

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

	THREE MONTHS ENDED			
	March 31, 2018	March 31, 2017	Increase (Decrease)	
			Amount	%
UNDER GAAP:				
Revenues and sales:				
Service revenues	\$ 1,435.4	\$ 1,344.4	\$ 91.0	7
Product sales	18.9	21.3	(2.4)	(11)
Total revenues and sales	<u>1,454.3</u>	<u>1,365.7</u>	88.6	6
Costs and expenses:				
Cost of services (exclusive of depreciation and amortization included below)	736.9	683.8	53.1	8
Cost of products sold	16.8	20.8	(4.0)	(19)
Selling, general and administrative	228.8	213.8	15.0	7
Depreciation and amortization	381.8	338.5	43.3	13
Merger, integration and other costs	7.3	57.3	(50.0)	(87)
Restructuring charges	13.7	7.4	6.3	85
Total costs and expenses	<u>1,385.3</u>	<u>1,321.6</u>	63.7	5
Operating income	69.0	44.1	24.9	56
Other income (expense), net	(2.3)	2.6	(4.9)	(188)
Net loss on early extinguishment of debt	—	(3.2)	3.2	(100)
Interest expense (A)	(223.1)	(211.8)	11.3	5
Loss before income taxes	(156.4)	(168.3)	(11.9)	7
Income tax benefit	(35.0)	(57.0)	(22.0)	(39)
Net loss	<u>\$ (121.4)</u>	<u>\$ (111.3)</u>	\$ 10.1	(9)
Weighted average common shares	187.0	126.1	60.9	48
Common shares outstanding	204.6	190.4	14.2	7
Basic and diluted loss per share:				
Net loss	(\$.65)	(\$.89)	(\$.24)	27
ADJUSTED RESULTS OF OPERATIONS (B):				
Adjusted service revenues	\$ 1,435.4	\$ 1,493.7	\$ (58.3)	(4)
Adjusted revenues and sales	\$ 1,454.3	\$ 1,515.2	\$ (60.9)	(4)
Adjusted OIBDAR (C)	\$ 499.7	\$ 498.6	\$ 1.1	—
Adjusted OIBDA (D)	\$ 336.3	\$ 335.2	\$ 1.1	—
Adjusted capital expenditures (E)	\$ 207.7	\$ 230.5	\$ (22.8)	(10)

* Not meaningful

- (A) Includes interest expense associated with the master lease agreement with Uniti of \$118.5 million for the three month period ended March 31, 2018, as compared to \$122.8 for the three month period ended March 31, 2017.
- (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 pension expense, share-based compensation expense, restructuring charges, merger, integration and certain other costs.
- (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 for Broadview and EarthLink 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, 2018	March 31, 2017	Increase (Decrease)	
			Amount	%
Consumer & Small Business				
Revenues and sales:				
Service revenues	\$ 471.0	\$ 495.7	\$ (24.7)	(5)
Product sales	5.5	8.7	(3.2)	(37)
Total revenue and sales	<u>476.5</u>	<u>504.4</u>	<u>(27.9)</u>	<u>(6)</u>
Costs and expenses	194.6	215.4	(20.8)	(10)
Segment income	<u>\$ 281.9</u>	<u>\$ 289.0</u>	<u>\$ (7.1)</u>	<u>(2)</u>
Enterprise				
Revenues and sales:				
Service revenues	\$ 732.9	\$ 649.2	\$ 83.7	13
Product sales	13.2	12.6	0.6	5
Total revenue and sales	<u>746.1</u>	<u>661.8</u>	<u>84.3</u>	<u>13</u>
Costs and expenses	600.3	537.8	62.5	12
Segment income	<u>\$ 145.8</u>	<u>\$ 124.0</u>	<u>\$ 21.8</u>	<u>18</u>
Wholesale				
Revenue and sales:				
Service revenues	\$ 183.7	\$ 178.8	\$ 4.9	3
Product sales	0.1	—	0.1	*
Total revenue and sales	<u>183.8</u>	<u>178.8</u>	<u>5.0</u>	<u>3</u>
Costs and expenses	55.5	51.7	3.8	7
Segment income	<u>\$ 128.3</u>	<u>\$ 127.1</u>	<u>\$ 1.2</u>	<u>1</u>
Consumer CLEC				
Revenues and sales:				
Service revenues	\$ 47.8	\$ 20.7	\$ 27.1	131
Product sales	0.1	—	0.1	*
Total revenue and sales	<u>47.9</u>	<u>20.7</u>	<u>27.2</u>	<u>131</u>
Costs and expenses	20.6	10.0	10.6	106
Segment income	<u>\$ 27.3</u>	<u>\$ 10.7</u>	<u>\$ 16.6</u>	<u>155</u>

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

	THREE MONTHS ENDED			
	March 31, 2018	March 31, 2017	Increase (Decrease)	
			Amount	%
Total segment revenues and sales:				
Service revenues	\$ 1,435.4	\$ 1,344.4	\$ 91.0	7
Product sales	18.9	21.3	(2.4)	(11)
Total segment revenues and sales	1,454.3	1,365.7	88.6	6
Total segment costs and expenses	871.0	814.9	56.1	7
Total segment income	583.3	550.8	32.5	6
Other unassigned operating expenses (A)	(111.5)	(103.5)	(8.0)	8
Merger, integration and other costs	(7.3)	(57.3)	50.0	(87)
Restructuring charges	(13.7)	(7.4)	(6.3)	85
Depreciation and amortization	(381.8)	(338.5)	(43.3)	13
Operating income	<u>\$ 69.0</u>	<u>\$ 44.1</u>	<u>\$ 24.9</u>	56

(A) These expenses are not allocated to the business segments. Unallocated expenses include stock-based compensation, pension expense, and shared services, such as accounting and finance, information technology, 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, 2018	December 31, 2017
	<u> </u>	<u> </u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 60.5	\$ 43.4
Accounts receivable, net	594.8	643.0
Inventories	90.3	93.0
Prepaid expenses and other	197.9	153.1
Total current assets	<u>943.5</u>	<u>932.5</u>
Goodwill	2,868.0	2,842.4
Other intangibles, net	1,405.9	1,454.4
Net property, plant and equipment	5,263.6	5,391.8
Deferred income taxes	389.8	370.8
Other assets	110.5	92.4
Total Assets	<u>\$ 10,981.3</u>	<u>\$ 11,084.3</u>
Liabilities and Shareholders' Deficit		
Current Liabilities:		
Current maturities of long-term debt	\$ 17.9	\$ 169.3
Current portion of long-term lease obligations	194.3	188.6
Accounts payable	444.1	494.0
Advance payments and customer deposits	199.9	207.3
Accrued taxes	75.7	89.5
Accrued interest	87.1	52.6
Other current liabilities	269.0	342.1
Total current liabilities	<u>1,288.0</u>	<u>1,543.4</u>
Long-term debt	5,929.3	5,674.6
Long-term lease obligations	4,592.8	4,643.3
Other liabilities	508.4	521.9
Total liabilities	<u>12,318.5</u>	<u>12,383.2</u>
Shareholders' Deficit:		
Common stock	—	—
Additional paid-in capital	1,228.9	1,191.9
Accumulated other comprehensive income	33.9	21.4
Accumulated deficit	(2,600.0)	(2,512.2)
Total shareholders' deficit	<u>(1,337.2)</u>	<u>(1,298.9)</u>
Total Liabilities and Shareholders' Deficit	<u>\$ 10,981.3</u>	<u>\$ 11,084.3</u>

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

	THREE MONTHS ENDED	
	March 31, 2018	March 31, 2017
Cash Flows from Operating Activities:		
Net loss	\$ (121.4)	\$ (111.3)
Adjustments to reconcile net loss to net cash provided from operations:		
Depreciation and amortization	381.8	338.5
Provision for doubtful accounts	5.6	9.6
Share-based compensation expense	9.9	16.8
Deferred income taxes	(34.7)	(55.2)
Net loss on early extinguishment of debt	—	3.2
Other, net	10.8	2.2
Changes in operating assets and liabilities, net:		
Accounts receivable	43.7	33.8
Prepaid income taxes	(3.0)	(5.6)
Prepaid expenses and other	(15.5)	(30.5)
Accounts payable	(36.3)	(61.5)
Accrued interest	34.7	29.9
Accrued taxes	(16.7)	(2.3)
Other current liabilities	(25.5)	(5.3)
Other liabilities	(1.7)	2.4
Other, net	7.6	(11.0)
Net cash provided from operating activities	<u>239.3</u>	<u>153.7</u>
Cash Flows from Investing Activities:		
Additions to property, plant and equipment	(217.6)	(243.4)
Cash acquired from EarthLink	—	5.0
Acquisition of MASS	(37.6)	—
Other, net	0.4	(2.5)
Net cash used in investing activities	<u>(254.8)</u>	<u>(240.9)</u>
Cash Flows from Financing Activities:		
Dividends paid to shareholders	—	(23.7)
Proceeds from issuance of stock	—	9.6
Repayments of debt and swaps	(217.1)	(1,154.6)
Proceeds from debt issuance	313.0	1,315.6
Debt issuance costs	(2.8)	(7.0)
Payments under long-term lease obligations	(44.9)	(40.6)
Payments under capital lease obligations	(13.1)	(8.7)
Other, net	(2.5)	(11.0)
Net cash provided from financing activities	<u>32.6</u>	<u>79.6</u>
Increase (decrease) in cash and cash equivalents	17.1	(7.6)
Cash and Cash Equivalents:		
Beginning of period	43.4	59.1
End of period	<u>\$ 60.5</u>	<u>\$ 51.5</u>

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

	THREE MONTHS ENDED			
	March 31, 2018	March 31, 2017	Increase (Decrease)	
			Amount	%
Consumer - ILEC customers				
Households served	1,257.3	1,337.5	(80.2)	(6)
High-speed Internet customers	1,004.4	1,047.6	(43.2)	(4)
Digital television customers	267.1	310.0	(42.9)	(14)
Net household losses	11.5	17.1	(5.6)	(33)
Net high-speed Internet customer losses	2.2	3.5	(1.3)	(37)
Small Business - ILEC customers	125.0	136.8	(11.8)	(9)
Enterprise customers	120.7	120.8	(0.1)	—
Consumer CLEC customers	641.0	683.1	(42.1)	(6)

Note: Customer metrics include acquired EarthLink customers for all periods presented. Broadview customers are included as of the acquisition date of July 28, 2017.

WINDSTREAM HOLDINGS, INC.
NON-GAAP FINANCIAL MEASURES - ADJUSTED CAPITAL EXPENDITURES AND ADJUSTED FREE CASH FLOW
(In millions)

	THREE MONTHS ENDED	
	March 31, 2018	March 31, 2017
Adjusted Capital Expenditures:		
Capital expenditures under GAAP	\$ 217.6	\$ 243.4
EarthLink capital expenditures pre-merger	—	15.2
Project Excel capital expenditures	—	(23.6)
Integration capital expenditures	(9.9)	(4.5)
Adjusted capital expenditures (A)	<u>\$ 207.7</u>	<u>\$ 230.5</u>
	THREE MONTHS ENDED	
	March 31, 2018	
Adjusted Free Cash Flow:		
Operating income under GAAP	\$ 69.0	
Depreciation and amortization	381.8	
OIBDA	<u>450.8</u>	
Adjustments:		
Merger, integration and other charges	7.3	
Restructuring charges	13.7	
Other costs (B)	17.1	
Pension expense	0.9	
Share-based compensation expense	9.9	
Master lease rent payment	(163.4)	
Adjusted OIBDA	<u>336.3</u>	
Adjusted capital expenditures (per above)	(207.7)	
Cash paid for interest on long-term debt obligations	(66.3)	
Cash refunded for income taxes	3.2	
Adjusted free cash flow	<u>\$ 65.5</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 for Broadview and EarthLink 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) Other costs primarily include business transformation expenses of \$11.1 million consisting of consulting fees of \$8.7 million and \$2.4 million of incremental marketing and rebranding costs. These costs also include \$5.4 million of incremental network optimization costs incurred in migrating traffic to existing lower costs circuits and terminating contracts prior to their expiration.

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

	THREE MONTHS ENDED	
	March 31, 2018	March 31, 2017
Reconciliation of Revenues and Sales under GAAP to Adjusted Revenues and Sales:		
Service revenues under GAAP	\$ 1,435.4	\$ 1,344.4
Adjustments:		
EarthLink service revenues	(A) —	149.3
Adjusted service revenues	1,435.4	1,493.7
Product sales under GAAP	18.9	21.3
Adjustments:		
EarthLink product sales	(A) —	0.2
Adjusted product sales	18.9	21.5
Adjusted revenues and sales	<u>\$ 1,454.3</u>	<u>\$ 1,515.2</u>
Reconciliation of Net Loss under GAAP to Adjusted OIBDA:		
Net loss	\$ (121.4)	\$ (111.3)
Adjustments:		
Other expense (income), net	(B) 2.3	(2.6)
Net loss on early extinguishment of debt	(B) —	3.2
Interest expense	(B) 223.1	211.8
Income tax benefit	(B) (35.0)	(57.0)
Operating income under GAAP	(B) 69.0	44.1
Depreciation and amortization	(B) 381.8	338.5
Adjustments:		
EarthLink operating income	(C) —	30.8
Merger, integration and other costs	(B) 7.3	57.3
Restructuring charges	(B) 13.7	7.4
Other costs	(E) 17.1	6.0
Pension expense	(B) 0.9	2.1
Share-based compensation expense	(F) 9.9	12.4
Adjusted OIBDAR	499.7	498.6
Master lease rent payment	(D) (163.4)	(163.4)
Adjusted OIBDA	<u>\$ 336.3</u>	<u>\$ 335.2</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, 2018	March 31, 2017
Net Cash Provided From Operating Activities	\$ 239.3	\$ 153.7
Adjustments:		
Master lease rent payment	(D) (163.4)	(163.4)
EarthLink operating income	(C) —	30.8
Merger, integration and other costs	(E) 7.3	57.3
Restructuring charges	(B) 13.7	7.4
Other costs	(B) 17.1	6.0
Other expense (income), net	(B) 2.3	(2.6)
Interest expense	(B) 223.1	211.8
Income tax benefit, net of deferred income taxes	(0.3)	(1.8)
Provision for doubtful accounts	(G) (5.6)	(9.6)
Other noncash adjustments, net	(H) (9.5)	(4.5)
Changes in operating assets and liabilities, net	(G) 12.3	50.1
Adjusted OIBDA	<u>\$ 336.3</u>	<u>\$ 335.2</u>

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

Net Cash Provided From Operating Activities	\$ 239.3
Adjustments:	
Cash paid for interest on long-term debt obligations	(66.3)
Cash paid for income taxes	3.2
Capital expenditures	(217.6)
Post-merger integration capital expenditures	9.9
Master lease rent payment	(D) (163.4)
Merger, integration and other costs	(B) 7.3
Restructuring charges	(B) 13.7
Other costs	(E) 17.1
Other expense (income), net	(B) 2.3
Interest expense	(B) 223.1
Income tax benefit, net of deferred income taxes	(0.3)
Provision for doubtful accounts	(G) (5.6)
Other noncash adjustments, net	(H) (9.5)
Changes in operating assets and liabilities, net	(G) 12.3
Adjusted Free Cash Flow	<u>\$ 65.5</u>

See Notes to Reconciliation of Non-GAAP Financial Measures

Windstream Holdings, Inc. ("Windstream", "we", "us", "our") has presented in this package 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, 2017. The adjusted results are based upon the combined historical financial information of Windstream and EarthLink for all periods presented. Operating results of Broadview Networks Holdings, Inc. ("Broadview") are included beginning on July 28, 2017, the date of acquisition. The adjusted results exclude pension expense, share-based compensation expense, restructuring charges, merger, integration and certain other costs. 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").

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) Other costs for the three month period ended March 31, 2018, primarily include business transformation expenses of \$11.1 million consisting of consulting fees of \$8.7 million and \$2.4 million of incremental marketing and rebranding costs. These costs also include \$5.4 million of incremental network optimization costs incurred in migrating traffic to existing lower costs circuits and terminating contracts prior to their expiration. Comparatively, for the three month period ended March 31, 2017, other costs primarily consist of a penalty attributable to not meeting certain spend commitments under a circuit discount plan of approximately \$5.2 million.
- (F) Excludes share-based compensation expense included in merger, integration and other costs of \$4.4 million during the three month period ended March 31, 2017.
- (G) Represents applicable amount reported under GAAP - See Unaudited Consolidated Statements of Cash Flows.
- (H) Consists of non-cash amortization of debt issuance costs, debt discounts and premiums, accretion expense related to asset retirement obligations, gains on the sale of property, and other non-cash miscellaneous income and expenses.