



# CenturyLink, Inc.

## Quarterly Earnings Supplement

As of September 30, 2014

**Disclosures:**

The information presented herein is intended to supplement our financial statements prepared in accordance with generally accepted accounting principles ("GAAP") and related analysis contained in the annual, quarterly and current reports filed by us with the Securities and Exchange Commission (the "SEC"). Please refer to those reports for additional information about our financial performance.

You are urged to consider any non-GAAP measures included herein in addition to, and not in substitution for, measures prepared in accordance with GAAP.

**CenturyLink, Inc.**CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS)  
(UNAUDITED)*(Dollars in millions, except per share amounts; shares in thousands)*

	Actual 4Q12	Actual 1Q13	Actual 2Q13	Actual 3Q13	Actual 4Q13	Actual 1Q14	Actual 2Q14	Actual 3Q14
<b>CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS)</b>								
OPERATING REVENUES								
Strategic services	\$ 2,144	2,164	2,186	2,212	2,261	2,281	2,298	2,310
Legacy services	1,983	1,952	1,923	1,892	1,849	1,829	1,803	1,769
Data integration	189	140	167	163	186	174	187	185
Other	267	257	249	248	246	254	253	250
Total Operating Revenues	4,583	4,513	4,525	4,515	4,542	4,538	4,541	4,514
OPERATING EXPENSES								
Cash expenses	2,697	2,614	2,687	2,965	2,743	2,778	2,793	2,798
Depreciation and amortization	1,220	1,117	1,123	1,135	1,166	1,107	1,093	1,097
Impairment of goodwill	-	-	-	1,100	(8)	-	-	-
Total Operating Expenses	3,917	3,731	3,810	5,200	3,901	3,885	3,886	3,895
OPERATING INCOME (LOSS)	666	782	715	(685)	641	653	655	619
OPERATING CASH FLOW								
Operating Cash Flow Margin	41.2%	42.1%	40.6%	34.3%	39.6%	38.8%	38.5%	38.0%
OTHER INCOME (EXPENSE)								
Interest expense	(315)	(316)	(325)	(329)	(328)	(331)	(325)	(325)
Other income (expense)	23	39	4	9	17	9	(7)	5
Income tax expense	(141)	(207)	(125)	(40)	(91)	(128)	(130)	(111)
NET INCOME (LOSS)	\$ 233	298	269	(1,045)	239	203	193	188
EARNINGS (LOSS) PER COMMON SHARE-DILUTED*	\$ 0.37	0.48	0.44	(1.76)	0.41	0.35	0.34	0.33
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING-DILUTED*	623.7	621.1	605.6	594.6	586.4	575.5	569.0	567.4

\* For the three months ended September 30, 2013, due to the net loss position, CenturyLink excluded from the calculation of diluted loss per share 1.16 million shares which were potentially issuable under incentive compensation plans or convertible securities, as their effect, if included, would have been anti-dilutive.

**CenturyLink, Inc.**

## CONDENSED CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

*(Dollars in millions)*

	<u>September 30,</u> <u>2013</u>	<u>December 31,</u> <u>2013</u>	<u>March 31,</u> <u>2014</u>	<u>June 30,</u> <u>2014</u>	<u>September 30,</u> <u>2014</u>
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 266	168	219	181	734
Other current assets	3,571	3,739	3,529	3,417	3,284
Total current assets	<u>3,837</u>	<u>3,907</u>	<u>3,748</u>	<u>3,598</u>	<u>4,018</u>
NET PROPERTY, PLANT AND EQUIPMENT					
Property, plant and equipment	33,724	34,307	34,847	35,404	35,970
Accumulated depreciation	(15,059)	(15,661)	(16,354)	(16,969)	(17,647)
Net property, plant and equipment	<u>18,665</u>	<u>18,646</u>	<u>18,493</u>	<u>18,435</u>	<u>18,323</u>
GOODWILL AND OTHER ASSETS					
Goodwill	20,532	20,674	20,674	20,674	20,664
Other, net	8,870	8,560	8,251	7,907	7,641
Total goodwill and other assets	<u>29,402</u>	<u>29,234</u>	<u>28,925</u>	<u>28,581</u>	<u>28,305</u>
TOTAL ASSETS	<u>\$ 51,904</u>	<u>51,787</u>	<u>51,166</u>	<u>50,614</u>	<u>50,646</u>
LIABILITIES AND STOCKHOLDERS' EQUITY					
CURRENT LIABILITIES					
Current maturities of long-term debt	\$ 191	785	1,126	1,188	1,169
Other current liabilities	3,787	3,624	3,495	3,255	3,408
Total current liabilities	<u>3,978</u>	<u>4,409</u>	<u>4,621</u>	<u>4,443</u>	<u>4,577</u>
LONG-TERM DEBT	20,391	20,181	19,814	19,771	19,982
DEFERRED CREDITS AND OTHER LIABILITIES	10,821	10,006	9,933	9,802	9,642
STOCKHOLDERS' EQUITY	<u>16,714</u>	<u>17,191</u>	<u>16,798</u>	<u>16,598</u>	<u>16,445</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 51,904</u>	<u>51,787</u>	<u>51,166</u>	<u>50,614</u>	<u>50,646</u>

See the notes to our consolidated financial statements as reported in our Annual Report on Form 10-K for the year ended December 31, 2013, as updated and supplemented by our subsequent reports filed with the SEC.



**CenturyLink, Inc.**
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(UNAUDITED)

(Dollars in millions)

	<u>Q4 2012</u>	<u>Q1 2013</u>	<u>Q2 2013</u>	<u>Q3 2013</u>	<u>Q4 2013</u>	<u>Q1 2014</u>	<u>Q2 2014</u>	<u>Q3 2014</u>
<b>OPERATING ACTIVITIES</b>								
Net income (loss)	\$ 233	298	269	(1,045)	239	203	193	188
Adjustments to reconcile net income (loss) to net cash provided by operating activities:								
Depreciation and amortization	1,220	1,117	1,123	1,135	1,166	1,107	1,093	1,097
Impairment of assets	-	-	-	-	-	-	32	-
Impairment of goodwill	-	-	-	1,100	(8)	-	-	-
Deferred income taxes	134	166	141	43	41	106	102	93
Provision for uncollectible accounts	43	27	38	46	41	30	33	47
(Gain) loss on intangible assets	-	(32)	-	-	-	-	-	-
Net loss on early retirement of debt	(15)	-	-	-	(10)	-	-	-
Changes in current assets and current liabilities, net	(335)	(29)	(70)	327	(225)	(47)	(317)	140
Retirement benefits	10	(178)	(42)	(68)	(54)	(28)	(74)	(153)
Changes in other noncurrent assets and liabilities, net	70	14	34	22	(51)	3	63	-
Other, net	19	4	(24)	2	2	6	4	16
Net cash provided by operating activities	<u>1,379</u>	<u>1,387</u>	<u>1,469</u>	<u>1,562</u>	<u>1,141</u>	<u>1,380</u>	<u>1,129</u>	<u>1,428</u>
<b>INVESTING ACTIVITIES</b>								
Payments for property, plant and equipment and capitalized software	(895)	(663)	(747)	(801)	(837)	(670)	(731)	(712)
Proceeds from sale of intangible assets or property	58	75	-	-	5	1	(1)	-
Cash paid for acquisitions	-	-	-	(10)	(150)	-	-	-
Other, net	10	4	19	(4)	(39)	(13)	(5)	18
Net cash used in investing activities	<u>(827)</u>	<u>(584)</u>	<u>(728)</u>	<u>(815)</u>	<u>(1,021)</u>	<u>(682)</u>	<u>(737)</u>	<u>(694)</u>
<b>FINANCING ACTIVITIES</b>								
Net proceeds from issuance of long-term debt	(1)	988	752	-	741	-	-	483
Payments of long-term debt	(589)	(56)	(962)	(151)	(841)	(47)	(74)	(41)
Net borrowings (payments) on credit facility	540	(745)	(30)	155	525	30	90	(260)
Early retirement of debt costs	(22)	-	-	-	(31)	-	-	-
Dividends paid	(454)	(341)	(320)	(325)	(315)	(309)	(307)	(308)
Net proceeds from issuance of common stock	19	13	27	14	19	7	25	13
Repurchase of common stock	(17)	(397)	(470)	(385)	(334)	(328)	(165)	(65)
Other, net	(12)	-	-	(3)	18	-	1	(3)
Net cash used in financing activities	<u>(536)</u>	<u>(538)</u>	<u>(1,003)</u>	<u>(695)</u>	<u>(218)</u>	<u>(647)</u>	<u>(430)</u>	<u>(181)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	17	265	(262)	52	(98)	51	(38)	553
Cash and cash equivalents at beginning of period	194	211	476	214	266	168	219	181
Cash and cash equivalents at end of period	\$ <u>211</u>	<u>476</u>	<u>214</u>	<u>266</u>	<u>168</u>	<u>219</u>	<u>181</u>	<u>734</u>

See the notes to our consolidated financial statements as reported in our Annual Report on Form 10-K for the year ended December 31, 2013, as updated and supplemented by our subsequent reports filed with the SEC.

**CenturyLink, Inc.**

## CONDENSED CONSOLIDATED STATEMENTS OF INCOME, EXCLUDING SPECIAL ITEMS - NON-GAAP\*

(UNAUDITED)

*(Dollars in millions, except per share amounts; shares in thousands)*

	Actual 4Q12	Actual 1Q13	Actual 2Q13	Actual 3Q13	Actual 4Q13	Actual 1Q14	Actual 2Q14	Actual 3Q14
<b>CONDENSED CONSOLIDATED STATEMENTS OF INCOME</b>								
<b>OPERATING REVENUES</b>								
Strategic services	\$ 2,144	2,164	2,186	2,212	2,261	2,281	2,298	2,310
Legacy services	1,983	1,952	1,923	1,892	1,849	1,829	1,803	1,769
Data integration	189	140	167	163	186	174	187	185
Other	267	257	249	248	246	254	253	250
Total Operating Revenues	4,583	4,513	4,525	4,515	4,542	4,538	4,541	4,514
<b>OPERATING EXPENSES</b>								
Cash expenses	2,670	2,580	2,667	2,710	2,706	2,750	2,728	2,768
Depreciation and amortization	1,220	1,117	1,123	1,135	1,166	1,107	1,093	1,097
Total Operating Expenses	3,890	3,697	3,790	3,845	3,872	3,857	3,821	3,865
OPERATING INCOME	693	816	735	670	670	681	720	649
<b>OPERATING CASH FLOW</b>								
Operating Cash Flow Margin	41.7%	42.8%	41.1%	40.0%	40.4%	39.4%	39.9%	38.7%
<b>OTHER INCOME (EXPENSE)</b>								
Interest expense	(315)	(316)	(325)	(329)	(328)	(331)	(325)	(325)
Other income (expense)	5	2	4	9	7	9	7	5
Income tax expense	(143)	(199)	(165)	(139)	(124)	(139)	(155)	(122)
NET INCOME	\$ 240	303	249	211	225	220	247	207
EARNINGS PER COMMON SHARE-DILUTED	\$ 0.38	0.49	0.41	0.35	0.38	0.38	0.43	0.36
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING-DILUTED	623.7	621.1	605.6	595.7	586.4	575.5	569.0	567.4

\*Includes certain adjustments to GAAP operating results for certain special items. In addition to providing key metrics for management to evaluate our performance, we believe these adjustments assist investors in their understanding of period-to-period operating performance and in identifying historical and prospective trends. For additional information relating to adjustments for special items, please see page 6, Impacts of Non-GAAP Special Items.

**CenturyLink, Inc.**

## CONDENSED CONSOLIDATED STATEMENTS OF INCOME OR LOSS, IMPACTS OF NON-GAAP SPECIAL ITEMS\*

(UNAUDITED)

(Dollars in millions)

	Actual 4Q12	Actual 1Q13	Actual 2Q13	Actual 3Q13	Actual 4Q13	Actual 1Q14	Actual 2Q14	Actual 3Q14
ADJUSTMENTS TO OPERATING EXPENSES								
Cash expenses	\$ (27) (A)	(34) (C)	(20) (E)	(255) (F)	(37) (H)	(28) (J)	(65) (K)	(30) (M)
Depreciation and amortization	-	-	-	-	-	-	-	-
Impairment of goodwill	-	-	-	(1,100) (G)	8 (G)	-	-	-
Total Operating Expenses	<u>(27)</u>	<u>(34)</u>	<u>(20)</u>	<u>(1,355)</u>	<u>(29)</u>	<u>(28)</u>	<u>(65)</u>	<u>(30)</u>
ADJUSTMENTS TO OPERATING INCOME	27	34	20	1,355	29	28	65	30
ADJUSTMENTS TO OTHER INCOME OR EXPENSE								
Interest expense	-	-	-	-	-	-	-	-
Other income or expense	(18) (B)	(37) (D)	-	-	(10) (I)	-	14 (L)	-
Income tax expense or benefit	(2) (N)	8 (N)	(40) (N)	(99) (N)	(33) (N)	(11) (N)	(25) (N)	(11) (N)
ADJUSTMENTS TO NET INCOME OR LOSS	<u>\$ 7</u>	<u>5</u>	<u>(20)</u>	<u>1,256</u>	<u>(14)</u>	<u>17</u>	<u>54</u>	<u>19</u>

\*The amounts shown above represent the cumulative adjustments to GAAP operating results for certain special items for each of the periods presented. In addition to providing key metrics for management to evaluate our performance, we believe these adjustments assist investors in their understanding of period-to-period operating performance and in identifying historical and prospective trends. These adjustments for special items are detailed in CenturyLink's quarterly earnings release information, and are summarized below.

**Summary description of special items:**

- (A) Includes severance costs associated with reduction in force initiatives (\$13 million), integration and retention costs associated with our acquisition of Qwest (\$9 million) and integration, severance, and retention costs associated with our acquisition of Savvis (\$5 million).
- (B) Gain on the sale of a non-operating investment (\$3 million) and early retirement of debt (\$15 million).
- (C) Includes severance costs associated with headcount reductions (\$7 million), integration and retention costs associated with our acquisition of Qwest (\$7 million), integration, severance, and retention costs associated with our acquisition of Savvis (\$3 million) and an accounting adjustment (\$17 million).
- (D) Gain on the sale of a non-operating investment (\$32 million) and settlements of other non-operating issues (\$5 million).
- (E) Includes severance costs associated with headcount reductions (\$4 million), integration and retention costs associated with our acquisition of Qwest (\$11 million), integration and severance costs associated with our acquisition of Savvis (\$4 million) and an accounting adjustment (\$1 million).
- (F) Includes a litigation reserve (\$233 million), severance costs associated with headcount reductions (\$3 million), integration and retention costs associated with our acquisition of Qwest (\$9 million), integration costs associated with our acquisition of Savvis (\$1 million) and an impairment of an office building (\$9 million).
- (G) Non-cash, non-tax deductible goodwill impairment charge of (\$1.1 billion) in third quarter 2013 and \$8 million in fourth quarter 2013.
- (H) Includes the Communications Workers of America contract ratification bonus (\$6 million), severance costs associated with headcount reductions (\$13 million), integration and retention costs associated with our acquisition of Qwest (\$20 million) and integration, severance, and retention costs associated with our acquisition of Savvis \$2 million.
- (I) Gain on early retirement of debt
- (J) Includes severance costs associated with headcount reductions (\$19 million), integration and retention costs associated with our acquisition of Qwest (\$11 million) and the offsetting impact of a litigation settlement in the amount of \$2 million.
- (K) Includes severance costs associated with headcount reductions (\$33 million), integration costs associated with our acquisition of Qwest (\$14 million) and the impairment of two office buildings (\$18 million).
- (L) Impairment of a non-operating investment (\$14 million).
- (M) Includes severance costs associated with recent headcount reductions (\$14 million) and integration costs associated with our acquisition of Qwest (\$16 million).
- (N) Tax effect of above items. Fourth quarter 2012 includes a benefit from the reversal of a valuation allowance and the effect of a rate adjustment on the first three quarters of year (\$3 million), second quarter 2013 includes a favorable federal income tax settlement (\$33 million) and fourth quarter 2013 includes a release of a tax reserve (\$22 million).

**CenturyLink, Inc.**

## OPERATING CASH FLOW, OPERATING CASH FLOW MARGIN AND FREE CASH FLOW, EXCLUDING SPECIAL ITEMS - NON-GAAP\*

(UNAUDITED)

*(Dollars in millions)*

	Actual 4Q12	Actual 1Q13	Actual 2Q13	Actual 3Q13	Actual 4Q13	Actual 1Q14	Actual 2Q14	Actual 3Q14
<b><u>Operating Cash Flow and Cash Flow Margin</u></b>								
Operating Income, excluding special items*	\$ 693	816	735	670	670	681	720	649
Add: Depreciation and amortization	1,220	1,117	1,123	1,135	1,166	1,107	1,093	1,097
Operating cash flow	\$ 1,913	1,933	1,858	1,805	1,836	1,788	1,813	1,746
Operating Revenues	\$ 4,583	4,513	4,525	4,515	4,542	4,538	4,541	4,514
Operating cash flow margin (operating cash flow divided by revenues)	41.7%	42.8%	41.1%	40.0%	40.4%	39.4%	39.9%	38.7%
<b><u>Free Cash Flow</u></b>								
Operating cash flow	\$ 1,913	1,933	1,858	1,805	1,836	1,788	1,813	1,746
Less: Cash (paid) refunded for income taxes	(23)	(8)	(38)	1	(3)	(10)	(13)	2
Less: Cash paid for interest, net of amounts capitalized	(408)	(265)	(382)	(268)	(419)	(265)	(407)	(262)
Less: Capital expenditures, excluding expenditures related to integration efforts	(877)	(656)	(739)	(786)	(820)	(662)	(723)	(711)
Add: Other income (expense)	5	2	4	9	7	9	7	5
Free cash flow	\$ 610	1,006	703	761	601	860	677	780

\*For additional information regarding special items, please see page 6, Impacts of Non-GAAP Special Items.



## CenturyLink, Inc.

### SUPPLEMENTAL NON-GAAP INFORMATION - ADJUSTED DILUTED EARNINGS PER SHARE\* (UNAUDITED)

(Dollars in millions, except per share amounts; shares in thousands)

	Actual 4Q12	Actual 1Q13	Actual 2Q13	Actual 3Q13	Actual 4Q13	Actual 1Q14	Actual 2Q14	Actual 3Q14
Net income (excluding special items**)	\$ 240	303	249	211	225	220	247	207
Add back:								
Amortization of customer base intangibles:								
Qwest	237	234	230	226	223	219	216	212
Embarq	34	34	34	29	30	29	30	24
Savvis	15	15	15	15	16	15	16	15
Amortization of trademark intangibles:								
Qwest	14	12	11	9	7	6	5	4
Savvis	2	2	2	2	15	5	-	-
Amortization of fair value adjustment of long-term debt:								
Embarq	1	1	1	1	1	1	2	1
Qwest	(18)	(17)	(17)	(14)	(14)	(12)	(12)	(12)
Subtotal	285	281	276	268	278	263	257	244
Tax effect of above items	(110)	(109)	(108)	(104)	(107)	(102)	(96)	(92)
Net adjustment, after taxes	\$ 175	172	168	164	171	161	161	152
Net income, as adjusted for above items	\$ 415	475	417	375	396	381	408	359
Weighted average common shares outstanding-diluted	623.7	621.1	605.6	595.7	586.4	575.5	569.0	567.4
Diluted EPS (excluding special items)	\$ 0.38	0.49	0.41	0.35	0.38	0.38	0.43	0.36
Adjusted diluted EPS as adjusted for purchase accounting intangible and interest amortizations (excluding special items)	\$ 0.67	0.76	0.69	0.63	0.68	0.66	0.72	0.63

\*The above schedule presents adjusted net income and adjusted earnings per share (both excluding special items) by adding back to net income and earnings per share certain non-cash expense items that arise as a result of the application of business combination accounting rules to our recent acquisitions. Such presentation is not in accordance with GAAP, but management believes the presentation is useful to analysts and investors to understand the impacts of expanding our business through acquisitions.

\*\*For more information on these special items, please see page 6, Impacts of Non-GAAP Special Items.

**CenturyLink, Inc.**

SUPPLEMENTAL NON-GAAP SEGMENT DATA, EXCLUDING SPECIAL ITEMS\*\*

(UNAUDITED)

(Dollars in millions)

	Actual 4Q12	Actual 1Q13*	Actual 2Q13*	Actual 3Q13*	Actual 4Q13*	Actual 1Q14	Actual 2Q14	Actual 3Q14
<b>Consumer</b>								
Revenues								
Strategic services	\$ 635	645	653	669	683	702	709	712
Legacy services	887	864	840	833	812	806	790	778
Data integration	2	2	1	1	1	1	1	1
Total revenues	1,524	1,511	1,494	1,503	1,496	1,509	1,500	1,491
Expenses								
Direct expense	472	436	458	481	482	466	478	486
Allocated expense	125	113	116	124	121	117	121	125
Total expenses	597	549	574	605	603	583	599	611
Segment income	\$ 927	962	920	898	893	926	901	880
Segment income margin	60.8%	63.7%	61.6%	59.7%	59.7%	61.4%	60.1%	59.0%
<b>Business</b>								
Revenues								
Strategic services	\$ 598	614	615	638	644	655	663	677
Legacy services	761	753	744	744	734	731	715	708
Data integration	187	138	166	162	185	173	186	184
Total revenues	1,546	1,505	1,525	1,544	1,563	1,559	1,564	1,569
Expenses								
Direct expense	814	753	804	816	850	854	866	885
Allocated expense	117	104	108	116	114	112	106	112
Total expenses	931	857	912	932	964	966	972	997
Segment income	\$ 615	648	613	612	599	593	592	572
Segment income margin	39.8%	43.1%	40.2%	39.6%	38.3%	38.0%	37.9%	36.5%
<b>Wholesale</b>								
Revenues								
Strategic services	\$ 571	571	571	563	581	570	568	560
Legacy services	335	335	339	315	303	292	298	283
Total revenues	906	906	910	878	884	862	866	843
Expenses								
Direct expense	39	30	50	46	44	41	46	47
Allocated expense	263	244	251	247	246	235	237	238
Total expenses	302	274	301	293	290	276	283	285
Segment income	\$ 604	632	609	585	594	586	583	558
Segment income margin	66.7%	69.8%	66.9%	66.6%	67.2%	68.0%	67.3%	66.2%
<b>Hosting</b>								
Revenues								
Strategic services	\$ 340	334	347	342	353	354	358	361
Total revenues	340	334	347	342	353	354	358	361
Expenses								
Direct expense	202	208	214	218	228	238	226	230
Allocated expense	39	39	39	41	43	36	38	38
Total expenses	241	247	253	259	271	274	264	268
Segment income	\$ 99	87	94	83	82	80	94	93
Segment income margin	29.1%	26.0%	27.1%	24.3%	23.2%	22.6%	26.3%	25.8%
Total segment revenues	\$ 4,316	4,256	4,276	4,267	4,296	4,284	4,288	4,264
Total segment expenses	2,071	1,927	2,040	2,089	2,128	2,099	2,118	2,161
Total segment income	\$ 2,245	2,329	2,236	2,178	2,168	2,185	2,170	2,103
Total segment income margin (segment income divided by segment revenues)	52.0%	54.7%	52.3%	51.0%	50.5%	51.0%	50.6%	49.3%

\* During the first quarter of 2014, we adopted several changes with respect to the assignment of certain expenses to our segments. We have restated the previously reported segment results for the three and nine months ended September 30, 2013 to conform to the current presentation. The nature of the most significant changes and the related effect on segment expenses for the three and nine months ended September 30, 2013 are as follows:

- The method for allocating certain shared costs of consumer sales and care, including bad debt expense and credit card fees, was revised, which resulted in an increase in consumer segment expenses of \$25 million and \$67 million with a corresponding decrease in business segment expenses for the three and nine months ended September 30, 2013, respectively; and
- Hosting segment expenses have been conformed to the reporting of our other segments' expenses. Specifically, the progress of our integration efforts and centralization of certain administrative functions enabled us to discontinue including certain finance, information technology, legal and human resources expenses in the hosting segment, which resulted in a decrease of \$16 million and \$55 million in hosting segment expenses for the three and nine months ended September 30, 2013, respectively.

During 2013, we reallocated the discounts on our bundled services (local, long distance, and broadband) to the component products and services. The net effect of the bundled services reallocation was a reclassification of certain revenues from legacy services to strategic services. Also in 2013, we reallocated our CLEC revenues into their component products and services. The net effect of this CLEC reallocation was a reclassification of certain revenues from strategic services to legacy services. The 2013 information presented here has been restated to reflect these reclassifications.

See our SEC reports for further information.

\*\* For additional information regarding special items, please see page 6, Impacts of Non-GAAP Special Items.

**CenturyLink, Inc.**

## RECONCILIATION OF NON-GAAP SEGMENT INCOME TO NET INCOME, EXCLUDING SPECIAL ITEMS - NON-GAAP\*

(UNAUDITED)

*(Dollars in millions)*

	Actual 4Q12	Actual 1Q13	Actual 2Q13	Actual 3Q13	Actual 4Q13	Actual 1Q14	Actual 2Q14	Actual 3Q14
Total segment revenues	\$ 4,316	4,256	4,276	4,267	4,296	4,284	4,288	4,264
Total segment expenses	2,071	1,927	2,040	2,089	2,128	2,099	2,118	2,161
Total segment income	\$ 2,245	2,329	2,236	2,178	2,168	2,185	2,170	2,103
Total segment income margin (segment income divided by segment revenues)	52.0%	54.7%	52.3%	51.0%	50.5%	51.0%	50.6%	49.3%

**Reconciliation of segment income to net income:**

Total segment income	\$ 2,245	2,329	2,236	2,178	2,168	2,185	2,170	2,103
Other revenue	267	257	249	248	246	254	253	250
Unassigned expenses	(599)	(653)	(627)	(621)	(578)	(651)	(610)	(607)
Operating Cash Flow	\$ 1,913	1,933	1,858	1,805	1,836	1,788	1,813	1,746
Depreciation and amortization	(1,220)	(1,117)	(1,123)	(1,135)	(1,166)	(1,107)	(1,093)	(1,097)
Total other expense	(310)	(314)	(321)	(320)	(321)	(322)	(318)	(320)
Income tax expense	(143)	(199)	(165)	(139)	(124)	(139)	(155)	(122)
Net Income	\$ 240	303	249	211	225	220	247	207

\*For additional information regarding special items, please see page 6, Impacts of Non-GAAP Special Items.

## CenturyLink, Inc.

### SUPPLEMENTAL NON-GAAP SEGMENT DATA, DATA CENTER REVENUES AND METRICS

(UNAUDITED)

(Dollars in millions)

#### Product View

	Actual 4Q12*	Actual 1Q13*	Actual 2Q13*	Actual 3Q13*	Actual 4Q13*	Actual 1Q14	Actual 2Q14	Actual 3Q14
Colocation	\$ 154	153	155	156	157	158	158	163
Managed Hosting **	126	126	135	129	143	142	148	147
Other	60	55	57	57	53	54	52	51
Total Data Center Revenue	\$ 340	334	347	342	353	354	358	361

#### Segment View

	Actual 4Q12*	Actual 1Q13*	Actual 2Q13*	Actual 3Q13*	Actual 4Q13*	Actual 1Q14	Actual 2Q14	Actual 3Q14
Business	\$ 48	43	52	47	55	60	62	66
Wholesale	2	2	2	2	2	2	2	3
Hosting	290	289	293	293	296	292	294	292
Total Data Center Revenue	\$ 340	334	347	342	353	354	358	361

#### Data Center Metrics

	Actual 4Q12	Actual 1Q13	Actual 2Q13	Actual 3Q13*	Actual 4Q13*	Actual 1Q14	Actual 2Q14	Actual 3Q14
Number of data centers***	54	54	55	55	55	56	57	58
Revenue square feet, million sq ft	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.5
Billable square feet, million sq ft	1.0	1.0	1.0	1.0	1.0	0.9	0.9	0.9
Utilization	72%	71%	70%	68%	69%	66%	64%	64%

\*During the first quarter of 2014, we reclassified the cross connect service package from Other to Colocate. We also transferred an account from Hosting to Business. Previously reported periods have been restated to reflect this reclassification.

\*\*Managed Hosting for the 4th Quarter 2012 includes Ciber global IT outsourcing assets acquired October 15, 2012.

\*\*\*We define a "data center" as any facility where we market, sell and deliver either colocation services or multi-tenant managed services, or both.