Quanta Services, Inc. and Subsidiaries
Reconciliation of Non-GAAP Financial Measures
For the Three and Six Months Ended June 30, 2016 and 2015

(In thousands, except per share information)

(Unaudited)

Reconciliation of EBITA, EBITDA and Adjusted EBITDA:

The following table presents the non-GAAP financial measures of EBITA, EBITDA and Adjusted EBITDA for the three and six months ended June 30, 2016 and 2015. EBITA is defined as earnings before interest, taxes and amortization, EBITDA is defined as earnings before interest, taxes, depreciation and amortization, and Adjusted EBITDA is defined as earnings before interest, taxes, depreciation, amortization and certain other items as described below. These measures should not be considered as an alternative to net income or other measures of performance that are derived in accordance with GAAP. Management believes that the exclusion of certain adjustments from net income from continuing operations attributable to common stock enables it to more effectively evaluate Quanta's operations period over period and to identify operating trends that may not otherwise be apparent. As to certain of the items below, (i) amortization of intangible assets is impacted by Quanta's acquisition activity, which can cause these amounts to vary from period to period; (ii) non-cash stock-based compensation expense may vary due to acquisition activity, factors influencing the estimated fair value of performance-based awards, forfeiture rates, accelerated vesting and amounts granted during the period; (iii) acquisition and integration costs vary period to period depending on the level of Quanta's acquisition activity ongoing during the period; and (iv) severance costs related to the departure of Quanta's former president and chief executive officer and severance and restructuring costs associated with certain operations primarily within Quanta's Oil and Gas Infrastructure segment are not regularly occurring items. Because Adjusted EBITDA, as defined, excludes some, but not all, items that affect net income from continuing operations attributable to common stock, Adjusted EBITDA as presented may or may not be comparable to similarly titled measures of other companies. The most comparable GAAP financial measure, net income (loss) from continuing operations attributable to common stock, and information reconciling the GAAP and non-GAAP financial measures, are set forth below.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net income from continuing operations attributable to common stock (GAPP as reported)	$ 16,562	$ 32,007	$ 37,058	$ 79,696
Interest expense	3,583	1,675	7,172	3,075
Interest income	(641)	(319)	(1,157)	(772)
Provision for income taxes	14,695	31,584	28,138	62,185
Equity in losses of unconsolidated affiliates	378	314	559	314
Amortization of intangible assets	8,141	8,731	15,636	17,024
EBITA	42,718	73,992	87,406	161,522
Depreciation expense	42,759	41,030	83,929	80,428
EBITDA	85,477	115,022	171,335	241,950
Acquisition and integration costs	830	2,203	2,083	3,682
Non-cash stock-based compensation	9,503	9,714	21,513	19,185
Severance and restructuring charges (a)	—	—	6,352	—
Adjusted EBITDA	$ 95,810	$ 126,939	$ 201,283	$ 264,817

(a) The amount for the six months ended June 30, 2016 reflects the elimination of severance costs recognized in the first quarter of 2016 associated with the departure of Quanta's former president and chief executive officer and severance and restructuring costs associated with certain operations primarily within the Oil and Gas Infrastructure Services segment.

Free Cash Flow:

Free cash flow (a non-GAAP measure) is defined as net cash provided by operating activities of continuing operations less net capital expenditures. Net capital expenditures is defined as additions to property and equipment less proceeds from sale of property and equipment. We believe that free cash flow provides useful information to our investors as a measure of cash available to pay debt, acquire businesses, repurchase its common stock and transact in other investing and financing activities. The most comparable GAAP financial measure, net cash provided by operating activities of continuing operations, and information reconciling the GAAP and non-GAAP financial measures, are set forth below.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net cash provided by operating activities of continuing operations	$ 66,528	$ 106,124	$ 266,267	$ 285,752
Less: Net capital expenditures:				
Additions of property and equipment	(60,855)	(62,493)	(108,550)	(120,997)
Proceeds from the sale of property and equipment	5,165	7,733	10,254	9,015
Net capital expenditures	(55,690)	(54,760)	(98,296)	(111,982)
Free Cash Flow	$ 10,838	$ 51,364	$ 167,971	$ 173,770

Definition of Days Sales Outstanding:

Days Sales Outstanding is calculated by using the sum of current accounts receivable, net of allowance (which include retainage receivables and unbilled revenues), plus costs and estimated earnings in excess of billings on uncompleted contracts less billings in excess of costs and estimated earnings on uncompleted contracts, divided by average revenues per day during the quarter.