

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

	THREE MONTHS ENDED				SIX MONTHS ENDED			
	June 30, 2017	June 30, 2016	Increase (Decrease) Amount	%	June 30, 2017	June 30, 2016	Increase (Decrease) Amount	%
UNDER GAAP:								
Revenues and sales:								
Service revenues	\$ 1,465.6	\$ 1,331.3	\$ 134.3	10	\$ 2,810.0	\$ 2,671.9	\$ 138.1	5
Product sales	26.0	28.3	(2.3)	(8)	47.3	61.1	(13.8)	(23)
Total revenues and sales	<u>1,491.6</u>	<u>1,359.6</u>	<u>132.0</u>	10	<u>2,857.3</u>	<u>2,733.0</u>	<u>124.3</u>	5
Costs and expenses:								
Cost of services (exclusive of depreciation and amortization included below)	747.5	667.2	80.3	12	1,429.9	1,336.0	93.9	7
Cost of products sold	29.7	24.2	5.5	23	50.5	53.1	(2.6)	(5)
Selling, general and administrative	225.3	196.9	28.4	14	438.6	400.7	37.9	9
Depreciation and amortization	362.4	308.2	54.2	18	700.9	613.0	87.9	14
Merger, integration and other costs	16.4	2.6	13.8	*	73.7	7.6	66.1	*
Restructuring charges	3.5	5.9	(2.4)	(41)	10.9	10.3	0.6	6
Total costs and expenses	<u>1,384.8</u>	<u>1,205.0</u>	<u>179.8</u>	15	<u>2,704.5</u>	<u>2,420.7</u>	<u>283.8</u>	12
Operating income	106.8	154.6	(47.8)	(31)	152.8	312.3	(159.5)	(51)
Dividend income on Uniti common stock	—	—	—	*	—	17.6	(17.6)	(100)
Other (expense) income, net	(0.1)	(1.9)	1.8	(95)	0.6	(3.1)	3.7	(119)
Net gain on disposal of investment in Uniti common stock	—	17.3	(17.3)	(100)	—	17.3	(17.3)	(100)
Net gain (loss) on early extinguishment of debt	—	37.5	(37.5)	(100)	(3.2)	2.1	(5.3)	*
Other-than-temporary impairment loss on investment in Uniti common stock	—	—	—	*	—	(181.9)	181.9	(100)
Interest expense (A)	<u>(214.4)</u>	<u>(217.4)</u>	<u>3.0</u>	(1)	<u>(426.2)</u>	<u>(437.1)</u>	<u>10.9</u>	(2)
Loss before income taxes	(107.7)	(9.9)	(97.8)	*	(276.0)	(272.8)	(3.2)	1
Income tax benefit	<u>(39.6)</u>	<u>(11.4)</u>	<u>(28.2)</u>	*	<u>(96.6)</u>	<u>(42.4)</u>	<u>(54.2)</u>	128
Net (loss) income	<u>\$ (68.1)</u>	<u>\$ 1.5</u>	<u>\$ (69.6)</u>	*	<u>\$ (179.4)</u>	<u>\$ (230.4)</u>	<u>\$ 51.0</u>	(22)
Weighted average common shares	187.6	92.8	94.8	102	156.9	93.2	63.7	68
Common shares outstanding	190.8	96.4	94.4	98				
Basic and diluted (loss) earnings per share:								
Net (loss) income	(\$.37)	\$.01	(\$.38)	*	(\$1.15)	(\$2.48)	\$1.33	(54)
ADJUSTED RESULTS OF OPERATIONS (B):								
Adjusted service revenues	\$ 1,465.6	\$ 1,578.0	\$ (112.4)	(7)	\$ 2,959.3	\$ 3,176.6	\$ (217.3)	(7)
Adjusted revenues and sales	\$ 1,491.6	\$ 1,606.5	\$ (114.9)	(7)	\$ 3,006.8	\$ 3,238.0	\$ (231.2)	(7)
Adjusted OIBDAR (C)	\$ 500.3	\$ 538.6	\$ (38.3)	(7)	\$ 998.7	\$ 1,084.6	\$ (85.9)	(8)
Adjusted OIBDA (D)	\$ 336.9	\$ 375.2	\$ (38.3)	(10)	\$ 671.9	\$ 757.7	\$ (85.8)	(11)
Adjusted capital expenditures (E)	\$ 231.7	\$ 226.2	\$ 5.5	2	\$ 462.2	\$ 474.9	\$ (12.7)	(3)

* Not meaningful

- (A) Includes interest expense associated with the master lease agreement with Uniti of \$121.7 million and \$244.5 million for the three and six month periods ended June 30, 2017, respectively, as compared to \$125.4 and \$252.3 million for the three and six month periods ended June 30, 2016.
- (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 (A)
 (In millions)

	THREE MONTHS ENDED				SIX MONTHS ENDED			
	June 30, 2017	June 30, 2016	Increase (Decrease) Amount	%	June 30, 2017	June 30, 2016	Increase (Decrease) Amount	%
ILEC Consumer and Small Business								
Revenues and sales:								
Service revenues	\$ 308.7	\$ 310.8	\$ (2.1)	(1)	\$ 619.4	\$ 622.5	\$ (3.1)	—
Product sales	0.1	0.2	(0.1)	(50)	0.3	0.6	(0.3)	(50)
Total consumer	308.8	311.0	(2.2)	(1)	619.7	623.1	(3.4)	(1)
Small business - ILEC	78.4	84.2	(5.8)	(7)	158.5	169.3	(10.8)	(6)
Total revenue and sales	387.2	395.2	(8.0)	(2)	778.2	792.4	(14.2)	(2)
Costs and expenses	174.8	174.6	0.2	—	349.8	348.0	1.8	1
Segment income	212.4	220.6	(8.2)	(4)	428.4	444.4	(16.0)	(4)
Wholesale								
Service revenues	175.9	159.9	16.0	10	333.4	323.1	10.3	3
Costs and expenses	59.5	43.9	15.6	36	107.4	87.4	20.0	23
Segment income	116.4	116.0	0.4	—	226.0	235.7	(9.7)	(4)
Enterprise								
Revenues and sales:								
Service revenues	564.0	491.3	72.7	15	1,079.9	982.7	97.2	10
Product sales	10.9	14.5	(3.6)	(25)	20.5	32.6	(12.1)	(37)
Total revenue and sales	574.9	505.8	69.1	14	1,100.4	1,015.3	85.1	8
Costs and expenses	472.1	418.2	53.9	13	907.1	848.7	58.4	7
Segment income	102.8	87.6	15.2	17	193.3	166.6	26.7	16
CLEC Consumer and Small Business								
Revenues and sales:								
Service revenues	188.7	125.3	63.4	51	326.0	254.0	72.0	28
Product sales	4.4	3.5	0.9	26	7.4	7.1	0.3	4
Total revenue and sales	193.1	128.8	64.3	50	333.4	261.1	72.3	28
Costs and expenses	121.0	87.5	33.5	38	211.2	178.4	32.8	18
Segment income	72.1	41.3	30.8	75	122.2	82.7	39.5	48

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

	THREE MONTHS ENDED				SIX MONTHS ENDED			
	June 30,	June 30,	Increase (Decrease)		June 30,	June 30,	Increase (Decrease)	
	2017	2016	Amount	%	2017	2016	Amount	%
Total segment revenues and sales:								
Service revenues	1,315.7	1,171.5	144.2	12	2,517.2	2,351.6	165.6	7
Product sales	15.4	18.2	(2.8)	(15)	28.2	40.3	(12.1)	(30)
Total segment revenues and sales	1,331.1	1,189.7	141.4	12	2,545.4	2,391.9	153.5	6
Total segment costs and expenses	827.4	724.2	103.2	14	1,575.5	1,462.5	113.0	8
Total segment income	503.7	465.5	38.2	8	969.9	929.4	40.5	4
Regulatory and other operating revenues and sales (B)	160.5	169.9	(9.4)	(6)	311.9	341.1	(29.2)	(9)
Other unassigned operating expenses (C)	(195.0)	(172.6)	(22.4)	13	(428.1)	(345.2)	(82.9)	24
Depreciation and amortization	(362.4)	(308.2)	(54.2)	18	(700.9)	(613.0)	(87.9)	14
Operating income	<u>\$ 106.8</u>	<u>\$ 154.6</u>	<u>\$ (47.8)</u>	(31)	<u>\$ 152.8</u>	<u>\$ 312.3</u>	<u>\$ (159.5)</u>	(51)

Note: Results for 2016 exclude the acquired EarthLink operations.

- (A) We evaluate performance of the segments based on segment income, which is computed as segment revenues and sales less segment operating expenses. As further discussed below, certain operating revenues and expenses are not assigned to our segments. During the second quarter of 2017, we realigned certain engineering teams focused on specific initiatives to enhance our broadband capabilities and network expansion and have allocated the related labor costs to the appropriate segment. Previously, these labor costs had not been assigned to our segments. We also reclassified certain product sales and the related cost of products sold from our Enterprise segment to CLEC Consumer/Small Business segment to better align these sales to the customer base purchasing these products. In addition, we revised our methodology for determining segment income to include within the segment operating results a reduction for certain engineering and other costs attributable to the construction of property, plant and equipment, including capitalized labor. Previously, internal costs associated with capitalizable activities were included in segment costs and expenses, while the associated benefits for capitalizing these costs were not allocated to the segments and were included within other unassigned operating expenses in reconciling total segment income to total consolidated net income (loss). We believe these changes more accurately present the operating results of each of our business segments. Prior period segment information has been revised to reflect these changes for all periods presented. The changes had no impact on our consolidated results of operations.
- (B) 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.
- (C) 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, 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)

	June 30, 2017	December 31, 2016
	<u> </u>	<u> </u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 24.7	\$ 59.1
Accounts receivable, net	659.7	618.6
Inventories	90.4	77.5
Prepaid expenses and other	152.1	111.7
Total current assets	<u>926.9</u>	<u>866.9</u>
Goodwill	4,571.1	4,213.6
Other intangibles, net	1,506.8	1,320.5
Net property, plant and equipment	5,558.2	5,283.5
Deferred income taxes	53.5	—
Other assets	89.7	85.5
Total Assets	<u>\$ 12,706.2</u>	<u>\$ 11,770.0</u>
Liabilities and Shareholders' Equity		
Current Liabilities:		
Current maturities of long-term debt	\$ 19.3	\$ 14.9
Current portion of long-term lease obligations	177.8	168.7
Accounts payable	340.4	390.2
Advance payments and customer deposits	209.3	178.1
Accrued taxes	85.3	78.0
Accrued interest	59.0	58.1
Other current liabilities	336.7	366.6
Total current liabilities	<u>1,227.8</u>	<u>1,254.6</u>
Long-term debt	5,559.9	4,848.7
Long-term lease obligations	4,740.6	4,831.9
Deferred income taxes	—	151.5
Other liabilities	547.7	513.3
Total liabilities	<u>12,076.0</u>	<u>11,600.0</u>
Shareholders' Equity:		
Common stock	—	—
Additional paid-in capital	1,198.0	559.7
Accumulated other comprehensive income	7.2	5.9
Accumulated deficit	(575.0)	(395.6)
Total shareholders' equity	<u>630.2</u>	<u>170.0</u>
Total Liabilities and Shareholders' Equity	<u>\$ 12,706.2</u>	<u>\$ 11,770.0</u>

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

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Cash Flows from Operating Activities:				
Net (loss) income	\$ (68.1)	\$ 1.5	\$ (179.4)	\$ (230.4)
Adjustments to reconcile net (loss) income to net cash provided from operations:				
Depreciation and amortization	362.4	308.2	700.9	613.0
Provision for doubtful accounts	10.1	10.8	19.7	20.5
Share-based compensation expense	15.6	8.9	32.4	22.6
Deferred income taxes	(42.1)	(12.8)	(97.3)	(40.3)
Net gain on disposal of investment in Uniti common stock	—	(17.3)	—	(17.3)
Noncash portion of net (gain) loss on early extinguishment of debt	—	(37.7)	(15.1)	(45.1)
Other-than-temporary impairment loss on investment in Uniti common stock	—	—	—	181.9
Plan curtailment	—	—	—	(5.5)
Other, net	5.7	11.0	7.9	(3.1)
Changes in operating assets and liabilities, net:				
Accounts receivable	(18.1)	(0.2)	15.7	(2.2)
Prepaid expenses and other	16.6	18.8	(19.5)	7.0
Accounts payable	5.2	19.3	(56.3)	(80.9)
Accrued interest	(36.7)	(51.8)	(6.8)	(12.0)
Accrued taxes	4.3	4.7	2.0	(7.8)
Other current liabilities	(14.8)	19.9	(20.1)	24.1
Other liabilities	(0.9)	(1.7)	1.5	(11.7)
Other, net	(18.0)	15.7	(31.9)	11.7
Net cash provided from operating activities	<u>221.2</u>	<u>297.3</u>	<u>353.7</u>	<u>424.5</u>
Cash Flows from Investing Activities:				
Additions to property, plant and equipment	(264.4)	(246.5)	(507.8)	(510.3)
Proceeds from the sale of property	—	—	—	6.2
Cash acquired from EarthLink	—	—	5.0	—
Other, net	(9.3)	(4.3)	(11.8)	(4.3)
Net cash used in investing activities	<u>(273.7)</u>	<u>(250.8)</u>	<u>(514.6)</u>	<u>(508.4)</u>
Cash Flows from Financing Activities:				
Dividends paid to shareholders	(11.9)	(14.6)	(35.6)	(29.5)
Proceeds from stock issuance	—	—	9.6	—
Repayments of debt and swaps	(127.6)	(646.2)	(1,261.0)	(1,631.5)
Proceeds of debt issuance	220.0	647.0	1,535.6	1,925.0
Debt issuance costs	(0.3)	(1.0)	(7.3)	(11.7)
Stock repurchases	—	—	—	(28.9)
Payments under long-term lease obligations	(41.6)	(37.7)	(82.2)	(74.5)
Payments under capital lease obligations	(13.3)	(27.4)	(22.0)	(47.2)
Other, net	0.4	0.4	(10.6)	(7.5)
Net cash provided from (used in) financing activities	<u>25.7</u>	<u>(79.5)</u>	<u>126.5</u>	<u>94.2</u>
(Decrease) increase in cash and cash equivalents	(26.8)	(33.0)	(34.4)	10.3
Cash and Cash Equivalents:				
Beginning of period	51.5	74.6	59.1	31.3
End of period	<u>\$ 24.7</u>	<u>\$ 41.6</u>	<u>\$ 24.7</u>	<u>\$ 41.6</u>

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

	THREE MONTHS ENDED				SIX MONTHS ENDED			
	June 30, 2017	June 30, 2016	Increase (Decrease)		June 30, 2017	June 30, 2016	Increase (Decrease)	
		Amount	%			Amount	%	
ILEC Consumer operating metrics								
Households served	1,307.8	1,403.8	(96.0)	(7)				
High-speed Internet customers	1,025.8	1,075.8	(50.0)	(5)				
Digital television customers	300.7	342.0	(41.3)	(12)				
Net household losses	29.7	26.9	2.8	10	46.8	42.0	4.8	11
Net high-speed Internet customer losses	21.8	16.2	5.6	35	25.3	19.3	6.0	31
ILEC Small Business customers	130.3	141.0	(10.7)	(8)				
Enterprise customers	34.6	26.8	7.8	29				
CLEC Consumer customers	649.7	—	649.7	*				
CLEC Small Business customers	90.0	81.2	8.8	11				

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		SIX MONTHS ENDED	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Adjusted Capital Expenditures:				
Capital expenditures under GAAP	\$ 264.4	\$ 246.5	\$ 507.8	\$ 510.3
EarthLink capital expenditures pre-merger	—	16.6	15.2	35.2
Project Excel capital expenditures	(26.3)	(36.9)	(49.9)	(70.6)
Integration capital expenditures	(6.4)	—	(10.9)	—
Adjusted capital expenditures (A)	<u>\$ 231.7</u>	<u>\$ 226.2</u>	<u>\$ 462.2</u>	<u>\$ 474.9</u>
Adjusted Free Cash Flow:				
Operating income under GAAP			\$ 106.8	\$ 152.8
Depreciation and amortization			362.4	700.9
OIBDA			<u>469.2</u>	<u>853.7</u>
Adjustments:				
EarthLink operating income (B)			—	30.8
Merger, integration and other costs (C)			19.9	83.2
Pension income			(2.5)	(2.5)
Restructuring charges			3.5	10.9
Share-based compensation expense (D)			10.2	22.6
Master lease rent payment			(163.4)	(326.8)
Adjusted OIBDA			<u>336.9</u>	<u>671.9</u>
Adjusted capital expenditures			(231.7)	(462.2)
Cash paid for interest on long-term debt obligations			(126.9)	(174.5)
Cash paid for income taxes			(1.6)	(1.6)
Adjusted free cash flow			<u>\$ (23.3)</u>	<u>\$ 33.6</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) In addition to amounts reported in the Unaudited Consolidated Statement of Operations, other costs for the three and six month periods ended June 30, 2017, primarily include a reserve for a potential penalty attributable to not meeting certain spend commitments under a circuit discount plan of approximately of \$2.5 million and \$7.7 million, respectively.
- (D) Excludes \$5.4 million and \$9.8 million of share-based compensation expense included in merger, integration and other costs for the three and six month periods ended June 30, 2017, respectively.

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

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Reconciliation of Revenues and Sales under GAAP to Adjusted Revenues and Sales:				
Service revenues under GAAP	\$ 1,465.6	\$ 1,331.3	\$ 2,810.0	\$ 2,671.9
Adjustments:				
EarthLink service revenues	(A) —	246.7	(A) 149.3	504.7
Adjusted service revenues	1,465.6	1,578.0	2,959.3	3,176.6
Product sales under GAAP	26.0	28.3	47.3	61.1
Adjustments:				
EarthLink product sales	(A) —	0.2	(A) 0.2	0.3
Adjusted product sales	26.0	28.5	47.5	61.4
Adjusted revenues and sales	<u>\$ 1,491.6</u>	<u>\$ 1,606.5</u>	<u>\$ 3,006.8</u>	<u>\$ 3,238.0</u>
Reconciliation of Net Loss under GAAP to Adjusted OIBDA:				
Net (loss) income	\$ (68.1)	\$ 1.5	\$ (179.4)	\$ (230.4)
Adjustments:				
Dividend income on Uniti common stock	(B) —	—	(B) —	(17.6)
Other expense (income), net	(B) 0.1	1.9	(B) (0.6)	3.1
Net gain on disposal of investment in Uniti common stock	—	(17.3)	—	(17.3)
Net (gain) loss on early extinguishment of debt	(B) —	(37.5)	(B) 3.2	(2.1)
Other-than-temporary impairment loss on investment in Uniti common stock	(B) —	—	(B) —	181.9
Interest expense	(B) 214.4	217.4	(B) 426.2	437.1
Income tax benefit	(B) (39.6)	(11.4)	(B) (96.6)	(42.4)
Operating income under GAAP	(B) 106.8	154.6	(B) 152.8	312.3
Depreciation and amortization	(B) 362.4	308.2	(B) 700.9	613.0
Adjustments:				
EarthLink operating income	(C) —	56.4	(C) 30.8	117.1
Merger, integration and other costs	(E) 19.9	2.6	(E) 83.2	7.6
Pension (income) expense	(B) (2.5)	2.0	(B) (2.5)	1.7
Restructuring charges	(B) 3.5	5.9	(B) 10.9	10.3
Share-based compensation expense	(F) 10.2	8.9	(F) 22.6	22.6
Adjusted OIBDAR	500.3	538.6	998.7	1,084.6
Master lease rent payment	(D) (163.4)	(163.4)	(D) (326.8)	(326.9)
Adjusted OIBDA	<u>\$ 336.9</u>	<u>\$ 375.2</u>	<u>\$ 671.9</u>	<u>\$ 757.7</u>

See Notes to Reconciliation of Non-GAAP Financial Measures

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

(In millions)

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Reconciliation of Net Cash Provided from Operating Activities to Adjusted OIBDA:				
Net Cash Provided From Operating Activities	\$ 221.2	\$ 297.3	\$ 353.7	\$ 424.5
Adjustments:				
Master lease rent payment	(D) (163.4)	(163.4)	(D) (326.8)	(326.9)
Cash dividends received on Uniti common stock	(B) —	(17.6)	(B) —	(35.2)
EarthLink operating income	(C) —	56.4	(C) 30.8	117.1
Merger, integration and other costs	(E) 19.9	2.6	(E) 83.2	7.6
Restructuring charges	(B) 3.5	5.9	(B) 10.9	10.3
Other expense (income), net	(B) 0.1	1.9	(B) (0.6)	3.1
Net (gain) loss on early extinguishment of debt	(B) —	(37.5)	(B) 3.2	(2.1)
Interest expense	(B) 214.4	217.4	(B) 426.2	437.1
Income tax benefit, net of deferred income taxes	2.5	1.4	0.7	(2.1)
Provision for doubtful accounts	(G) (10.1)	(10.8)	(G) (19.7)	(20.5)
Noncash portion of net (gain) loss on early extinguishment of debt	(G) —	37.7	(G) 15.1	45.1
Amortization of unrealized losses on de-designated interest rate swaps	(G) (1.4)	(1.0)	(G) (2.9)	(2.2)
Plan curtailment	(G) —	—	(G) —	5.5
Other noncash adjustments, net	(I) (12.2)	9.6	(I) (17.3)	24.6
Changes in operating assets and liabilities, net	(G) 62.4	(24.7)	(G) 115.4	71.8
Adjusted OIBDA	<u>\$ 336.9</u>	<u>\$ 375.2</u>	<u>\$ 671.9</u>	<u>\$ 757.7</u>

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

Net Cash Provided From Operating Activities	\$ 221.2	\$ 353.7
Adjustments:		
Cash paid for interest on long-term debt obligations	(126.9)	(174.5)
Cash paid for income taxes	(1.6)	(1.6)
Capital expenditures	(264.4)	(507.8)
Project Excel capital expenditures	(H) 26.3	(H) 49.9
Post-merger integration capital expenditures	6.4	10.9
EarthLink capital expenditures pre-merger	—	(15.2)
EarthLink operating income	(C) —	(C) 30.8
Master lease rent payment	(D) (163.4)	(D) (326.8)
Merger, integration and other costs	(E) 19.9	(E) 83.2
Restructuring charges	(B) 3.5	(B) 10.9
Other expense (income), net	(B) 0.1	(B) (0.6)
Net loss on early extinguishment of debt	(B) —	(B) 3.2
Interest expense	(B) 214.4	(B) 426.2
Income tax benefit, net of deferred income taxes	2.5	0.7
Provision for doubtful accounts	(G) (10.1)	(G) (19.7)
Noncash portion of net (gain) loss on early extinguishment of debt	(G) —	(G) 15.1
Amortization of unrealized losses on de-designated interest rate swaps	(G) (1.4)	(G) (2.9)
Other noncash adjustments, net	(I) (12.2)	(I) (17.3)
Changes in operating assets and liabilities, net	(G) 62.4	(G) 115.4
Adjusted Free Cash Flow	<u>\$ (23.3)</u>	<u>\$ 33.6</u>

See 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 and six month periods ended June 30, 2017, primarily include a reserve for a potential penalty attributable to not meeting certain spend commitments under a circuit discount plan of approximately of \$2.5 million and \$7.7 million, respectively.
- (F) The three and six month periods ended June 30, 2017 excludes \$5.4 million and \$9.8 million of share-based compensation expense included in merger, integration and other costs, respectively.
- (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.