



# CenturyLink, Inc.

## Quarterly Earnings Supplement

As of March 31, 2016

**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

(UNAUDITED)

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

	Actual 1Q14	Actual 2Q14	Actual 3Q14	Actual 4Q14	Actual 1Q15	Actual 2Q15	Actual 3Q15	Actual 4Q15	Actual 1Q16
<b>CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS)</b>									
<b>OPERATING REVENUES</b>									
Strategic services	\$ 2,270	2,289	2,302	2,303	2,320	2,330	2,318	2,371	2,354
Legacy services	1,839	1,812	1,777	1,744	1,734	1,688	1,673	1,657	1,623
Data integration	175	187	185	145	140	143	154	140	116
Other	254	253	250	246	257	258	409	308	308
Total Operating Revenues	4,538	4,541	4,514	4,438	4,451	4,419	4,554	4,476	4,401
<b>OPERATING EXPENSES</b>									
Cash expenses	2,778	2,793	2,798	2,824	2,762	2,822	2,850	2,672	2,731
Depreciation and amortization	1,107	1,093	1,097	1,131	1,040	1,048	1,048	1,053	976
Total Operating Expenses	3,885	3,886	3,895	3,955	3,802	3,870	3,898	3,725	3,707
OPERATING INCOME	653	655	619	483	649	549	656	751	694
OPERATING CASH FLOW *	1,760	1,748	1,716	1,614	1,689	1,597	1,704	1,804	1,670
Operating Cash Flow Margin (operating cash flow divided by revenues)	38.8%	38.5%	38.0%	36.4%	37.9%	36.1%	37.4%	40.3%	37.9%
<b>OTHER INCOME (EXPENSE)</b>									
Interest expense	(331)	(325)	(325)	(330)	(328)	(327)	(329)	(328)	(331)
Other income (expense)	9	(7)	5	4	2	12	2	7	17
Income tax (expense) benefit	(128)	(130)	(111)	31	(131)	(91)	(124)	(92)	(144)
NET INCOME	\$ 203	193	188	188	192	143	205	338	236
EARNINGS PER COMMON SHARE-DILUTED	\$ 0.35	0.34	0.33	0.33	0.34	0.26	0.37	0.62	0.44
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING-DILUTED	575.5	569.0	567.4	567.0	563.5	559.2	555.2	542.5	540.2

\* In addition to providing key metrics for management to evaluate the Company's performance, we believe non-GAAP measurements assist investors in their understanding of period-to-period operating performance and in identifying historical and prospective trends.

**CenturyLink, Inc.**

CONDENSED CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

(Dollars in millions)

	<u>March 31, 2015*</u>	<u>June 30, 2015*</u>	<u>September 30, 2015*</u>	<u>December 31, 2015</u>	<u>March 31, 2016</u>
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	\$ 155	155	355	126	438
Other current assets *	2,595	2,554	2,545	2,524	2,488
Total current assets	<u>2,750</u>	<u>2,709</u>	<u>2,900</u>	<u>2,650</u>	<u>2,926</u>
<b>NET PROPERTY, PLANT AND EQUIPMENT</b>					
Property, plant and equipment	37,100	37,642	38,250	38,785	39,229
Accumulated depreciation	(18,917)	(19,553)	(20,182)	(20,716)	(21,266)
Net property, plant and equipment	<u>18,183</u>	<u>18,089</u>	<u>18,068</u>	<u>18,069</u>	<u>17,963</u>
<b>GOODWILL AND OTHER ASSETS</b>					
Goodwill	20,753	20,758	20,757	20,742	20,743
Other, net *	6,949	6,660	6,402	6,143	5,885
Total goodwill and other assets	<u>27,702</u>	<u>27,418</u>	<u>27,159</u>	<u>26,885</u>	<u>26,628</u>
<b>TOTAL ASSETS</b>	<u>\$ 48,635</u>	<u>48,216</u>	<u>48,127</u>	<u>47,604</u>	<u>47,517</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>					
<b>CURRENT LIABILITIES</b>					
Current maturities of long-term debt	\$ 202	1,519	1,910	1,503	517
Other current liabilities	3,377	3,278	3,637	3,101	3,309
Total current liabilities	<u>3,579</u>	<u>4,797</u>	<u>5,547</u>	<u>4,604</u>	<u>3,826</u>
LONG-TERM DEBT *	20,082	18,664	18,322	18,722	19,508
DEFERRED CREDITS AND OTHER LIABILITIES *	10,209	10,168	10,008	10,218	10,147
STOCKHOLDERS' EQUITY	<u>14,765</u>	<u>14,587</u>	<u>14,250</u>	<u>14,060</u>	<u>14,036</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<u>\$ 48,635</u>	<u>48,216</u>	<u>48,127</u>	<u>47,604</u>	<u>47,517</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, 2015, as updated and supplemented by our subsequent reports filed with the SEC.

\* In 2015 we adopted both ASU 2015-03 "Simplifying the Presentation of Debt Issuance Costs" and 2015-17 "Balance Sheet Classification of Deferred Taxes" by retrospectively applying the requirements of the ASUs to our previously issued consolidated financial statements. The impacts of the adoptions on our balance sheets were as follows:

	<u>March 31, 2015</u>	<u>June 30, 2015</u>	<u>September 30, 2015</u>
A decrease in Other current assets	\$ 718	596	450
A decrease in Other assets, net	167	165	177
A decrease in Long-term debt	172	170	182
A decrease in Deferred credits and other liabilities	713	591	445

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

(UNAUDITED)

(Dollars in millions)

	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016
<b>OPERATING ACTIVITIES</b>									
Net income	\$ 203	193	188	188	192	143	205	338	236
Adjustments to reconcile net income to net cash provided by operating activities:									
Depreciation and amortization	1,107	1,093	1,097	1,131	1,040	1,048	1,048	1,053	976
Impairment of assets	—	32	—	—	8	—	1	—	—
Deferred income taxes	106	102	93	(10)	37	16	40	257	11
Provision for uncollectible accounts	30	33	47	49	42	42	44	49	46
Share-based compensation	19	23	20	17	18	20	19	16	18
Changes in current assets and current liabilities, net	(47)	(317)	140	(223)	13	(106)	291	(519)	192
Retirement benefits	(28)	(74)	(153)	71	(9)	(10)	(115)	(7)	(21)
Changes in other noncurrent assets and liabilities, net	—	66	—	33	(10)	(1)	(43)	(24)	(35)
Other, net	(10)	(22)	(4)	(5)	5	(7)	(15)	33	—
Net cash provided by operating activities	1,380	1,129	1,428	1,251	1,336	1,145	1,475	1,196	1,423
<b>INVESTING ACTIVITIES</b>									
Payments for property, plant and equipment and capitalized software	(670)	(731)	(712)	(934)	(616)	(656)	(767)	(833)	(611)
Cash paid for acquisitions, net	—	—	—	(93)	—	—	—	(4)	(1)
Proceeds from sale of property or intangible assets	1	(1)	—	63	14	12	3	2	7
Other, net	(13)	(5)	18	—	(8)	(4)	—	4	—
Net cash used in investing activities	(682)	(737)	(694)	(964)	(610)	(648)	(764)	(831)	(605)
<b>FINANCING ACTIVITIES</b>									
Net proceeds from issuance of long-term debt	—	—	483	—	594	—	396	(1)	227
Payments of long-term debt	(47)	(74)	(41)	(638)	(386)	(120)	(29)	(431)	(25)
Net (payments) borrowings on credit facility	30	90	(260)	136	(425)	20	(320)	410	(410)
Early retirement of debt costs	—	—	—	—	—	—	—	(1)	—
Dividends paid	(309)	(307)	(308)	(304)	(304)	(305)	(296)	(293)	(290)
Net proceeds from issuance of common stock	7	25	13	5	8	1	2	—	4
Repurchase of common stock	(328)	(165)	(65)	(92)	(185)	(92)	(264)	(278)	(12)
Other, net	—	1	(3)	—	(1)	(1)	—	—	—
Net cash used in financing activities	(647)	(430)	(181)	(893)	(699)	(497)	(511)	(594)	(506)
Net increase (decrease) in cash and cash equivalents	51	(38)	553	(606)	27	—	200	(229)	312
Cash and cash equivalents at beginning of period	168	219	181	734	128	155	155	355	126
Cash and cash equivalents at end of period	\$ 219	181	734	128	155	155	355	126	438

See the notes to our consolidated financial statements as reported in our Annual Report on Form 10-K for the year ended December 31, 2015, 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 and shares in millions, except per share amounts)*

	Actual 1Q14	Actual 2Q14	Actual 3Q14	Actual 4Q14	Actual 1Q15	Actual 2Q15	Actual 3Q15	Actual 4Q15	Actual 1Q16
<b>CONDENSED CONSOLIDATED STATEMENTS OF INCOME</b>									
<b>OPERATING REVENUES</b>									
Strategic services	\$ 2,270	2,289	2,302	2,303	2,320	2,330	2,318	2,371	2,354
Legacy services	1,839	1,812	1,777	1,744	1,734	1,688	1,673	1,657	1,623
Data integration	175	187	185	145	140	143	154	140	116
Other	254	253	250	246	257	258	409	308	308
Total Operating Revenues	4,538	4,541	4,514	4,438	4,451	4,419	4,554	4,476	4,401
<b>OPERATING EXPENSES</b>									
Cash expenses	2,750	2,728	2,768	2,729	2,716	2,795	2,772	2,657	2,711
Depreciation and amortization	1,107	1,093	1,097	1,131	1,040	1,048	1,048	1,053	976
Total Operating Expenses	3,857	3,821	3,865	3,860	3,756	3,843	3,820	3,710	3,687
OPERATING INCOME	681	720	649	578	695	576	734	766	714
OPERATING CASH FLOW **	1,788	1,813	1,746	1,709	1,735	1,624	1,782	1,819	1,690
Operating Cash Flow Margin (operating cash flow divided by revenues)	39.4%	39.9%	38.7%	38.5%	39.0%	36.8%	39.1%	40.6%	38.4%
<b>OTHER (EXPENSE) INCOME</b>									
Interest expense	(331)	(325)	(325)	(330)	(328)	(327)	(329)	(328)	(331)
Other income, net	9	7	5	4	2	12	2	7	17
Income tax expense	(139)	(155)	(122)	(65)	(143)	(101)	(157)	(152)	(152)
NET INCOME	\$ 220	247	207	187	226	160	250	293	248
EARNINGS PER COMMON SHARE-DILUTED	\$ 0.38	0.43	0.36	0.33	0.40	0.29	0.45	0.54	0.46
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING-DILUTED	575.5	569.0	567.4	567.0	563.5	559.2	555.2	542.5	540.2

\* 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.

\*\* In addition to providing key metrics for management to evaluate the Company's performance, we believe non-GAAP measurements assist investors in their understanding of period-to-period operating performance and in identifying historical and prospective trends.

**CenturyLink, Inc.**
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME, IMPACTS OF NON-GAAP SPECIAL ITEMS\***

(UNAUDITED)

(Dollars in millions)

	<u>Actual 1Q14</u>	<u>Actual 2Q14</u>	<u>Actual 3Q14</u>	<u>Actual 4Q14</u>	<u>Actual 1Q15</u>	<u>Actual 2Q15</u>	<u>Actual 3Q15</u>	<u>Actual 4Q15</u>	<u>Actual 1Q16</u>
<b>ADJUSTMENTS TO OPERATING EXPENSES</b>									
Cash expenses	\$ (28) (A)	(65) (B)	(30) (D)	(95) (E)	(46) (F)	(27) (G)	(78) (H)	(15) (I)	(20) (J)
Depreciation and amortization	—	—	—	—	—	—	—	—	—
Impairment of goodwill	—	—	—	—	—	—	—	—	—
<b>Total Operating Expenses</b>	<u>(28)</u>	<u>(65)</u>	<u>(30)</u>	<u>(95)</u>	<u>(46)</u>	<u>(27)</u>	<u>(78)</u>	<u>(15)</u>	<u>(20)</u>
<b>ADJUSTMENTS TO OPERATING INCOME</b>									
	28	65	30	95	46	27	78	15	20
<b>ADJUSTMENTS TO OTHER INCOME OR EXPENSE</b>									
Interest expense	—	—	—	—	—	—	—	—	—
Other income or expense	—	14 (C)	—	—	—	—	—	—	—
Income tax expense or benefit	(11) (K)	(25) (K)	(11) (K)	(96) (K)	(12) (K)	(10) (K)	(33) (K)	(60) (K)	(8) (K)
<b>ADJUSTMENTS TO NET INCOME OR LOSS</b>	<u>\$ 17</u>	<u>54</u>	<u>19</u>	<u>(1)</u>	<u>34</u>	<u>17</u>	<u>45</u>	<u>(45)</u>	<u>12</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 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.
- (B) 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).
- (C) Impairment of a non-operating investment.
- (D) Includes severance costs associated with headcount reductions (\$14 million) and integration costs associated with our acquisition of Qwest (\$16 million).
- (E) Includes severance costs associated with headcount reductions (\$22 million), integration costs associated with our acquisition of Qwest (\$10 million) and a pension settlement charge (\$63 million).
- (F) Includes severance costs associated with headcount reductions (\$13 million), integration costs associated with our acquisition of Qwest (\$10 million), the impairment of office buildings (\$8 million) and regulatory fines associated with a 911 system outage (\$15 million).
- (G) Includes severance costs associated with headcount reductions (\$19 million) and integration costs associated with our acquisition of Qwest (\$8 million).
- (H) Includes severance costs associated with headcount reductions (\$58 million), integration costs associated with our acquisition of Qwest (\$8 million) and litigation and other adjustments associated with pre-acquisition activities of Qwest and Embarq (\$12 million).
- (I) Includes severance costs associated with recent headcount reductions (\$9 million) and integration costs associated with our acquisition of Qwest (\$6 million).
- (J) Includes severance costs associated with recent headcount reductions (\$14 million), integration costs associated with our acquisition of Qwest (\$4 million) and a large billing system integration (\$2 million).
- (K) Tax effect of above items. Fourth quarter 2014 includes a favorable income tax adjustment of \$60 million and fourth quarter 2015 includes a favorable income tax adjustment of \$20 million and \$34 million related to affiliate debt rationalization.

**CenturyLink, Inc.**

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

(UNAUDITED)

(Dollars in millions)

	<u>Actual</u> <u>1Q14</u>	<u>Actual</u> <u>2Q14</u>	<u>Actual</u> <u>3Q14</u>	<u>Actual</u> <u>4Q14</u>	<u>Actual</u> <u>1Q15</u>	<u>Actual</u> <u>2Q15</u>	<u>Actual</u> <u>3Q15</u>	<u>Actual</u> <u>4Q15</u>	<u>Actual</u> <u>1Q16</u>
<b><u>Operating Cash Flow and Cash Flow Margin</u></b>									
Operating Income, excluding special items*	\$ 681	720	649	578	695	576	734	766	714
Add: Depreciation and amortization	1,107	1,093	1,097	1,131	1,040	1,048	1,048	1,053	976
Operating cash flow	<u>\$ 1,788</u>	<u>1,813</u>	<u>1,746</u>	<u>1,709</u>	<u>1,735</u>	<u>1,624</u>	<u>1,782</u>	<u>1,819</u>	<u>1,690</u>
Operating revenues	<u>\$ 4,538</u>	<u>4,541</u>	<u>4,514</u>	<u>4,438</u>	<u>4,451</u>	<u>4,419</u>	<u>4,554</u>	<u>4,476</u>	<u>4,401</u>
Operating cash flow margin (operating cash flow divided by revenues)	39.4%	39.9%	38.7%	38.5%	39.0%	36.8%	39.1%	40.6%	38.4%
<b><u>Free Cash Flow</u></b>									
Operating cash flow	\$ 1,788	1,813	1,746	1,709	1,735	1,624	1,782	1,819	1,690
Less: Capital expenditures, excluding expenditures related to integration efforts	(662)	(723)	(711)	(930)	(613)	(654)	(764)	(830)	(607)
Less: Cash paid for interest, net of amounts capitalized	(265)	(407)	(262)	(404)	(270)	(384)	(260)	(396)	(262)
Pension and post-retirement impacts:									
Less: Net periodic pension benefit income	(46)	(45)	(47)	(47)	(24)	(17)	(21)	(19)	(20)
Less: Contributions to our qualified pension plan trust	(3)	(58)	(96)	—	—	—	(100)	—	—
Less: Benefits paid to participants of our non-qualified pension plans	(1)	(1)	(2)	(2)	(1)	(2)	(2)	(1)	(2)
Less: Post-retirement benefits paid by company	(43)	(31)	(68)	(24)	(42)	(48)	(49)	(42)	(51)
Add: Net periodic post-retirement benefit expense	41	42	41	44	41	41	41	39	36
Add: Post-retirement participant contribution	21	19	15	14	15	14	14	14	15
Add: Post-retirement direct subsidy receipts	3	—	3	3	1	2	2	3	1
Net pension and post-retirement impacts	(28)	(74)	(154)	(12)	(10)	(10)	(115)	(6)	(21)
Less: Cash (paid) refunded for income taxes	(10)	(13)	2	(6)	(5)	(36)	(13)	(9)	(11)
Add: Stock-based Compensation	19	23	20	17	18	20	19	16	18
Add: Other income	9	7	5	4	2	12	2	7	17
Free cash flow	<u>\$ 851</u>	<u>626</u>	<u>646</u>	<u>378</u>	<u>857</u>	<u>572</u>	<u>651</u>	<u>601</u>	<u>824</u>

\*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 and shares in millions, except per share amounts)

	Actual 1Q14	Actual 2Q14	Actual 3Q14	Actual 4Q14	Actual 1Q15	Actual 2Q15	Actual 3Q15	Actual 4Q15	Actual 1Q16
Net income (excluding special items**)	\$ 220	247	207	187	226	160	250	293	248
Add back:									
Amortization of customer base intangibles:									
Qwest	219	216	212	209	205	202	197	195	191
Embarq	29	30	24	25	25	24	20	20	20
Savvis	15	16	15	16	15	16	15	16	15
Amortization of trademark intangibles:									
Qwest	6	5	4	2	1	—	—	—	—
Savvis	5	—	—	—	—	—	—	—	—
Amortization of fair value adjustment of long-term debt:									
Embarq	1	2	1	1	1	2	1	2	2
Qwest	(12)	(12)	(12)	(6)	(6)	(6)	(5)	(6)	(5)
Subtotal	263	257	244	247	241	238	228	227	223
Tax effect of above items	(102)	(96)	(92)	(94)	(92)	(90)	(88)	(86)	(85)
Net adjustment, after taxes	161	161	152	153	149	148	140	141	138
Net income, as adjusted for above items	\$ 381	408	359	340	375	308	390	434	386
Weighted average common shares outstanding-diluted	575.5	569.0	567.4	567.0	563.5	559.2	555.2	542.5	540.2
Diluted EPS (excluding special items)	\$ 0.38	0.43	0.36	0.33	0.40	0.29	0.45	0.54	0.46
Adjusted diluted EPS as adjusted for purchase accounting intangible and interest amortizations (excluding special items)	\$ 0.66	0.72	0.63	0.60	0.67	0.55	0.70	0.80	0.71

\* 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 SEGMENT DATA

(UNAUDITED)

(Dollars in millions)

	Actual 1Q14*	Actual 2Q14*	Actual 3Q14*	Actual 4Q14*	Actual 1Q15*	Actual 2Q15	Actual 3Q15	Actual 4Q15	Actual 1Q16
<b>Business</b>									
Revenues									
Strategic services	\$ 1,568	1,580	1,590	1,576	1,582	1,572	1,555	1,598	1,580
Legacy services	1,032	1,021	998	977	976	943	928	917	909
Data integration	174	186	184	144	139	143	153	140	115
Total revenues	2,774	2,787	2,772	2,697	2,697	2,658	2,636	2,655	2,604
Expenses									
Total expenses	1,484	1,500	1,531	1,504	1,463	1,504	1,528	1,472	1,427
Segment income	\$ 1,290	1,287	1,241	1,193	1,234	1,154	1,108	1,183	1,177
Segment income margin	46.5%	46.2%	44.8%	44.2%	45.8%	43.4%	42.0%	44.6%	45.2%
<b>Consumer</b>									
Revenues									
Strategic services	\$ 702	709	712	727	738	758	763	773	774
Legacy services	807	791	779	767	758	745	745	740	714
Data integration	1	1	1	1	1	—	1	—	1
Total revenues	1,510	1,501	1,492	1,495	1,497	1,503	1,509	1,513	1,489
Expenses									
Total expenses	608	616	629	630	608	636	637	613	624
Segment income	\$ 902	885	863	865	889	867	872	900	865
Segment income margin	59.7%	59.0%	57.8%	57.9%	59.4%	57.7%	57.8%	59.5%	58.1%
Total segment revenues	\$ 4,284	4,288	4,264	4,192	4,194	4,161	4,145	4,168	4,093
Total segment expenses	2,092	2,116	2,160	2,134	2,071	2,140	2,165	2,085	2,051
Total segment income	\$ 2,192	2,172	2,104	2,058	2,123	2,021	1,980	2,083	2,042
Total segment income margin (segment income divided by segment revenues)	51.2%	50.7%	49.3%	49.1%	50.6%	48.6%	47.8%	50.0%	49.9%

\* During the fourth quarter of 2014, we implemented a new organizational structure. As a result of this reorganization, we now operate and report two segments in our consolidated financial statements.

During the first quarter of 2016, we implemented several changes with respect to the assignment of certain expenses to our reportable segments. We have recast our previously-reported segment results to conform to the current presentation.

We have recast our previously reported segment results due to the reorganization of our management structure in the fourth quarter of 2014. Consequently, we have adopted several changes with respect to the assignment of certain expenses to our segments, including changes that increased our consumer segment expenses and decreased our business segment expenses in prior periods. We have restated our previously reported segment results for all periods before fourth quarter 2014 to conform to the current presentation.

See our SEC reports for further information.

**CenturyLink, Inc.**

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

(UNAUDITED)

*(Dollars in millions)*

	Actual 1Q14	Actual 2Q14	Actual 3Q14	Actual 4Q14	Actual 1Q15	Actual 2Q15	Actual 3Q15	Actual 4Q15	Actual 1Q16
Total segment revenues	\$ 4,284	4,288	4,264	4,192	4,194	4,161	4,145	4,168	4,093
Total segment expenses	2,092	2,116	2,160	2,134	2,071	2,140	2,165	2,085	2,051
Total segment income	\$ 2,192	2,172	2,104	2,058	2,123	2,021	1,980	2,083	2,042
Total segment income margin (segment income divided by segment revenues)	51.2%	50.7%	49.3%	49.1%	50.6%	48.6%	47.8%	50.0%	49.9%

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

Total segment income	\$ 2,192	2,172	2,104	2,058	2,123	2,021	1,980	2,083	2,042
Other revenue	254	253	250	246	257	258	409	308	308
Unassigned expenses	(658)	(612)	(608)	(595)	(645)	(655)	(607)	(572)	(660)
Operating cash flow	\$ 1,788	1,813	1,746	1,709	1,735	1,624	1,782	1,819	1,690
Depreciation and amortization	(1,107)	(1,093)	(1,097)	(1,131)	(1,040)	(1,048)	(1,048)	(1,053)	(976)
Total other expense	(322)	(318)	(320)	(326)	(326)	(315)	(327)	(321)	(314)
Income tax expense	(139)	(155)	(122)	(65)	(143)	(101)	(157)	(152)	(152)
Net income	\$ 220	247	207	187	226	160	250	293	248

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

**CenturyLink, Inc.**

## SUPPLEMENTAL SEGMENT DATA, SEGMENT REVENUES

(UNAUDITED)

*(Dollars in millions)*

	Actual 1Q14	Actual 2Q14	Actual 3Q14	Actual 4Q14	Actual 1Q15	Actual 2Q15	Actual 3Q15	Actual 4Q15	Actual 1Q16
Strategic services									
Business high-bandwidth data services (1)	\$ 617	632	655	675	687	697	699	733	738
Business low-bandwidth data services (2)	621	597	573	552	532	515	505	496	481
Business hosting services (3)	328	329	331	328	318	319	324	320	307
Other business strategic services (4)	2	22	31	21	45	41	27	49	54
Consumer high-speed Internet services (5)	617	614	616	622	635	652	658	666	667
Other consumer strategic services (6)	85	95	96	105	103	106	105	107	107
Total strategic services revenues	2,270	2,289	2,302	2,303	2,320	2,330	2,318	2,371	2,354
Legacy services									
Business legacy voice services (7)	710	699	691	677	670	648	638	632	622
Other business legacy services (8)	322	322	307	300	306	295	290	285	287
Consumer legacy voice services (7)	741	722	708	694	688	675	664	649	634
Other consumer legacy services (9)	66	69	71	73	70	70	81	91	80
Total legacy services revenues	1,839	1,812	1,777	1,744	1,734	1,688	1,673	1,657	1,623
Data integration									
Business data integration	174	186	184	144	139	143	153	140	115
Consumer data integration	1	1	1	1	1	—	1	—	1
Total data integration revenues	175	187	185	145	140	143	154	140	116
Other revenues									
High-cost support revenue (10)	134	132	134	128	134	132	284	182	174
Other revenue (11)	120	121	116	118	123	126	125	126	134
Total other revenues	254	253	250	246	257	258	409	308	308
Total revenues	\$ 4,538	4,541	4,514	4,438	4,451	4,419	4,554	4,476	4,401

(1) Includes MPLS and Ethernet revenue

(2) Includes private line and high-speed Internet revenue

(3) Includes colocation, hosting (including cloud hosting and managed hosting) and hosting area network revenue

(4) Includes primarily VoIP, video, IT services and deferred revenue recognition

(5) Includes high-speed Internet and related services revenue

(6) Includes video and Verizon wireless revenue

(7) Includes local and long-distance voice revenue

(8) Includes UNEs, public access, switched access and other ancillary revenue

(9) Includes other ancillary revenue

(10) Includes CAF Phase 1, CAF Phase 2 and federal and state USF support revenue

(11) Includes USF surcharges

**CenturyLink, Inc.**

## SUPPLEMENTAL SEGMENT DATA, HOSTING REVENUES AND OPERATING METRICS

(UNAUDITED)

*(Dollars in millions)***Hosting Services Detail (1)**

	Actual 1Q14	Actual 2Q14	Actual 3Q14	Actual 4Q14	Actual 1Q15	Actual 2Q15	Actual 3Q15	Actual 4Q15	Actual 1Q16
Colocation	\$ 161	158	164	160	156	156	151	163	155
Managed Hosting/Cloud	142	147	145	146	140	141	153	136	131
Hosting Area Network	25	24	22	22	22	22	20	21	21
Total Hosting Services	\$ 328	329	331	328	318	319	324	320	307

**Hosting Data Center Metrics**

	Actual 1Q14	Actual 2Q14	Actual 3Q14	Actual 4Q14	Actual 1Q15	Actual 2Q15	Actual 3Q15	Actual 4Q15	Actual 1Q16
Number of data centers (2)	56	57	58	58	58	59	59	59	59
Sellable square feet, million sq ft	1.42	1.43	1.45	1.46	1.53	1.57	1.59	1.58	1.57
Billed square feet, million sq ft	0.93	0.93	0.94	0.92	0.93	1.01	1.01	0.99	1.01
Utilization	66%	65%	65%	63%	61%	64%	64%	63%	65%

(1) Excludes Wide-Area Network (WAN) revenue previously reported in total Hosting revenue.

(2) We define a data center as any facility where we market, sell and deliver colocation services, managed hosting (including cloud hosting) services, multi-tenant managed services, or any combination thereof.