UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): August 9, 2018

windstream®

Exact name of registrant as specified in its charter	State or other jurisdiction of incorporation or organization	Commission File Number	I.R.S. Employer Identification No.
Windstream Holdings, Inc.	Delaware	001-32422	46-2847717

4001 Rodney Parham Road
Little Rock, Arkansas 72212
(Address of principal executive offices) (Zip Code)

(501) 748-7000
(Registrants' telephone number, including area code)

N/A
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02 Results of Operations and Financial Condition.

On August 9, 2018, Windstream Holdings, Inc. (“Windstream”, the “Company”, “we”, “us”, or “our”) issued a press release announcing the Company’s 2018 second quarter consolidated results of operations. The press release presents our unaudited consolidated results of operations measured under generally accepted accounting principles in the United States (“GAAP”) and certain unaudited adjusted results of operations, which are not calculated in accordance with GAAP. A “non-GAAP financial measure” is defined as a numerical measure of a company’s financial performance, financial position or cash flows that excludes (or includes) amounts that are included in (or excluded from) the most directly comparable measure calculated and presented in accordance with GAAP in a company’s financial statements. The non-GAAP financial measures used by us may not be comparable to similarly titled measures used by other companies and should not be considered in isolation or as a substitute for measures of performance or liquidity prepared in accordance with GAAP.

Our press release, and other communications from time to time, include a non-GAAP measure titled operating income before depreciation and amortization (“OIBDA”). OIBDA can be calculated directly from the Company’s consolidated financial statements prepared in accordance with GAAP by taking operating income and adding back depreciation and amortization expense. Management considers OIBDA to be useful to investors as we believe it provides for comparability and evaluation of our ongoing operating performance and trends by excluding the impact of non-cash depreciation and amortization from capital investments.

We also present our unaudited consolidated results on an adjusted basis, which when compared to measures prepared in accordance with GAAP, includes the results of operations of EarthLink Holdings Corp. ("EarthLink") as if the merger with EarthLink had been completed as of January 1, 2017. 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 are based upon the combined historical financial information of Windstream and EarthLink for all periods presented. We have made certain reclassifications to the historical financial information of EarthLink to conform to our presentation.

Adjusted results exclude pension expense, share-based compensation expense, restructuring charges, merger, integration and certain other costs. In addition, 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 Uniti Group, Inc. ("Uniti"). Windstream’s purpose for presenting its unaudited consolidated results on an adjusted basis is to improve the comparability of results of operations between current and prior periods 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 as a key measure of our operational performance. Windstream management, including the chief operating decision-maker, uses adjusted results consistently for all purposes, including internal reporting, the evaluation of business objectives, opportunities and performance, and the determination of management compensation.

Our press release makes reference to adjusted OIBDA, adjusted OIBDAR, adjusted free cash flow and adjusted capital expenditures, which are non-GAAP measures. As noted above, each of these non-GAAP measures include EarthLink’s historical operating results for periods prior to the merger date of February 27, 2017, and are defined as follows:

- Adjusted OIBDA, defined as operating income plus depreciation and amortization expense, excluding the impacts of pension expense, share-based compensation expense, restructuring charges, merger, integration and certain other costs and including the annual cash rent payment due under the master lease agreement with Uniti.

- Adjusted OIBDAR, defined as adjusted OIBDA excluding the impact of the annual cash payment due under the master lease agreement with Uniti.

- Adjusted free cash flow, defined as adjusted OIBDA less adjusted capital expenditures, interest paid on long-term debt obligations, and income taxes paid, net of refunds.

- Adjusted capital expenditures, defined as capital expenditures, including amounts for EarthLink for periods prior to the merger date of February 27, 2017, and excludes post-merger integration capital expenditures related to the acquired EarthLink and Broadview operations 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.

Adjusted OIBDA and adjusted OIBDAR are included to provide investors with useful information about our operating performance before the impacts of certain non-cash items and to enhance the comparability of operating results for the periods presented. Adjusted OIBDAR is also used by rating agencies and lenders to evaluate our operating performance and creditworthiness. Management believes that adjusted free cash flow provides investors with useful information about the ability of the Company’s core operations to generate cash flow.

A copy of the press release announcing Windstream's 2018 second quarter operating results is attached hereto as Exhibit 99(a).

Item 9.01 Financial Statements and Exhibits.

(d) *Exhibits*

The following exhibits are filed with this report:

Exhibit No.	**Description**
Exhibit 99(a)	Windstream Press Release dated August 9, 2018

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

WINDSTREAM HOLDINGS, INC.

By:	/s/ Robert E. Gunderman
Name:	Robert E. Gunderman
Title:	Chief Financial Officer and Treasurer

Dated: August 9, 2018

Exhibit 99(a)

Windstream delivers strong second-quarter results
Grew broadband customer base for the first quarter since 2015
Accelerated strategic sales to over 50% of Enterprise sales
Continued to grow Adjusted OIBDAR year-over-year and sequentially

LITTLE ROCK, Ark., Aug. 09, 2018 (GLOBE NEWSWIRE) -- Windstream Holdings, Inc. (NASDAQ: WIN), a leading provider of advanced network communications and technology solutions, today reported strong second-quarter results, including net growth in broadband subscribers for the first time in three years.

“Our Consumer segment delivered a successful quarter, adding 2,300 broadband subscribers,” said Tony Thomas, president and chief executive officer. “This continued an upward trend that we have experienced for the past several quarters and was driven by both strong sales and lower churn. It demonstrates that our network investments are paying off and enables us to say with confidence that we expect to grow our consumer broadband base in 2018.

“Our Enterprise segment continues to see improved results as our focus on SD-WAN, Unified Communications as a Service and on-net sales have driven improving revenue trends and margins. Windstream is now the largest SD-WAN provider in the country with more than 1,000 customers in over 12,000 locations nationwide. Sales of strategic products accelerated to over 50 percent of Enterprise sales for the quarter.

“Reflecting these strong segment results, Windstream delivered sequential and year-over-year growth in Adjusted OIBDAR that came on the back of both improved revenue trends and lower cash costs,” Thomas said.

Results under GAAP

Total revenues and sales were $1.44 billion, a decrease of 3 percent from the same period a year ago, and total service revenues were $1.42 billion, a decrease of 3 percent year-over-year. Operating income was $88 million compared to $103 million in the same period a year ago. The company reported a net loss of $94 million, or $2.30 per share, compared to a net loss of $68 million, or $1.83 per share, a year ago.

ILEC consumer and small business service revenues were $466 million, a decrease of 6 percent from the same period a year ago, and segment income was $274 million compared to $289 million year-over-year.

Enterprise service revenues were $730 million, a 1 percent increase from the same period a year ago, and segment income was $161 million compared to $142 million year-over-year.

Wholesale service revenues were $182 million, a 7 percent decrease from the same period a year ago, and segment income was $129 million compared to $135 million year-over-year.

CLEC consumer services revenues were $46 million, a decrease of 10 percent from the same period a year ago, and segment income was $27 million compared to $26 million year-over-year.

Adjusted Results of Operations

Adjusted total revenues and sales were $1.44 billion compared to $1.49 billion in the same period a year ago. Adjusted total service revenues were $1.42 billion compared to $1.47 billion year-over-year.

Adjusted OIBDAR was $507 million compared to $501 million in the same period a year ago.

Adjusted capital expenditures were $181 million compared to $232 million in the same period a year ago.

ILEC consumer and small business service revenues were $466 million, a 6 percent decrease from the same period a year ago, and contribution margin was $274 million compared to $289 million a year ago.

Enterprise service revenues were $730 million, a 1 percent increase from the same period a year ago, and contribution margin was $161 million compared to $142 million a year ago, an increase of 13.8 percent year-over-year.

Wholesale service revenues were $182 million, a decrease of 7 percent from the same period a year ago, and contribution margin was $129 million compared to $135 million a year ago.

CLEC consumer service revenues were $46 million, a 10 percent decrease from the same period a year ago, and contribution margin was $27 million compared to $26 million a year ago.

Note: Adjusted results of operations are based on the combined historical financial information of Windstream and EarthLink and assume the merger was completed on Jan. 1, 2017. Operating results for Broadview are included beginning on July 28, 2017, the date of acquisition. A reconciliation of adjusted results to the comparable GAAP measures is included in the financial information presented below. Additional supplemental quarterly financial information is available on the company's Web site at investor.windstream.com.

About Windstream

Windstream Holdings, Inc. (NASDAQ: WIN), a FORTUNE 500 company, is a leading provider of advanced network communications and technology solutions. Windstream provides data networking, core transport, security, unified communications and managed services to mid-market, enterprise and wholesale customers across the U.S. The company also offers broadband, entertainment and security services for consumers and small and medium-sized businesses primarily in rural areas in 18 states. Services are delivered over multiple network platforms including a nationwide IP network, our proprietary cloud core architecture and on a local and long-haul fiber network spanning approximately 150,000 miles. Additional information is available at windstream.com or windstreamenterprise.com. Please visit our newsroom at news.windstream.com or follow us on Twitter at @Windstream or @WindstreamBiz.

Adjusted OIBDA is operating income before depreciation and amortization, excluding pension expense, share-based compensation expense, restructuring charges, merger, integration and certain other costs.

Adjusted OIBDAR is Adjusted OIBDA before the annual cash rent payment due under the master lease agreement with Uniti Group, Inc.

Adjusted free cash flow is defined as Adjusted OIBDA, less adjusted capital expenditures, cash taxes and cash interest on long-term debt.

Cautionary Statement Regarding Forward Looking Statements

Windstream Holdings, Inc. claims the protection of the safe-harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. Forward-looking statements are typically identified by words or phrases such as “will,” “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “believe,” “target,” “forecast” and other words and terms of similar meaning. Forward-looking statements are subject to risks and 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, 2018 guidance for service revenue, adjusted OIBDAR, adjusted capital expenditures, and adjusted free cash flow, along with statements regarding cash taxes, future growth of adjusted OIBDAR and free cash flow; 2018 directional outlook for business units and overall business trends, including revenue and contribution margin trends and sales opportunities; improvement in our ability to compete, including opportunities associated with, and expected sales growth, of strategic products and services; increasing deployment and availability of faster broadband speeds to more households within our service areas, along with subscriber trends; statements regarding our 2018 priorities and progress; the benefits of the mergers with EarthLink Holdings Corp. and Broadview Network Holdings, Inc. including projected synergies and the timing of the synergies; our ability to improve our debt profile and balance sheet and overall reduction in net leverage; expectations regarding expense management activities, including interconnection expense, and the timing and benefit of such activities; and opportunities regarding sales or divestitures of certain assets; any other statements regarding plans, objectives, expectations and intentions and other statements that are not historical facts.

These statements, along with other forward-looking statements regarding Windstream's overall business outlook, are based on estimates, projections, beliefs, and assumptions that Windstream believes are reasonable but are not guarantees of future events, performance or results. Actual future events and 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:

• the cost savings and expected synergies from the mergers with EarthLink and Broadview may not be fully realized or may take longer to realize than expected;

• the integration of Windstream and EarthLink and Broadview may not be successful, may cause disruption in relationships with customers, vendors and suppliers and may divert attention of management and key personnel;

• the impact of the Federal Communications Commission's comprehensive business data services reforms or additional FCC reforms or actions, including actions related to unbundled network elements, that may result in greater capital investments and customer and revenue churn because of possible price increases by our ILEC suppliers for certain services we use to serve customer locations where we do not have facilities;

• the potential for incumbent carriers to impose monetary penalties for failure to meet specific volume and term commitments under their special access pricing and tariff plans, which Windstream uses to lease last-mile connections to serve its retail business data service customers, without FCC action;

• the impact of new, emerging or competing technologies and our ability to utilize these technologies to provide services to our customers;

• the alleged ability of one or more purported noteholders to establish that transactions related to the spin-off of certain assets in 2015 into a publicly-traded real estate investment trust allegedly violated certain covenants in existing indentures governing certain outstanding senior notes;

• the benefits of our current capital allocation strategy, which may be changed at any time at the discretion of our board of directors, and certain cost reduction activities may not be fully realized or may take longer to realize than expected, or the implementation of these initiatives may adversely affect our sales and operational activities or otherwise disrupt our business and personnel;

• the availability and cost of financing in the corporate debt markets;

• 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;

• for certain operations where we lease facilities from other carriers, adverse effects on the availability, quality of service, price of facilities and services provided by other carriers on which our services depend;

• our election to accept state-wide offers under the FCC's Connect America Fund, Phase II, and the impact of such election on our future receipt of federal universal service funds and capital expenditures, and any return of support received pursuant to the program;

• our ability to make rent payments under the master lease to Uniti, which may be affected by results of operations, changes in our cash requirements, cash tax payment obligations, or overall financial position

• further adverse changes in economic conditions in the markets served by us;

• the extent, timing and overall effects of competition in the communications business;

• unfavorable rulings by state public service commissions in current and further 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 and enterprise customers;

• the impact of recent adverse changes in the ratings given to our debt securities by nationally accredited ratings organizations and the potential for additional adverse changes in the future;

• 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, and changes thereto, including changes implemented by administrative agencies, 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 "Risk Factors" in Item 1A of Windstream's Annual Report 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.

Windstream undertakes 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 Windstream's 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 Windstream's future results included in other filings with the Securities and Exchange Commission at www.sec.gov.

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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) Amount	%	June 30, 2018	June 30, 2017	Increase (Decrease) 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	1,444.4	1,491.6	(47.2)	(3)	2,898.7	2,857.3	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	1,356.1	1,389.1	(33.0)	(2)	2,741.4	2,710.7	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	$ (93.7)	$ (68.1)	$ 25.6	38	$ (215.1)	$ (179.4)	$ 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)
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) Amount	%	June 30, 2018	June 30, 2017	Increase (Decrease) 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	472.5	504.9	(32.4)	(6)	949.0	1,009.3	(60.3)	(6)
Costs and expenses	198.9	215.9	(17.0)	(8)	393.5	431.3	(37.8)	(9)
Segment income	$ 273.6	$ 289.0	$ (15.4)	(5)	$ 555.5	$ 578.0	$ (22.5)	(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	743.1	738.4	4.7	1	1,489.2	1,400.2	89.0	6
Costs and expenses	581.9	596.7	(14.8)	(2)	1,182.2	1,134.5	47.7	4
Segment income	$ 161.2	$ 141.7	$ 19.5	14	$ 307.0	$ 265.7	$ 41.3	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	182.4	196.6	(14.2)	(7)	366.2	375.4	(9.2)	(2)
Costs and expenses	53.6	61.6	(8.0)	(13)	109.1	113.3	(4.2)	(4)
Segment income	$ 128.8	$ 135.0	$ (6.2)	(5)	$ 257.1	$ 262.1	$ (5.0)	(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	46.4	51.7	(5.3)	(10)	94.3	72.4	21.9	30
Costs and expenses	19.9	25.7	(5.8)	(23)	40.5	35.7	4.8	13
Segment income	$ 26.5	$ 26.0	$ 0.5	2	$ 53.8	$ 36.7	$ 17.1	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) Amount	%	June 30, 2018	June 30, 2017	Increase (Decrease) 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
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	935.2	933.7
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	$ 10,839.8	$ 11,084.3
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	1,341.5	1,543.4
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	12,246.3	12,383.2
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	(1,406.5)	(1,298.9)
Total Liabilities and Shareholders' Deficit	$ 10,839.8	$ 11,084.3

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	300.4	221.2	539.7	374.9
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	(197.9)	(273.7)	(452.7)	(514.6)
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	(117.7)	25.7	(85.1)	105.3
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	$ 45.3	$ 24.7	$ 45.3	$ 24.7

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

	THREE MONTHS ENDED				SIX MONTHS ENDED			
	June 30, 2018	June 30, 2017	Increase (Decrease) Amount	%	June 30, 2018	June 30, 2017	Increase (Decrease) 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)	$ 180.6	$ 231.7	$ 388.3	$ 462.2

	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	459.0	909.8
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	343.5	679.8
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	$ 48.1	$ 113.6

(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		$ 1,444.4	$ 1,491.6		$ 2,898.7	$ 3,006.8
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		$ 343.5	$ 337.1		$ 679.8	$ 672.3

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		$ 343.5	$ 337.1		$ 679.8	$ 672.3

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		$ 48.1		$ 113.6

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.