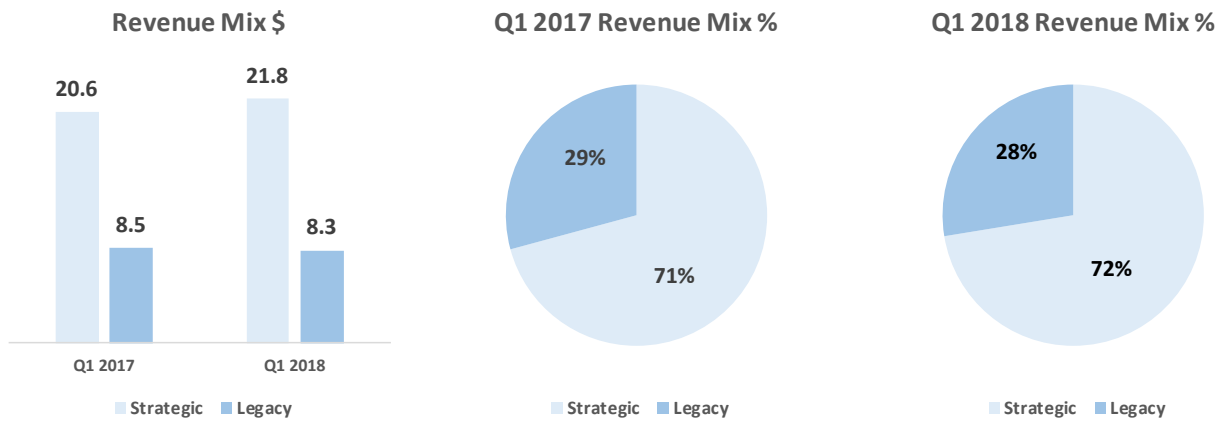


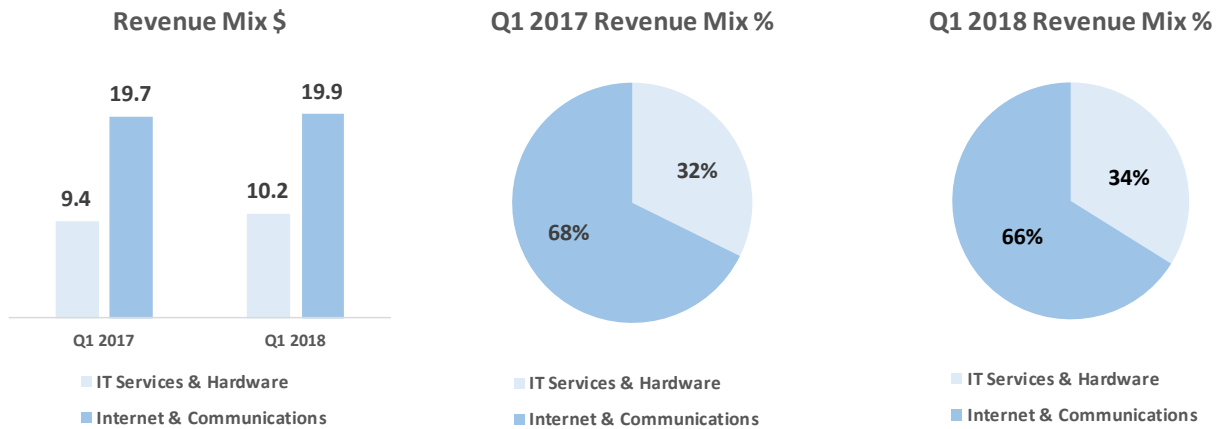
Summary of Net Operating Revenue—Unaudited For the Three Months Ending March 31,

Net Operating Revenue by Strategic vs. Legacy

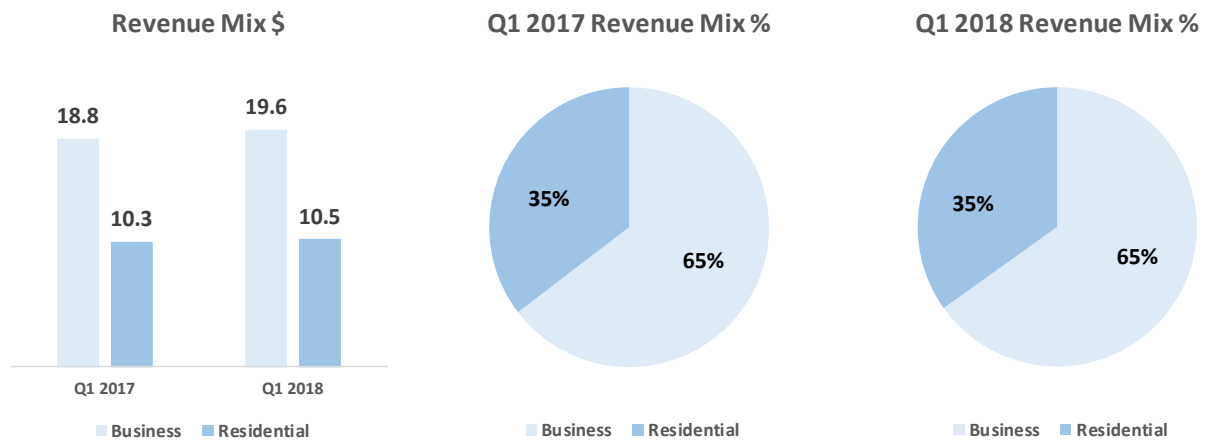


Strategic revenue is all revenue excluding legacy voice revenue. Legacy voice revenue is comprised of non-IP voice, long distance and network access revenue.

Net Operating Revenue by Product Segment



Net Operating Revenue by Customer Segment



All dollar amounts in millions

Summary of Consolidated Statements of Net Income—Unaudited

Three Months Ending March 31,	2018	2017	Change	% Change
Operating revenue				
Internet & communications	20,254,398	19,697,373	557,025	2.83%
IT Services & Hardware	10,160,633	9,431,042	729,591	7.74%
Uncollectible revenue	(267,966)	(41,661)	(226,305)	NM
Net operating revenue	30,147,066	29,086,754	1,060,312	3.65%
Operating expenses				
Cost of goods and services	14,865,295	13,730,946	1,134,349	8.26%
Selling, general, and administrative	9,177,295	7,915,954	1,261,341	15.93%
Depreciation and amortization	5,243,800	5,003,610	240,190	4.80%
Total Operating Expense	29,286,390	26,650,510	2,635,880	9.89%
Operating Income	860,676	2,436,244	(1,575,568)	(64.67%)
Net Nonoperating income (expense)	1,186,991	1,079,120	107,871	10.00%
Income before income taxes	2,047,666	3,515,364	(1,467,698)	(41.75%)
Income Taxes	482,006	1,280,165	(798,159)	(62.35%)
Net income (loss) available to common shareholders	\$ 1,565,660	\$ 2,235,199	\$ (669,539)	(29.95%)
Earnings per share (EPS)	\$ 0.69	\$ 0.99		

See attached footnotes.

Certain amounts have been reclassified to conform to the current period presentation.

Consolidated Balance Sheets—Unaudited

Three Months Ended March 31,	2018	2017	Change	% Change
Assets				
Current Assets				
Cash and cash equivalents	\$2,804,603	\$11,249,738	(\$8,445,135)	-75.07%
Accounts receivable	\$9,761,495	\$8,140,725	\$1,620,769	19.91%
Materials and supplies	\$2,041,251	\$2,602,630	(\$561,379)	-21.57%
Prepayments	\$3,012,834	\$2,850,639	\$162,196	5.69%
Income tax recoverable	\$3,092,581	-	\$3,092,581	
Total Current Assets	\$20,712,764	\$24,843,732	(\$4,130,968)	-16.63%
Property, plant and equipment				
Under construction	\$2,459,761	\$259,829	\$2,199,933	NM
In service	\$535,645,467	\$515,495,424	\$20,150,043	3.91%
Total Property, Plant and Equipment	\$537,312,750	\$515,755,253	\$21,557,498	4.18%
Less accumulated depreciation & amortization	(\$383,719,983)	(\$366,683,201)	(\$17,036,782)	4.65%
Property, plant and equipment, net	\$153,592,767	\$149,072,052	\$4,520,715	3.03%
Other assets				
Investment securities	\$2,110,661	\$1,983,801	\$126,860	6.39%
Investment in unconsolidated subsidiaries	\$10,091,377	\$9,601,573	\$489,804	5.10%
Intangibles, net of amortization	\$12,901,859	\$14,841,177	(\$1,939,317)	-13.07%
Goodwill	\$31,544,755	\$31,844,755	(\$300,000)	-0.94%
Other non-current assets	\$5,458,227	\$6,128,183	(\$669,956)	-10.93%
Total other assets	\$62,106,879	\$64,399,489	(\$2,292,610)	-3.56%
Total Assets	\$236,412,410	\$238,315,273	(\$1,902,863)	-0.80%
Liabilities and Equity				
Current liabilities				
Revolving credit note	\$7,500,000	-	\$7,500,000	
Current maturities of long term debt	\$2,500,000	\$1,250,000	\$1,250,000	100.00%
Current maturities of capital lease obligations	\$171,999	\$159,550	\$12,448	7.80%
Accounts payable and payroll withholdings	\$1,556,568	\$1,974,636	(\$418,067)	-21.17%
Advanced billings and customer deposits	\$3,922,400	\$4,241,664	(\$319,264)	-7.53%
Income taxes payable	-	\$1,350,506	(\$1,350,506)	-100.00%
Accrued expenses	\$7,392,480	\$6,098,116	\$1,294,364	21.23%
Accrued taxes, other than income	\$398,456	\$554,126	(\$155,670)	-28.09%
Total current liabilities	\$23,441,903	\$15,628,598	\$7,813,305	49.99%
Other liabilities				
Bank note, net of current maturities	\$45,358,022	\$48,401,915	(\$3,043,893)	-6.29%
Capital Lease Obligations, net of current maturities	\$5,579,250	\$5,751,248	(\$171,999)	-2.99%
Deferred income taxes	\$20,654,942	\$26,278,332	(\$5,623,389)	-21.40%
Accrued pension benefits	\$37,344,467	\$44,950,038	(\$7,605,571)	-16.92%
Accrued post retirement life insurance benefits	\$877,447	\$729,916	\$147,531	20.21%
Other deferred credits	\$2,241,247	\$2,595,924	(\$354,677)	-13.66%
Total other liabilities	\$112,055,376	\$128,707,373	(\$16,651,998)	-12.94%
Stockholders' equity				
Preferred Stock	\$1,855,200	\$1,873,100	(\$17,900)	-0.96%
Common stock	\$11,320,080	\$11,331,195	(\$11,115)	-0.10%
Paid in capital	\$73,036	\$65,218	\$7,818	11.99%
Unrealized appreciation of securities, net of tax	\$1,156,318	\$885,659	\$270,659	30.56%
Retirement plans adjustments, net of tax	(\$38,336,830)	(\$35,855,261)	(\$2,481,569)	6.92%
Retained earnings	\$123,281,671	\$113,444,191	\$9,837,480	8.67%
Current earnings	\$1,565,657	\$2,235,199	(\$669,543)	-29.95%
Total Stockholders' Equity	\$100,915,131	\$93,979,302	\$6,935,830	7.38%
Total Liabilities and Stockholders' Equity	\$236,412,410	\$238,315,273	(\$1,902,863)	-0.80%

See attached footnotes.

Certain amounts have been reclassified to conform to the current period presentation.

Consolidated Statements of Net Income—Unaudited

Three Months Ending March 31,	2018	2017	Change	% Change
Operating Revenues				
Internet and communications				
Internet & data	7,530,248	7,358,927	171,320	2.33%
Entertainment	3,597,215	3,164,056	433,159	13.69%
Legacy voice	8,405,435	8,463,072	(57,638)	(0.68%)
Ad search	692,262	711,317	(19,055)	(2.68%)
Other communications revenue	29,239	-	29,239	
Total internet & communications	20,254,398	19,697,373	557,025	2.83%
IT services & hardware				
Managed Services	5,154,852	4,956,524	198,328	4.00%
Professional Services	1,206,324	1,064,195	142,129	13.36%
Telecom & IT Equipment	3,799,458	3,410,323	389,135	11.41%
Total IT Services & Hardware	10,160,633	9,431,042	729,591	7.74%
Total operating revenues	30,415,032	29,128,415	1,286,617	4.42%
Uncollectible revenue	(267,966)	(41,661)	(226,305)	NM
Net operating revenue	30,147,066	29,086,754	1,060,312	3.65%
Cost of goods and services				
Internet & Communications	8,626,767	7,555,681	1,071,086	14.18%
IT services & hardware				
Managed Services	2,280,661	2,306,052	(25,392)	(1.10%)
Professional Services	850,830	760,730	90,100	11.84%
Telecom & IT Equipment	3,107,038	3,108,483	(1,445)	(0.05%)
Total COGS	14,865,295	13,730,946	1,134,349	8.26%
Gross Margin	15,281,771	15,355,808	(74,037)	(0.48%)
Depreciation and amortization expense	5,243,800	5,003,610	240,190	4.80%
Selling, general, and administrative expense				
Sales and Customer Service	4,881,768	4,626,281	255,487	5.52%
General and Administrative	4,295,527	3,289,673	1,005,854	30.58%
Total Selling, General, and Administrative	9,177,295	7,915,954	1,261,341	15.93%
Net Operating Income	860,676	2,436,244	(1,575,568)	(64.67%)
Nonoperating income (expense):				
Interest Income	1,520	9,613	(8,093)	(84.18%)
Interest expense, net of capitalized interest	(464,290)	(452,955)	(11,335)	2.50%
Equity in earnings of unconsolidated entities	1,650,000	1,522,702	127,298	8.36%
Other income (expense) net	(240)	(240)	-	-
Net Nonoperating income (expense)	1,186,991	1,079,120	107,871	10.00%
Income before income taxes	2,047,666	3,515,364	(1,467,698)	(41.75%)
Income Taxes	482,006	1,280,165	(798,159)	(62.35%)
Net income (loss) available to common shareholders	\$ 1,565,660	\$ 2,235,199	\$ (669,539)	(29.95%)

See attached footnotes.

Certain amounts have been reclassified to conform to the current period presentation.

EPS	\$ 0.69	\$ 0.99		
EBITDA	7,440,891	8,660,059	(1,219,168)	(14.08%)
EBITDA Margin	24.68%	29.77%		

Consolidated Statements of Comprehensive Income—Unaudited

<u>Three Months Ending March 31,</u>	<u>2018</u>	<u>2017</u>	<u>Change</u>	<u>% Change</u>
Net income	\$ 1,565,657	\$ 2,235,199	\$ (669,543)	-30.0%
Other comprehensive income (loss), net of tax	-	-	-	
Comprehensive income (loss)	<u>\$ 1,565,657</u>	<u>\$ 2,235,199</u>	<u>\$ (669,543)</u>	-30.0%

See attached footnotes.

Consolidated Statements of Stockholders' Equity—Unaudited

Three Months Ending March 31,	Preferred Stock	Common Stock	Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Income			Total Stockholders' Equity
					Retirement Plans	Marketable Securities	Total	
Balance, January 1, 2017	\$ 1,873,100	\$ 11,341,520	\$ 65,218	\$ 116,518,861	\$ (35,855,261)	\$ 885,659	(34,969,602)	94,829,098
Acquisition of stock	-	(10,325)					-	(10,325)
Net income				2,235,199			-	2,235,199
Preferred stock dividends							-	-
Common stock dividends				(2,948,504)			-	(2,948,504)
Acquisition of common stock in excess of stated value				(126,167)			-	(126,167)
Balance, March 31, 2017	<u>\$ 1,873,100</u>	<u>\$ 11,331,195</u>	<u>\$ 65,218</u>	<u>\$ 115,679,390</u>	<u>\$ (35,855,261)</u>	<u>\$ 885,659</u>	<u>\$ (34,969,602)</u>	<u>\$ 93,979,302</u>
Balance, January 1, 2018	\$ 1,856,700	\$ 11,323,415	\$ 72,356	\$ 126,260,543	\$ (38,336,830)	\$ 1,156,318	(37,180,512)	102,332,501
Acquisition of stock	(1,500)	(3,335)	680				-	(4,155)
Net income				1,565,657			-	1,565,657
Preferred stock dividends							-	-
Common stock dividends				(2,944,088)			-	(2,944,088)
Acquisition of common stock in excess of stated value				(34,784)			-	(34,784)
Balance, March 31, 2018	<u>\$ 1,855,200</u>	<u>\$ 11,320,080</u>	<u>\$ 73,036</u>	<u>\$ 124,847,327</u>	<u>\$ (38,336,830)</u>	<u>\$ 1,156,318</u>	<u>\$ (37,180,512)</u>	<u>\$ 100,915,131</u>

See attached footnotes.

Consolidated Statements of Cash Flows—Unaudited

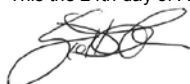
Three Months Ending March 31,	2018	2017	Change	% Change
Cash flows from operating activities				
Net income	\$ 1,565,657	\$ 2,235,199	\$ (669,542)	-30.0%
Adjustments to reconcile net income to net cash provided by operating activities:			-	
Depreciation and amortization	5,244,293	5,001,715	242,578	4.8%
Change in the allowance for doubtful accounts	(13,767)	-	(13,767)	
Loss (gain) on sale, disposal, and abandonment of other assets	28,253	-	28,253	
Equity in earnings of unconsolidated entities	(1,650,000)	(1,466,964)	(183,036)	12.5%
Deferred income taxes	358,302	620,087	(261,785)	-42.2%
Deferred pension and postretirement benefits	536,882	651,179	(114,297)	-17.6%
Changes in operating assets and liabilities:			-	
Accounts receivable	6,647,529	6,860,726	(213,197)	-3.1%
Materials and supplies	(254,424)	(431,551)	177,127	-41.0%
Other assets	531,365	(115,965)	647,330	-558.2%
Accounts payable and payroll withholdings	(7,164,390)	(3,174,861)	(3,989,529)	125.7%
Accrued expenses	(414,284)	(785,348)	371,064	-47.2%
Other liabilities	(774,892)	(515,603)	(259,289)	50.3%
Net cash provided (used) by operating activities	4,640,524	8,878,614	(4,238,090)	-47.7%
Cash flow from investing activities				
Additions to property, plant, and equipment	(3,895,853)	(4,244,076)	348,223	-10.5%
Cost of removal of telephone plant, net of salvage	(57,838)	51,372	(109,210)	-212.6%
Purchases of investment securities	-	(13,934)	13,934	100.0%
Distributions from unconsolidated entities	1,336,415	1,220,205	116,210	9.5%
Net cash provided by (used in) investing activities	(2,617,276)	(2,986,433)	369,157	-14.2%
Cash flows from financing activities				
Principal payments on term loan	(625,000)	-	(625,000)	
Repayments of line of credit, net of proceeds	(1,500,000)	-	(1,500,000)	
Principal payments on capital leases	(42,493)	(39,564)	(2,929)	-7.4%
Acquisition of preferred stock	(820)	-	(820)	
Acquisition of common stock	(38,119)	(136,492)	98,373	72.1%
Cash dividends paid	(2,944,088)	(2,948,504)	4,416	0.1%
Net cash used in financing activities	(5,150,520)	(3,124,560)	(2,025,960)	-64.8%
Net change in cash and cash equivalents	(3,127,272)	2,767,621	(5,894,893)	-213.0%
Cash and cash equivalents at beginning of period	5,931,875	8,482,121	(2,550,246)	-30.1%
Cash and cash equivalents at end of period	\$ 2,804,603	\$ 11,249,742	\$ (8,445,139)	-75.1%
Supplemental disclosure of cash flow information:				
Cash paid for (refunds of) income taxes	-	-	-	
Cash paid for interest	\$ 444,014	\$ 445,317	\$ (1,303)	0.3%
Operating Free Cash Flow (a non-GAAP measure)				
Net cash provided (used) by operating activities	4,640,524	8,878,614	(4,238,090)	-47.7%
Less: Additions to PP&E, net cost of removal	(3,953,691)	(4,192,704)	239,013	-5.7%
Operating Free Cash Flow:	686,833	4,685,910	(3,999,077)	-85.3%

See attached footnotes.

Certain amounts have been reclassified to conform to the current period presentation.

I, Scott D. Toth, hereby certify to my reasonable belief that the accompanying unaudited consolidated balance sheets of North State Telecommunications Corporation and Subsidiaries as of March 31, 2018 and 2017 and the related unaudited consolidated statements of net income, comprehensive income, stockholders' equity, and cash flows for the three months then ended were prepared on the basis of generally accepted accounting principles and from the Corporation's and Subsidiaries' accounting records which are subject to internal accounting controls and internal review procedures.

This the 24th day of April 2018.



Scott D. Toth
EVP, Chief Financial Officer

Footnotes to the Consolidated Financial Statements—Unaudited For the Three Months Ended March 31,

Footnote 1 For the fiscal year starting January 1, 2018, the company changed certain accounting methods to be in conformance with ASC 606 Revenue from Contracts with Customers and ASC 340 Other Assets and Deferred Costs. To aid in year over year comparison, the company used the fully retrospective approach in adopting these accounting standards.

The following table presents our results under our historical method and as adjusted to reflect the accounting change:

Consolidated financial statement line items	Historical Accounting Method	Effect of New Accounting Method	As Adjusted
At January 1, 2017			
Retained Earnings	\$ 113,943,721	\$ 2,575,140	\$ 116,518,861
Total Stockholders' Equity	\$ 92,253,958	\$ 2,575,140	\$ 94,829,098
At March 31, 2017			
Internet & Data Revenue	\$ 7,493,667	\$ (7,617)	\$ 7,486,050
Total Internet & Communications Revenue	\$ 19,704,990	\$ (7,617)	\$ 19,697,373
Managed Services Revenue	\$ 4,965,951	\$ (9,427)	\$ 4,956,524
Total IT Services & Hardware	\$ 9,440,469	\$ (9,427)	\$ 9,431,042
Total Operating Revenues	\$ 29,145,459	\$ (17,044)	\$ 29,128,415
Net Operating Revenue	\$ 29,103,798	\$ (17,044)	\$ 29,086,754
Internet & Communications COGS	\$ 7,494,552	\$ 61,129	\$ 7,555,681
Managed Services COGS	\$ 2,298,954	\$ 7,098	\$ 2,306,052
Total COGS	\$ 13,662,719	\$ 68,227	\$ 13,730,946
Gross Margin	\$ 15,441,079	\$ (85,271)	\$ 15,355,808
Sales and Customer Service	\$ 4,613,419	\$ 12,862	\$ 4,626,281
Total SG&A	\$ 7,903,092	\$ 12,862	\$ 7,915,954
Net Operating Income	\$ 2,534,377	\$ (98,133)	\$ 2,436,244
Income before Income Taxes	\$ 3,613,497	\$ (98,133)	\$ 3,515,364
Income Taxes	\$ 1,315,974	\$ (35,809)	\$ 1,280,165
Net Income	\$ 2,297,523	\$ (62,324)	\$ 2,235,199
EPS	\$ 1.01	\$ (0.02)	\$ 0.99
Other non-current assets	\$ 875,235	\$ 5,252,948	\$ 6,128,183
Total other assets	\$ 59,146,541	\$ 5,252,948	\$ 64,399,489
Total Assets	\$ 233,062,325	\$ 5,252,948	\$ 238,315,273
Deferred income taxes	\$ 24,805,450	\$ 1,472,882	\$ 26,278,332
Other deferred credits	\$ 1,329,125	\$ 1,266,799	\$ 2,595,924
Total Other Liabilities	\$ 125,967,692	\$ 2,739,681	\$ 128,707,373
Retained Earnings	\$ 110,869,051	\$ 2,575,140	\$ 113,444,191
Current Earnings	\$ 2,297,522	\$ (62,324)	\$ 2,235,198
Total Stockholders' Equity	\$ 91,466,035	\$ 2,513,267	\$ 93,979,302
Total Liabilities and Stockholders' Equity	\$ 233,062,325	\$ 5,252,948	\$ 238,315,273

Footnote 2 EBITDA, EBITDA Margin and Operating Free Cash Flow are non-GAAP financial measures. EBITDA is calculated by adding to GAAP Net Operating Income: Depreciation, Amortization and Distributions from Unconsolidated Entities. EBITDA Margin is calculated by dividing non-GAAP EBITDA by GAAP Net Operating Revenue. Operating Free Cash Flow is calculated by subtracting from GAAP Net cash provided (used) by operating activities: additions to Property, Plant and Equipment and net cost of removals. Management uses non-GAAP EBITDA, EBITDA Margin and Operating Free Cash Flow in its internal analysis as a consistent measure for comparing NorthState's financial performance to previous financial results. Management believes non-GAAP EBITDA, EBITDA Margin and Operating Free Cash Flow are useful to investors and other users of our financial statements in evaluating operating performance because it provides them with an additional tool to compare business performance across periods. The presentation of non-GAAP EBITDA, EBITDA Margin and Operating Free Cash Flow are intended to complement, and should not be considered an alternative to, the presentation of GAAP financial metrics. In addition, non-GAAP EBITDA, EBITDA Margin and Operating Free Cash Flow as presented may not be comparable to similarly titled measures used by other companies.