

WINDSTREAM HOLDINGS, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions, except per share amounts)

	THREE MONTHS ENDED				SIX MONTHS ENDED			
	June 30, 2018	June 30, 2017	Increase (Decrease)		June 30, 2018	June 30, 2017	Increase (Decrease)	
			Amount	%			Amount	%
UNDER GAAP:								
Revenues and sales:								
Service revenues	\$ 1,424.6	\$ 1,465.6	\$ (41.0)	(3)	\$ 2,860.0	\$ 2,810.0	\$ 50.0	2
Product sales	19.8	26.0	(6.2)	(24)	38.7	47.3	(8.6)	(18)
Total revenues and sales	<u>1,444.4</u>	<u>1,491.6</u>	(47.2)	(3)	<u>2,898.7</u>	<u>2,857.3</u>	41.4	1
Costs and expenses:								
Cost of services (exclusive of depreciation and amortization included below)	722.8	750.7	(27.9)	(4)	1,459.7	1,434.5	25.2	2
Cost of products sold	18.2	29.7	(11.5)	(39)	35.0	50.5	(15.5)	(31)
Selling, general and administrative	224.5	226.4	(1.9)	(1)	453.3	440.2	13.1	3
Depreciation and amortization	370.7	362.4	8.3	2	752.5	700.9	51.6	7
Merger, integration and other costs	14.1	16.4	(2.3)	(14)	21.4	73.7	(52.3)	(71)
Restructuring charges	5.8	3.5	2.3	66	19.5	10.9	8.6	79
Total costs and expenses	<u>1,356.1</u>	<u>1,389.1</u>	(33.0)	(2)	<u>2,741.4</u>	<u>2,710.7</u>	30.7	1
Operating income	88.3	102.5	(14.2)	(14)	157.3	146.6	10.7	7
Other income, net	12.0	4.2	7.8	*	9.7	6.8	2.9	43
Net loss on early extinguishment of debt	—	—	—	*	—	(3.2)	3.2	(100)
Interest expense (A)	(224.4)	(214.4)	10.0	5	(447.5)	(426.2)	21.3	5
Loss before income taxes	(124.1)	(107.7)	16.4	15	(280.5)	(276.0)	4.5	2
Income tax benefit	(30.4)	(39.6)	(9.2)	(23)	(65.4)	(96.6)	(31.2)	(32)
Net loss	<u>\$ (93.7)</u>	<u>\$ (68.1)</u>	\$ 25.6	38	<u>\$ (215.1)</u>	<u>\$ (179.4)</u>	\$ 35.7	20
Weighted average common shares	40.7	37.5	3.2	9	39.1	31.4	7.7	25
Common shares outstanding	40.7	38.1	2.6	7				

Basic and diluted loss per share:

Net loss	(\$2.30)	(\$1.83)	\$.47	26	(\$5.51)	(\$5.75)	(\$.24)	(4)
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ADJUSTED RESULTS OF OPERATIONS (B):

Adjusted service revenues	\$ 1,424.6	\$ 1,465.6	\$ (41.0)	(3)	\$ 2,860.0	\$ 2,959.3	\$ (99.3)	(3)
Adjusted revenues and sales	\$ 1,444.4	\$ 1,491.6	\$ (47.2)	(3)	\$ 2,898.7	\$ 3,006.8	\$ (108.1)	(4)
Adjusted OIBDAR (C)	\$ 507.4	\$ 500.5	\$ 6.9	1	\$ 1,007.1	\$ 999.1	\$ 8.0	1
Adjusted OIBDA (D)	\$ 343.5	\$ 337.1	\$ 6.4	2	\$ 679.8	\$ 672.3	\$ 7.5	1
Adjusted capital expenditures (E)	\$ 180.6	\$ 231.7	\$ (51.1)	(22)	\$ 388.3	\$ 462.2	\$ (73.9)	(16)

* Not meaningful

(A) Includes interest expense associated with the master lease agreement with Uniti of \$117.4 million and \$235.9 million for the three and six month periods ended June 30, 2018, respectively, as compared to \$121.7 million and \$244.5 million for the three and six month periods ended June 30, 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				SIX MONTHS ENDED			
	June 30, 2018	June 30, 2017	Increase (Decrease)		June 30, 2018	June 30, 2017	Increase (Decrease)	
			Amount	%			Amount	%
Consumer & Small Business								
Revenues and sales:								
Service revenues	\$ 465.9	\$ 494.2	\$ (28.3)	(6)	\$ 936.9	\$ 989.9	\$ (53.0)	(5)
Product sales	6.6	10.7	(4.1)	(38)	12.1	19.4	(7.3)	(38)
Total revenue and sales	<u>472.5</u>	<u>504.9</u>	<u>(32.4)</u>	(6)	<u>949.0</u>	<u>1,009.3</u>	<u>(60.3)</u>	(6)
Costs and expenses	198.9	215.9	(17.0)	(8)	393.5	431.3	(37.8)	(9)
Segment income	<u>\$ 273.6</u>	<u>\$ 289.0</u>	<u>\$ (15.4)</u>	(5)	<u>\$ 555.5</u>	<u>\$ 578.0</u>	<u>\$ (22.5)</u>	(4)
Enterprise								
Revenues and sales:								
Service revenues	\$ 730.1	\$ 723.4	\$ 6.7	1	\$ 1,463.0	\$ 1,372.6	\$ 90.4	7
Product sales	13.0	15.0	(2.0)	(13)	26.2	27.6	(1.4)	(5)
Total revenue and sales	<u>743.1</u>	<u>738.4</u>	<u>4.7</u>	1	<u>1,489.2</u>	<u>1,400.2</u>	<u>89.0</u>	6
Costs and expenses	581.9	596.7	(14.8)	(2)	1,182.2	1,134.5	47.7	4
Segment income	<u>\$ 161.2</u>	<u>\$ 141.7</u>	<u>\$ 19.5</u>	14	<u>\$ 307.0</u>	<u>\$ 265.7</u>	<u>\$ 41.3</u>	16
Wholesale								
Revenue and sales:								
Service revenues	\$ 182.3	\$ 196.6	\$ (14.3)	(7)	\$ 366.0	\$ 375.4	\$ (9.4)	(3)
Product sales	0.1	—	0.1	*	0.2	—	0.2	*
Total revenue and sales	<u>182.4</u>	<u>196.6</u>	<u>(14.2)</u>	(7)	<u>366.2</u>	<u>375.4</u>	<u>(9.2)</u>	(2)
Costs and expenses	53.6	61.6	(8.0)	(13)	109.1	113.3	(4.2)	(4)
Segment income	<u>\$ 128.8</u>	<u>\$ 135.0</u>	<u>\$ (6.2)</u>	(5)	<u>\$ 257.1</u>	<u>\$ 262.1</u>	<u>\$ (5.0)</u>	(2)
Consumer CLEC								
Revenues and sales:								
Service revenues	\$ 46.3	\$ 51.5	\$ (5.2)	(10)	\$ 94.1	\$ 72.2	\$ 21.9	30
Product sales	0.1	0.2	(0.1)	(50)	0.2	0.2	—	—
Total revenue and sales	<u>46.4</u>	<u>51.7</u>	<u>(5.3)</u>	(10)	<u>94.3</u>	<u>72.4</u>	<u>21.9</u>	30
Costs and expenses	19.9	25.7	(5.8)	(23)	40.5	35.7	4.8	13
Segment income	<u>\$ 26.5</u>	<u>\$ 26.0</u>	<u>\$ 0.5</u>	2	<u>\$ 53.8</u>	<u>\$ 36.7</u>	<u>\$ 17.1</u>	47

WINDSTREAM HOLDINGS, INC.
 UNAUDITED BUSINESS SEGMENT RESULTS UNDER GAAP

(In millions)

	THREE MONTHS ENDED				SIX MONTHS ENDED			
	June 30, 2018	June 30, 2017	Increase (Decrease)		June 30, 2018	June 30, 2017	Increase (Decrease)	
			Amount	%			Amount	%
Total segment revenues and sales:								
Service revenues	\$ 1,424.6	\$ 1,465.7	\$ (41.1)	(3)	\$ 2,860.0	\$ 2,810.1	\$ 49.9	2
Product sales	19.8	25.9	(6.1)	(24)	38.7	47.2	(8.5)	(18)
Total segment revenues and sales	1,444.4	1,491.6	(47.2)	(3)	2,898.7	2,857.3	41.4	1
Total segment costs and expenses	854.3	899.9	(45.6)	(5)	1,725.3	1,714.8	10.5	1
Total segment income	590.1	591.7	(1.6)	—	1,173.4	1,142.5	30.9	3
Other unassigned operating expenses (A)	(111.2)	(106.9)	(4.3)	4	(222.7)	(210.4)	(12.3)	6
Merger, integration and other costs	(14.1)	(16.4)	2.3	(14)	(21.4)	(73.7)	52.3	(71)
Restructuring charges	(5.8)	(3.5)	(2.3)	66	(19.5)	(10.9)	(8.6)	79
Depreciation and amortization	(370.7)	(362.4)	(8.3)	2	(752.5)	(700.9)	(51.6)	7
Operating income	\$ 88.3	\$ 102.5	\$ (14.2)	(14)	\$ 157.3	\$ 146.6	\$ 10.7	7

(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)

	June 30, 2018	December 31, 2017
	<u>2018</u>	<u>2017</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 45.3	\$ 43.4
Accounts receivable (less allowance for doubtful accounts of \$25.3 and \$29.7, respectively)	623.9	643.0
Inventories	85.0	93.0
Prepaid expenses and other	181.0	154.3
Total current assets	<u>935.2</u>	<u>933.7</u>
Goodwill	2,873.9	2,842.4
Other intangibles, net	1,349.4	1,454.4
Net property, plant and equipment	5,156.6	5,391.8
Deferred income taxes	416.2	370.8
Other assets	108.5	91.2
Total Assets	<u>\$ 10,839.8</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	200.1	188.6
Accounts payable	495.2	494.0
Advance payments and customer deposits	199.7	207.3
Accrued taxes	87.5	89.5
Accrued interest	62.2	52.6
Other current liabilities	278.9	342.1
Total current liabilities	<u>1,341.5</u>	<u>1,543.4</u>
Long-term debt	5,867.9	5,674.6
Long-term lease obligations	4,540.5	4,643.3
Other liabilities	496.4	521.9
Total liabilities	<u>12,246.3</u>	<u>12,383.2</u>
Shareholders' Deficit:		
Common stock, \$.0001 par value, 75.0 shares authorized, 42.7 and 36.5 shares issued and outstanding, respectively	—	—
Additional paid-in capital	1,243.2	1,191.9
Accumulated other comprehensive income	44.0	21.4
Accumulated deficit	(2,693.7)	(2,512.2)
Total shareholders' deficit	<u>(1,406.5)</u>	<u>(1,298.9)</u>
Total Liabilities and Shareholders' Deficit	<u>\$ 10,839.8</u>	<u>\$ 11,084.3</u>

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

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Cash Flows from Operating Activities:				
Net loss	\$ (93.7)	\$ (68.1)	\$ (215.1)	\$ (179.4)
Adjustments to reconcile net loss to net cash provided from operations:				
Depreciation and amortization	370.7	362.4	752.5	700.9
Provision for doubtful accounts	9.6	10.1	15.2	19.7
Share-based compensation expense	8.5	15.6	18.4	32.4
Deferred income taxes	(30.0)	(42.1)	(64.7)	(97.3)
Net loss on early extinguishment of debt	—	—	—	3.2
Other, net	(6.5)	5.7	4.3	7.9
Changes in operating assets and liabilities, net:				
Accounts receivable	(37.9)	(18.1)	5.8	15.7
Prepaid income taxes	(1.7)	0.4	(4.7)	(5.2)
Prepaid expenses and other	22.8	16.2	7.3	(14.3)
Accounts payable	53.5	5.2	17.2	(56.3)
Accrued interest	(24.8)	(36.7)	9.9	(6.8)
Accrued taxes	7.4	4.3	(9.3)	2.0
Other current liabilities	6.8	(14.8)	(18.7)	(20.1)
Other liabilities	8.7	(0.9)	7.0	1.5
Other, net	7.0	(18.0)	14.6	(29.0)
Net cash provided from operating activities	<u>300.4</u>	<u>221.2</u>	<u>539.7</u>	<u>374.9</u>
Cash Flows from Investing Activities:				
Additions to property, plant and equipment	(188.7)	(264.4)	(406.3)	(507.8)
Cash acquired from EarthLink	—	—	—	5.0
Acquisition of MASS	—	—	(37.6)	—
Other, net	(9.2)	(9.3)	(8.8)	(11.8)
Net cash used in investing activities	<u>(197.9)</u>	<u>(273.7)</u>	<u>(452.7)</u>	<u>(514.6)</u>
Cash Flows from Financing Activities:				
Dividends paid to shareholders	—	(11.9)	—	(35.6)
Proceeds from issuance of stock	11.1	—	11.1	9.6
Repayments of debt and swaps	(196.0)	(127.6)	(413.1)	(1,282.2)
Proceeds from debt issuance	137.0	220.0	450.0	1,535.6
Debt issuance costs	(8.8)	(0.3)	(11.6)	(7.3)
Payments under long-term lease obligations	(46.5)	(41.6)	(91.4)	(82.2)
Payments under capital lease obligations	(14.6)	(13.3)	(27.7)	(22.0)
Other, net	0.1	0.4	(2.4)	(10.6)
Net cash (used in) provided from financing activities	<u>(117.7)</u>	<u>25.7</u>	<u>(85.1)</u>	<u>105.3</u>
Increase (decrease) in cash and cash equivalents	(15.2)	(26.8)	1.9	(34.4)
Cash and Cash Equivalents:				
Beginning of period	60.5	51.5	43.4	59.1
End of period	<u>\$ 45.3</u>	<u>\$ 24.7</u>	<u>\$ 45.3</u>	<u>\$ 24.7</u>

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

	THREE MONTHS ENDED				SIX MONTHS ENDED			
	June 30,	June 30,	Increase (Decrease)		June 30,	June 30,	Increase (Decrease)	
	2018	2017	Amount	%	2018	2017	Amount	%
Consumer - ILEC customers								
Households served	1,251.3	1,307.8	(56.5)	(4)				
High-speed Internet customers	1,006.7	1,025.8	(19.1)	(2)				
Digital television customers	256.6	300.7	(44.1)	(15)				
Net household losses	6.0	29.7	(23.7)	(80)	103.3	138.0	(34.7)	(25)
Net high-speed Internet customer additions (losses)	2.3	(21.8)	24.1	111	(44.4)	(69.3)	(24.9)	(36)
Small Business - ILEC customers	123.2	134.1	(10.9)	(8)				
Enterprise customers	115.5	114.8	0.7	1				
Consumer CLEC customers	623.1	684.4	(61.3)	(9)				

Note: Customer metrics include acquired EarthLink customers for all periods presented. Broadview and MASS customers are included as of the acquisition dates of July 28, 2017 and March 27, 2018, respectively.

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, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Adjusted Capital Expenditures:				
Capital expenditures under GAAP	\$ 188.7	\$ 264.4	\$ 406.3	\$ 507.8
EarthLink capital expenditures pre-merger	—	—	—	15.2
Project Excel capital expenditures	—	(26.3)	—	(49.9)
Integration capital expenditures	(8.1)	(6.4)	(18.0)	(10.9)
Adjusted capital expenditures (A)	<u>\$ 180.6</u>	<u>\$ 231.7</u>	<u>\$ 388.3</u>	<u>\$ 462.2</u>
			THREE MONTHS ENDED	SIX MONTHS ENDED
			June 30, 2018	June 30, 2018
Adjusted Free Cash Flow:				
Operating income under GAAP			\$ 88.3	\$ 157.3
Depreciation and amortization			370.7	752.5
OIBDA			<u>459.0</u>	<u>909.8</u>
Adjustments:				
Merger, integration and other costs			14.1	21.4
Restructuring charges			5.8	19.5
Other costs (B)			19.0	36.1
Pension expense			1.0	1.9
Share-based compensation			8.5	18.4
Master lease rent payment			(163.9)	(327.3)
Adjusted OIBDA			<u>343.5</u>	<u>679.8</u>
Adjusted capital expenditures (per above)			(180.6)	(388.3)
Cash paid for interest on long-term debt obligations			(126.7)	(193.0)
Cash refunded for income taxes			11.9	15.1
Adjusted free cash flow			<u>\$ 48.1</u>	<u>\$ 113.6</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 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 \$35.5 million consisting of consulting fees of \$20.8 million and \$3.1 million of incremental marketing and rebranding costs. These costs also include \$11.6 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		SIX MONTHS ENDED	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Reconciliation of Revenues and Sales under GAAP to Adjusted Revenues and Sales:				
Service revenues under GAAP	\$ 1,424.6	\$ 1,465.6	\$ 2,860.0	\$ 2,810.0
Adjustments:				
EarthLink service revenues	(A) —	—	(A) —	149.3
Adjusted service revenues	1,424.6	1,465.6	2,860.0	2,959.3
Product sales under GAAP	19.8	26.0	38.7	47.3
Adjustments:				
EarthLink product sales	(A) —	—	(A) —	0.2
Adjusted product sales	19.8	26.0	38.7	47.5
Adjusted revenues and sales	<u>\$ 1,444.4</u>	<u>\$ 1,491.6</u>	<u>\$ 2,898.7</u>	<u>\$ 3,006.8</u>
Reconciliation of Net Loss under GAAP to Adjusted OIBDA:				
Net loss	\$ (93.7)	\$ (68.1)	\$ (215.1)	\$ (179.4)
Adjustments:				
Other income, net	(B) (12.0)	(4.2)	(B) (9.7)	(6.8)
Net loss on early extinguishment of debt	(B) —	—	(B) —	3.2
Interest expense	(B) 224.4	214.4	(B) 447.5	426.2
Income tax benefit	(B) (30.4)	(39.6)	(B) (65.4)	(96.6)
Operating income under GAAP	(B) 88.3	102.5	(B) 157.3	146.6
Depreciation and amortization	(B) 370.7	362.4	(B) 752.5	700.9
Adjustments:				
EarthLink operating income	(C) —	—	(C) —	30.8
Merger, integration and other costs	(B) 14.1	16.4	(B) 21.4	73.7
Restructuring charges	(B) 5.8	3.5	(B) 19.5	10.9
Other costs	(E) 19.0	3.5	(E) 36.1	9.5
Pension expense	(B) 1.0	2.0	(B) 1.9	4.1
Share-based compensation expense	(F) 8.5	10.2	(F) 18.4	22.6
Adjusted OIBDAR	507.4	500.5	1,007.1	999.1
Master lease rent payment	(D) (163.9)	(163.4)	(D) (327.3)	(326.8)
Adjusted OIBDA	<u>\$ 343.5</u>	<u>\$ 337.1</u>	<u>\$ 679.8</u>	<u>\$ 672.3</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, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Reconciliation of Net Cash Provided from Operating Activities to Adjusted OIBDA:				
Net Cash Provided From Operating Activities	\$ 300.4	\$ 221.2	\$ 539.7	\$ 374.9
Adjustments:				
Master lease rent payment	(D) (163.9)	(163.4)	(D) (327.3)	(326.8)
EarthLink operating income	(C) —	—	(C) —	30.8
Merger, integration and other costs	(B) 14.1	16.4	(B) 21.4	73.7
Restructuring charges	(B) 5.8	3.5	(B) 19.5	10.9
Other costs	(E) 19.0	3.5	(E) 36.1	9.5
Other income, net	(B) (12.0)	(4.2)	(B) (9.7)	(6.8)
Interest expense	(B) 224.3	214.4	(B) 447.4	426.2
Income tax benefit, net of deferred income taxes	(0.2)	2.5	(0.5)	0.7
Provision for doubtful accounts	(G) (9.6)	(10.1)	(G) (15.2)	(19.7)
Other noncash adjustments, net	(H) 7.0	(9.1)	(H) (2.5)	(13.6)
Changes in operating assets and liabilities, net	(G) (41.4)	62.4	(G) (29.1)	112.5
Adjusted OIBDA	<u>\$ 343.5</u>	<u>\$ 337.1</u>	<u>\$ 679.8</u>	<u>\$ 672.3</u>

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

Net Cash Provided From Operating Activities	\$ 300.4	\$ 539.7
Adjustments:		
Cash paid for interest on long-term debt obligations	(126.7)	(193.0)
Cash refunded for income taxes	11.9	15.1
Capital expenditures	(188.7)	(406.3)
Post-merger integration capital expenditures	8.1	18.0
Master lease rent payment	(D) (163.9)	(D) (327.3)
Merger, integration and other costs	(B) 14.1	(B) 21.4
Restructuring charges	(B) 5.8	(B) 19.5
Other costs	(E) 19.0	(E) 36.1
Other income, net	(B) (12.0)	(B) (9.7)
Interest expense	(B) 224.3	(B) 447.4
Income tax benefit, net of deferred income taxes	(0.2)	(0.5)
Provision for doubtful accounts	(G) (9.6)	(G) (15.2)
Other noncash adjustments, net	(H) 7.0	(H) (2.5)
Changes in operating assets and liabilities, net	(G) (41.4)	(G) (29.1)
Adjusted Free Cash Flow	<u>\$ 48.1</u>	<u>\$ 113.6</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, 2016. 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") and Mass Communications ("MASS") are included beginning on July 28, 2017 and March 27, 2018, respectively, the dates of acquisition. The adjusted results exclude pension costs, 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 and six month periods ended June 30, 2018, primarily include business transformation expenses of \$19.0 million and \$35.5 million, respectively, consisting of consulting fees of \$12.1 million and \$20.8 million, respectively, and incremental marketing and rebranding costs of \$0.7 million and \$3.1 million, respectively. These costs also include \$6.2 million and \$11.6 million, respectively, 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 and six month periods ended June 30, 2017, other costs primarily consist of 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) 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.