent payment	(C) (163.3)	(162.5)	(C) (490.2)	(487.5)
Adjusted OIBDA	<u>\$ 301.4</u>	<u>\$ 378.0</u>	<u>\$ 942.0</u>	<u>\$ 1,013.6</u>

See Notes to Reconciliation of Non-GAAP Financial Measures

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

(In millions)

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Reconciliation of Adjusted OIBDA to Net Cash Provided from Operating Activities:				
Adjusted OIBDA	\$ 301.4	\$ 378.0	\$ 942.0	\$ 1,013.6
Adjustments:				
Master lease rent payment	(C) 163.3	162.5	(C) 490.2	487.5
Cash dividends received on CS&L common stock	—	13.0	35.2	13.0
Pretax operating results of disposed businesses	(A) —	9.6	(A) —	34.3
Merger and integration costs	(B) (2.9)	(3.1)	(B) (10.5)	(74.5)
Restructuring charges	(B) (2.5)	(5.3)	(B) (12.8)	(15.7)
Other income (expense), net	(B) 0.6	(0.2)	(B) (2.5)	7.9
Net (loss) gain on early extinguishment of debt	(B) (20.1)	7.6	(B) (18.0)	(35.8)
Interest expense	(B) (216.4)	(230.2)	(B) (653.5)	(588.8)
Income tax benefit, net of deferred income taxes	2.7	(0.4)	4.8	(8.0)
Provision for doubtful accounts	(D) 12.6	13.6	(D) 33.1	37.1
Noncash portion of net gain (loss) on early extinguishment of debt	(D) (6.8)	2.8	(D) (51.9)	(0.1)
Amortization of unrealized losses on de-designated interest rate swaps	(D) 0.9	2.9	(D) 3.1	10.0
Plan curtailment	(D) —	(3.0)	(D) (5.5)	(16.5)
Other noncash adjustments, net	(F) 6.7	(14.1)	(F) (17.9)	(1.9)
Changes in operating assets and liabilities, net	(D) (41.9)	42.6	(D) (113.7)	(105.8)
Net Cash Provided From Operating Activities	<u>\$ 197.6</u>	<u>\$ 376.3</u>	<u>\$ 622.1</u>	<u>\$ 756.3</u>
Reconciliation of Adjusted Free Cash Flow to Net Cash Provided from Operating Activities:				
Adjusted Free Cash Flow	\$ 49.9	\$ 57.7	\$ 83.8	\$ 198.2
Adjustments:				
Cash paid for income taxes	0.3	2.3	8.2	0.8
Cash paid for interest on long-term debt obligations	58.0	46.5	252.3	327.5
Capital expenditures	(D) 243.1	300.1	(D) 753.4	744.4
Project Excel capital expenditures	(E) (49.9)	(6.0)	(E) (120.5)	(6.0)
Master lease rent payment	(A) 163.3	162.5	(A) 490.2	283.5
Merger and integration costs	(B) (2.9)	(3.1)	(B) (10.5)	(74.5)
Restructuring charges	(B) (2.5)	(5.3)	(B) (12.8)	(15.7)
Other income (expense), net	(B) 0.6	(0.2)	(B) (2.5)	7.9
Net (loss) gain on early extinguishment of debt	(B) (20.1)	7.6	(B) (18.0)	(35.8)
Interest expense	(B) (216.4)	(230.2)	(B) (653.5)	(588.8)
Income tax benefit, net of deferred income taxes	2.7	(0.4)	4.8	(8.0)
Provision for doubtful accounts	(D) 12.6	13.6	(D) 33.1	37.1
Noncash portion of net gain (loss) on early extinguishment of debt	(D) (6.8)	2.8	(D) (51.9)	(0.1)
Amortization of unrealized losses on de-designated interest rate swaps	(D) 0.9	2.9	(D) 3.1	10.0
Plan curtailment	(D) —	(3.0)	(D) (5.5)	(16.5)
Other noncash adjustments, net	(F) 6.7	(14.1)	(F) (17.9)	(1.9)
Changes in operating assets and liabilities, net	(D) (41.9)	42.6	(D) (113.7)	(105.8)
Net Cash Provided From Operating Activities	<u>\$ 197.6</u>	<u>\$ 376.3</u>	<u>\$ 622.1</u>	<u>\$ 756.3</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 \$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.
- (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 and integration 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.