



CenturyLink, Inc.

Quarterly Earnings Supplement

As of June 30, 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 2Q14	Actual 3Q14	Actual 4Q14	Actual 1Q15	Actual 2Q15	Actual 3Q15	Actual 4Q15	Actual 1Q16	Actual 2Q16
CONDENSED CONSOLIDATED STATEMENTS OF INCOME									
OPERATING REVENUES *									
Strategic services	\$ 1,814	1,845	1,865	1,903	1,929	1,929	1,992	1,989	2,030
Legacy services	2,287	2,234	2,182	2,151	2,089	2,062	2,036	1,988	1,938
Data integration	187	185	145	140	143	154	140	116	123
Other	253	250	246	257	258	409	308	308	307
Total Operating Revenues	4,541	4,514	4,438	4,451	4,419	4,554	4,476	4,401	4,398
OPERATING EXPENSES									
Cash expenses	2,793	2,798	2,824	2,762	2,822	2,850	2,672	2,731	2,761
Depreciation and amortization	1,093	1,097	1,131	1,040	1,048	1,048	1,053	976	987
Total Operating Expenses	3,886	3,895	3,955	3,802	3,870	3,898	3,725	3,707	3,748
OPERATING INCOME	655	619	483	649	549	656	751	694	650
OPERATING CASH FLOW **	1,748	1,716	1,614	1,689	1,597	1,704	1,804	1,670	1,637
Operating Cash Flow Margin (operating cash flow divided by revenues)	38.5%	38.0%	36.4%	37.9%	36.1%	37.4%	40.3%	37.9%	37.2%
OTHER INCOME (EXPENSE)									
Interest expense	(325)	(325)	(330)	(328)	(327)	(329)	(328)	(331)	(340)
Other income (expense)	(7)	5	4	2	12	2	7	17	7
Income tax (expense) benefit	(130)	(111)	31	(131)	(91)	(124)	(92)	(144)	(121)
NET INCOME	\$ 193	188	188	192	143	205	338	236	196
EARNINGS PER COMMON SHARE-DILUTED	\$ 0.34	0.33	0.33	0.34	0.26	0.37	0.62	0.44	0.36
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING-DILUTED	569.0	567.4	567.0	563.5	559.2	555.2	542.5	540.2	540.4

* During the second quarter of 2016, we determined that because of declines due to customer migration to other strategic products and services certain of our business low-bandwidth data services, specifically our private line (including special access) services in our business segment, are now more closely aligned with our legacy services than with our strategic services. As a result, we now reflect these operating revenues as legacy services, and we have reclassified certain prior period amounts to conform to this change. The revision resulted in a reduction of revenue from strategic services and a corresponding increase in revenue from legacy services. For additional information related to this re-alignment, please see page 11, Segment Revenues.

** See description on page 13.

CenturyLink, Inc.
CONDENSED CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

(Dollars in millions)

	<u>June 30, 2015*</u>	<u>September 30, 2015*</u>	<u>December 31, 2015</u>	<u>March 31, 2016</u>	<u>June 30, 2016</u>
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 155	355	126	438	191
Other current assets *	2,554	2,545	2,524	2,488	2,600
Total current assets	<u>2,709</u>	<u>2,900</u>	<u>2,650</u>	<u>2,926</u>	<u>2,791</u>
NET PROPERTY, PLANT AND EQUIPMENT					
Property, plant and equipment	37,642	38,250	38,785	39,229	39,763
Accumulated depreciation	(19,553)	(20,182)	(20,716)	(21,266)	(21,869)
Net property, plant and equipment	<u>18,089</u>	<u>18,068</u>	<u>18,069</u>	<u>17,963</u>	<u>17,894</u>
GOODWILL AND OTHER ASSETS					
Goodwill	20,758	20,757	20,742	20,743	20,766
Other, net *	6,660	6,402	6,143	5,885	5,667
Total goodwill and other assets	<u>27,418</u>	<u>27,159</u>	<u>26,885</u>	<u>26,628</u>	<u>26,433</u>
TOTAL ASSETS	\$ <u>48,216</u>	<u>48,127</u>	<u>47,604</u>	<u>47,517</u>	<u>47,118</u>
LIABILITIES AND STOCKHOLDERS' EQUITY					
CURRENT LIABILITIES					
Current maturities of long-term debt	\$ 1,519	1,910	1,503	517	1,451
Other current liabilities	3,278	3,637	3,101	3,309	3,391
Total current liabilities	<u>4,797</u>	<u>5,547</u>	<u>4,604</u>	<u>3,826</u>	<u>4,842</u>
LONG-TERM DEBT *	18,664	18,322	18,722	19,508	18,165
DEFERRED CREDITS AND OTHER LIABILITIES *	10,168	10,008	10,218	10,147	10,126
STOCKHOLDERS' EQUITY	<u>14,587</u>	<u>14,250</u>	<u>14,060</u>	<u>14,036</u>	<u>13,985</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ <u>48,216</u>	<u>48,127</u>	<u>47,604</u>	<u>47,517</u>	<u>47,118</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>June 30, 2015</u>	<u>September 30, 2015</u>
A decrease in Other current assets	\$ 596	450
A decrease in Other assets, net	165	177
A decrease in Long-term debt	170	182
A decrease in Deferred credits and other liabilities	591	445

CenturyLink, Inc.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

(Dollars in millions)

	<u>Q2</u> <u>2014</u>	<u>Q3</u> <u>2014</u>	<u>Q4</u> <u>2014</u>	<u>Q1</u> <u>2015</u>	<u>Q2</u> <u>2015</u>	<u>Q3</u> <u>2015</u>	<u>Q4</u> <u>2015</u>	<u>Q1</u> <u>2016</u>	<u>Q2</u> <u>2016</u>
OPERATING ACTIVITIES									
Net income	\$ 193	188	188	192	143	205	338	236	196
Adjustments to reconcile net income to net cash provided by operating activities:									
Depreciation and amortization	1,093	1,097	1,131	1,040	1,048	1,048	1,053	976	987
Impairment of assets	32	—	—	8	—	1	—	—	1
Deferred income taxes	102	93	(10)	37	16	40	257	11	10
Provision for uncollectible accounts	33	47	49	42	42	44	49	46	50
Share-based compensation	23	20	17	18	20	19	16	18	22
Changes in current assets and liabilities, net	(317)	140	(223)	13	(106)	291	(519)	192	(99)
Retirement benefits	(74)	(153)	71	(9)	(10)	(115)	(7)	(21)	(7)
Changes in other noncurrent assets and liabilities, net	66	—	33	(10)	(1)	(43)	(24)	(35)	—
Other, net	(22)	(4)	(5)	5	(7)	(15)	33	—	18
Net cash provided by operating activities	<u>1,129</u>	<u>1,428</u>	<u>1,251</u>	<u>1,336</u>	<u>1,145</u>	<u>1,475</u>	<u>1,196</u>	<u>1,423</u>	<u>1,178</u>
INVESTING ACTIVITIES									
Payments for property, plant and equipment and capitalized software	(731)	(712)	(934)	(616)	(656)	(767)	(833)	(611)	(653)
Cash paid for acquisitions	—	—	(93)	—	—	—	(4)	(1)	(23)
Proceeds from sale of property or intangible assets	(1)	—	63	14	12	3	2	7	4
Other, net	(5)	18	—	(8)	(4)	—	4	—	(2)
Net cash used in investing activities	<u>(737)</u>	<u>(694)</u>	<u>(964)</u>	<u>(610)</u>	<u>(648)</u>	<u>(764)</u>	<u>(831)</u>	<u>(605)</u>	<u>(674)</u>
FINANCING ACTIVITIES									
Net proceeds from issuance of long-term debt	—	483	—	594	—	396	(1)	227	988
Payments of long-term debt	(74)	(41)	(638)	(386)	(120)	(29)	(431)	(25)	(1,439)
Net (payments) borrowings on credit facility	90	(260)	136	(425)	20	(320)	410	(410)	—
Early retirement of debt costs	—	—	—	—	—	—	(1)	—	—
Dividends paid	(307)	(308)	(304)	(304)	(305)	(296)	(293)	(290)	(296)
Net proceeds from issuance of common stock	25	13	5	8	1	2	—	4	(1)
Repurchase of common stock and shares withheld to satisfy tax withholdings	(165)	(65)	(92)	(185)	(92)	(264)	(278)	(12)	(3)
Other, net	1	(3)	—	(1)	(1)	—	—	—	—
Net cash used in financing activities	<u>(430)</u>	<u>(181)</u>	<u>(893)</u>	<u>(699)</u>	<u>(497)</u>	<u>(511)</u>	<u>(594)</u>	<u>(506)</u>	<u>(751)</u>
Net (decrease) increase in cash and cash equivalents	(38)	553	(606)	27	—	200	(229)	312	(247)
Cash and cash equivalents at beginning of period	<u>219</u>	<u>181</u>	<u>734</u>	<u>128</u>	<u>155</u>	<u>155</u>	<u>355</u>	<u>126</u>	<u>438</u>
Cash and cash equivalents at end of period	<u>\$ 181</u>	<u>734</u>	<u>128</u>	<u>155</u>	<u>155</u>	<u>355</u>	<u>126</u>	<u>438</u>	<u>191</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.

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

(UNAUDITED)

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

	Actual 2Q14	Actual 3Q14	Actual 4Q14	Actual 1Q15	Actual 2Q15	Actual 3Q15	Actual 4Q15	Actual 1Q16	Actual 2Q16
CONDENSED CONSOLIDATED STATEMENTS OF INCOME									
OPERATING REVENUES *									
Strategic services	\$ 1,814	1,845	1,865	1,903	1,929	1,929	1,992	1,989	2,030
Legacy services	2,287	2,234	2,182	2,151	2,089	2,062	2,036	1,988	1,938
Data integration	187	185	145	140	143	154	140	116	123
Other	253	250	246	257	258	409	308	308	307
Total Operating Revenues	4,541	4,514	4,438	4,451	4,419	4,554	4,476	4,401	4,398
OPERATING EXPENSES									
Cash expenses	2,728	2,768	2,729	2,716	2,795	2,772	2,657	2,711	2,747
Depreciation and amortization	1,093	1,097	1,131	1,040	1,048	1,048	1,053	976	987
Total Operating Expenses	3,821	3,865	3,860	3,756	3,843	3,820	3,710	3,687	3,734
OPERATING INCOME	720	649	578	695	576	734	766	714	664
OPERATING CASH FLOW ***	1,813	1,746	1,709	1,735	1,624	1,782	1,819	1,690	1,651
Operating Cash Flow Margin (operating cash flow divided by revenues)	39.9%	38.7%	38.5%	39.0%	36.8%	39.1%	40.6%	38.4%	37.5%
OTHER (EXPENSE) INCOME									
Interest expense	(325)	(325)	(330)	(328)	(327)	(329)	(328)	(331)	(340)
Other income, net	7	5	4	2	12	2	7	17	7
Income tax expense	(155)	(122)	(65)	(143)	(101)	(157)	(152)	(152)	(126)
NET INCOME	\$ 247	207	187	226	160	250	293	248	205
EARNINGS PER COMMON SHARE-DILUTED	\$ 0.43	0.36	0.33	0.40	0.29	0.45	0.54	0.46	0.38
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING-DILUTED	569.0	567.4	567.0	563.5	559.2	555.2	542.5	540.2	540.4

* During the second quarter of 2016, we determined that because of declines due to customer migration to other strategic products and services certain of our business low-bandwidth data services, specifically our private line (including special access) services in our business segment, are now more closely aligned with our legacy services than with our strategic services. As a result, we now reflect these operating revenues as legacy services, and we have reclassified certain prior period amounts to conform to this change. The revision resulted in a reduction of revenue from strategic services and a corresponding increase in revenue from legacy services. For additional information related to this re-alignment, please see page 11, Segment Revenues.

** 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.

*** See description on page 13.

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

(UNAUDITED)

(Dollars in millions)

	<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>	<u>Actual 2Q16</u>
ADJUSTMENTS TO OPERATING EXPENSES									
Cash expenses	\$ (65) (A)	(30) (C)	(95) (D)	(46) (E)	(27) (F)	(78) (G)	(15) (H)	(20) (I)	(14) (J)
Depreciation and amortization	—	—	—	—	—	—	—	—	—
Impairment of goodwill	—	—	—	—	—	—	—	—	—
Total Operating Expenses	<u>(65)</u>	<u>(30)</u>	<u>(95)</u>	<u>(46)</u>	<u>(27)</u>	<u>(78)</u>	<u>(15)</u>	<u>(20)</u>	<u>(14)</u>
ADJUSTMENTS TO OPERATING INCOME									
	65	30	95	46	27	78	15	20	14
ADJUSTMENTS TO OTHER INCOME OR EXPENSE									
Interest expense	—	—	—	—	—	—	—	—	—
Other income or expense	14 (B)	—	—	—	—	—	—	—	—
Income tax expense or benefit	(25) (K)	(11) (K)	(96) (K)	(12) (K)	(10) (K)	(33) (K)	(60) (K)	(8) (K)	(5) (K)
ADJUSTMENTS TO NET INCOME OR LOSS	<u>\$ 54</u>	<u>19</u>	<u>(1)</u>	<u>34</u>	<u>17</u>	<u>45</u>	<u>(45)</u>	<u>12</u>	<u>9</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. See also the description of Special items on page 13.

Summary description of special items:

- (A) 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).
- (B) Impairment of a non-operating investment.
- (C) Includes severance costs associated with headcount reductions (\$14 million) and integration costs associated with our acquisition of Qwest (\$16 million).
- (D) 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).
- (E) 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).
- (F) Includes severance costs associated with headcount reductions (\$19 million) and integration costs associated with our acquisition of Qwest (\$8 million).
- (G) 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).
- (H) Includes severance costs associated with headcount reductions (\$9 million) and integration costs associated with our acquisition of Qwest (\$6 million).
- (I) Includes severance costs associated with headcount reductions (\$14 million), integration costs associated with our acquisition of Qwest (\$4 million) and a large billing system integration (\$2 million).
- (J) Includes severance costs associated with recent headcount reductions (\$7 million), integration costs associated with our acquisition of Qwest (\$3 million) and costs associated with a large billing system integration project (\$4 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)

	Actual 2Q14	Actual 3Q14	Actual 4Q14	Actual 1Q15	Actual 2Q15	Actual 3Q15	Actual 4Q15	Actual 1Q16	Actual 2Q16
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Operating Cash Flow and Cash Flow Margin

Operating Income, excluding special items*	\$ 720	649	578	695	576	734	766	714	664
Add: Depreciation and amortization	1,093	1,097	1,131	1,040	1,048	1,048	1,053	976	987
Operating cash flow	\$ 1,813	1,746	1,709	1,735	1,624	1,782	1,819	1,690	1,651
Operating revenues	\$ 4,541	4,514	4,438	4,451	4,419	4,554	4,476	4,401	4,398
Operating cash flow margin (operating cash flow divided by revenues)	39.9%	38.7%	38.5%	39.0%	36.8%	39.1%	40.6%	38.4%	37.5%

Free Cash Flow

Operating cash flow	\$ 1,813	1,746	1,709	1,735	1,624	1,782	1,819	1,690	1,651
Less: Capital expenditures, excluding expenditures related to integration efforts	(723)	(711)	(930)	(613)	(654)	(764)	(830)	(607)	(648)
Less: Cash paid for interest, net of amounts capitalized	(407)	(262)	(404)	(270)	(384)	(260)	(396)	(262)	(398)
Pension and post-retirement impacts:									
Less: Net periodic pension benefit income	(45)	(47)	(47)	(24)	(17)	(21)	(19)	(20)	(18)
Less: Contributions to our qualified pension plan trust	(58)	(96)	—	—	—	(100)	—	—	—
Less: Benefits paid to participants of our non-qualified pension plans	(1)	(2)	(2)	(1)	(2)	(2)	(1)	(2)	(1)
Less: Post-retirement benefits paid by company	(31)	(68)	(24)	(42)	(48)	(49)	(42)	(51)	(38)
Add: Net periodic post-retirement benefit expense	42	41	44	41	41	41	39	36	35
Add: Post-retirement participant contribution	19	15	14	15	14	14	14	15	14
Add: Post-retirement direct subsidy receipts	—	3	3	1	2	2	3	1	1
Net pension and post-retirement impacts	(74)	(154)	(12)	(10)	(10)	(115)	(6)	(21)	(7)
Less: Cash (paid) refunded for income taxes	(13)	2	(6)	(5)	(36)	(13)	(9)	(11)	(10)
Add: Share-based compensation	23	20	17	18	20	19	16	18	22
Add: Other income	7	5	4	2	12	2	7	17	7
Free cash flow	\$ 626	646	378	857	572	651	601	824	617

*For additional information regarding special items, please see page 6, Impacts of Non-GAAP Special Items. See also the description of Special items, Operating cash flow and Free cash flow on page 13.

CenturyLink, Inc.
SUPPLEMENTAL NON-GAAP INFORMATION - ADJUSTED DILUTED EARNINGS PER SHARE*

(UNAUDITED)

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

	Actual 2Q14	Actual 3Q14	Actual 4Q14	Actual 1Q15	Actual 2Q15	Actual 3Q15	Actual 4Q15	Actual 1Q16	Actual 2Q16
Net Income	\$ 193	188	188	192	143	205	338	236	196
Less Special Items: **									
Special items (excluding tax items)	(79)	(30)	(95)	(46)	(27)	(78)	(15)	(20)	(14)
Special income tax items and income tax effect of other special items	25	11	96	12	10	33	60	8	5
Total impact of special items	(54)	(19)	1	(34)	(17)	(45)	45	(12)	(9)
Net income, excluding special items	247	207	187	226	160	250	293	248	205
Add back certain items arising from purchase accounting:									
Amortization of customer base intangibles:									
Qwest	216	212	209	205	202	197	195	191	187
Embarq	30	24	25	25	24	20	20	20	20
Savvis	16	15	16	15	16	15	16	15	16
Amortization of trademark intangibles:									
Qwest	5	4	2	1	—	—	—	—	—
Amortization of fair value adjustment of long-term debt:									
Embarq	2	1	1	1	2	1	2	2	1
Qwest	(12)	(12)	(6)	(6)	(6)	(5)	(6)	(5)	(4)
Subtotal	257	244	247	241	238	228	227	223	220
Tax effect of items arising from purchasing accounting	(96)	(92)	(94)	(92)	(90)	(88)	(86)	(85)	(83)
Net adjustment, after taxes	161	152	153	149	148	140	141	138	137
Net income, as adjusted for above items	\$ 408	359	340	375	308	390	434	386	342
Weighted average common shares outstanding-diluted	569.0	567.4	567.0	563.5	559.2	555.2	542.5	540.2	540.4
Diluted EPS (excluding special items)	\$ 0.43	0.36	0.33	0.40	0.29	0.45	0.54	0.46	0.38
Adjusted diluted EPS as adjusted for purchase accounting intangible and interest amortizations (excluding special items)	\$ 0.72	0.63	0.60	0.67	0.55	0.70	0.80	0.71	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. See also the description of Adjusted diluted EPS on page 13.

** For more information on these special items, please see page 6, Impacts of Non-GAAP Special Items. See also the description of Special items on page 13.

CenturyLink, Inc.

SUPPLEMENTAL SEGMENT DATA

(UNAUDITED)

(Dollars in millions)

	Actual 2Q14*	Actual 3Q14*	Actual 4Q14*	Actual 1Q15	Actual 2Q15	Actual 3Q15	Actual 4Q15	Actual 1Q16	Actual 2Q16
Business									
Revenues **									
Strategic services	\$ 1,105	1,133	1,138	1,165	1,171	1,166	1,219	1,215	1,230
Legacy services	1,496	1,455	1,415	1,393	1,344	1,317	1,296	1,274	1,244
Data integration	186	184	144	139	143	153	140	115	123
Total revenues	2,787	2,772	2,697	2,697	2,658	2,636	2,655	2,604	2,597
Expenses **									
Total expenses	1,500	1,531	1,504	1,463	1,504	1,528	1,472	1,427	1,487
Segment income	\$ 1,287	1,241	1,193	1,234	1,154	1,108	1,183	1,177	1,110
Segment income margin	46.2%	44.8%	44.2%	45.8%	43.4%	42.0%	44.6%	45.2%	42.7%
Consumer									
Revenues **									
Strategic services	\$ 709	712	727	738	758	763	773	774	800
Legacy services	791	779	767	758	745	745	740	714	694
Data integration	1	1	1	1	—	1	—	1	—
Total revenues	1,501	1,492	1,495	1,497	1,503	1,509	1,513	1,489	1,494
Expenses **									
Total expenses	616	629	630	608	636	637	613	624	654
Segment income	\$ 885	863	865	889	867	872	900	865	840
Segment income margin	59.0%	57.8%	57.9%	59.4%	57.7%	57.8%	59.5%	58.1%	56.2%
Total segment revenues	\$ 4,288	4,264	4,192	4,194	4,161	4,145	4,168	4,093	4,091
Total segment expenses	2,116	2,160	2,134	2,071	2,140	2,165	2,085	2,051	2,141
Total segment income	\$ 2,172	2,104	2,058	2,123	2,021	1,980	2,083	2,042	1,950
Total segment income margin (segment income divided by segment revenues)	50.7%	49.3%	49.1%	50.6%	48.6%	47.8%	50.0%	49.9%	47.7%

* 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.

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.

** During the second quarter of 2016, we determined that because of declines due to customer migration to other strategic products and services certain of our business low-bandwidth data services, specifically our private line (including special access) services in our business segment, are now more closely aligned with our legacy services than with our strategic services. As a result, we now reflect these operating revenues as legacy services, and we have reclassified certain prior period amounts to conform to this change. The revision resulted in a reduction of revenue from strategic services and a corresponding increase in revenue from legacy services. For additional information related to this re-alignment, please see page 11, Segment Revenues.

During the first half 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. The impact of the segment expense recast were as follows:

	Actual 2Q14	Actual 3Q14	Actual 4Q14	Actual 1Q15	Actual 2Q15	Actual 3Q15	Actual 4Q15
Decrease in Business Expenses	\$ (16)	(18)	(17)	(21)	(21)	(13)	(12)
Increase in Consumer Expenses	15	17	16	19	19	15	16

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 2Q14	Actual 3Q14	Actual 4Q14	Actual 1Q15	Actual 2Q15	Actual 3Q15	Actual 4Q15	Actual 1Q16	Actual 2Q16
Total segment revenues	\$ 4,288	4,264	4,192	4,194	4,161	4,145	4,168	4,093	4,091
Total segment expenses	2,116	2,160	2,134	2,071	2,140	2,165	2,085	2,051	2,141
Total segment income	\$ 2,172	2,104	2,058	2,123	2,021	1,980	2,083	2,042	1,950
Total segment income margin (segment income divided by segment revenues)	50.7%	49.3%	49.1%	50.6%	48.6%	47.8%	50.0%	49.9%	47.7%

Reconciliation of segment income to net income:

Total segment income	\$ 2,172	2,104	2,058	2,123	2,021	1,980	2,083	2,042	1,950
Other revenue	253	250	246	257	258	409	308	308	307
Unassigned expenses	(612)	(608)	(595)	(645)	(655)	(607)	(572)	(660)	(606)
Operating cash flow	1,813	1,746	1,709	1,735	1,624	1,782	1,819	1,690	1,651
Depreciation and amortization	(1,093)	(1,097)	(1,131)	(1,040)	(1,048)	(1,048)	(1,053)	(976)	(987)
Total other expense	(318)	(320)	(326)	(326)	(315)	(327)	(321)	(314)	(333)
Income tax expense	(155)	(122)	(65)	(143)	(101)	(157)	(152)	(152)	(126)
Net income	\$ 247	207	187	226	160	250	293	248	205

* For additional information regarding special items, please see page 6, Impacts of Non-GAAP Special Items. See also the description of Special items on page 13.

CenturyLink, Inc.

SUPPLEMENTAL SEGMENT DATA, SEGMENT REVENUES

(UNAUDITED)

(Dollars in millions)

	Actual 2Q14	Actual 3Q14	Actual 4Q14	Actual 1Q15	Actual 2Q15	Actual 3Q15	Actual 4Q15	Actual 1Q16	Actual 2Q16
Strategic services									
Business high-bandwidth data services (1)	\$ 632	655	675	687	697	699	733	738	753
Business hosting services (2)	329	331	328	318	319	324	320	307	305
Other business strategic services (3)	144	147	135	160	155	143	166	170	172
Consumer broadband services (4)	614	616	622	635	652	658	666	667	682
Other consumer strategic services (5)	95	96	105	103	106	105	107	107	118
Total strategic services revenues	1,814	1,845	1,865	1,903	1,929	1,929	1,992	1,989	2,030
Legacy services									
Business voice services (6)	699	691	677	670	648	638	632	622	611
Business low-bandwidth data services (7)	484	460	440	419	403	391	381	366	352
Other business legacy services (8)	313	304	298	304	293	288	283	286	281
Consumer voice services (6)	722	708	694	688	675	664	649	634	615
Other consumer legacy services (9)	69	71	73	70	70	81	91	80	79
Total legacy services revenues	2,287	2,234	2,182	2,151	2,089	2,062	2,036	1,988	1,938
Data integration									
Business data integration	186	184	144	139	143	153	140	115	123
Consumer data integration	1	1	1	1	—	1	—	1	—
Total data integration revenues	187	185	145	140	143	154	140	116	123
Other revenues									
High-cost support revenue (10)	132	134	128	134	132	284	182	174	173
Other revenue (11)	121	116	118	123	126	125	126	134	134
Total other revenues	253	250	246	257	258	409	308	308	307
Total revenues	\$ 4,541	4,514	4,438	4,451	4,419	4,554	4,476	4,401	4,398

- (1) Includes MPLS and Ethernet revenue
- (2) Includes colocation, hosting (including cloud hosting and managed hosting) and hosting area network revenue
- (3) Includes primarily broadband, VoIP, video and IT services revenue
- (4) Includes broadband and related services revenue
- (5) Includes video and other revenue
- (6) Includes local and long-distance voice revenue
- (7) Includes private line (including special access) 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

During the second quarter of 2016, we determined that because of declines due to customer migration to other strategic products and services certain of our business low-bandwidth data services, specifically our private line (including special access) services in our business segment, are now more closely aligned with our legacy services than with our strategic services. As a result, we now reflect these operating revenues as legacy services, and we have reclassified certain prior period amounts to conform to this change. The impact of the revision resulted in a reduction of revenue from strategic services and a corresponding increase in revenue from legacy services are as follows.

	Actual 2Q14	Actual 3Q14	Actual 4Q14	Actual 1Q15	Actual 2Q15	Actual 3Q15	Actual 4Q15	Actual 1Q16
Strategic services								
Business low-bandwidth data services	\$ (597)	(573)	(552)	(532)	(515)	(505)	(496)	(481)
Other business strategic services	122	116	114	115	114	116	117	116
	(475)	(457)	(438)	(417)	(401)	(389)	(379)	(365)
Legacy services								
Business low-bandwidth data services	484	460	440	419	403	391	381	366
Other business legacy services	(9)	(3)	(2)	(2)	(2)	(2)	(2)	(1)
	\$ 475	457	438	417	401	389	379	365

CenturyLink, Inc.

SUPPLEMENTAL SEGMENT DATA, HOSTING REVENUES AND OPERATING METRICS

(UNAUDITED)

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

	Actual 2Q14	Actual 3Q14	Actual 4Q14	Actual 1Q15	Actual 2Q15	Actual 3Q15	Actual 4Q15	Actual 1Q16	Actual 2Q16
Colocation	\$ 158	164	160	156	156	151	163	155	156
Managed Hosting/Cloud	147	145	146	140	141	153	136	131	127
Hosting Area Network	24	22	22	22	22	20	21	21	22
Total Hosting Services	\$ 329	331	328	318	319	324	320	307	305

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

Hosting Data Center Metrics

	Actual 2Q14	Actual 3Q14	Actual 4Q14	Actual 1Q15	Actual 2Q15	Actual 3Q15	Actual 4Q15	Actual 1Q16	Actual 2Q16
Number of data centers (2)	57	58	58	58	59	59	59	59	58
Sellable square feet, million sq ft	1.43	1.45	1.46	1.53	1.57	1.59	1.58	1.57	1.55
Billed square feet, million sq ft	0.93	0.94	0.92	0.93	1.01	1.01	0.99	1.01	1.02
Utilization	65%	65%	63%	61%	64%	64%	63%	65%	66%

(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.

DESCRIPTION OF NON-GAAP FINANCIAL MEASURES

We use the term *Special items* as a non-GAAP measure to describe items that impacted a period's net income and the statement of operations for which investors may want to give special consideration due to their magnitude, nature or both. We do not use the term *non-recurring* because while some of these items are special because they are unusual and infrequent, others may recur in future periods.

We use the term *Operating cash flow* as a non-GAAP measure to show profitability in our continuing, central business activities, without regard for the effects of special items, capital structure or tax structure, which may be helpful in analyzing trends or making comparisons to other companies that have different capital or tax structures. Other companies may refer to this measure using the term *Operating income before depreciation and amortization* (OIBDA). We are also aware of other companies that refer to this measure as adjusted *Earnings before interest, taxes, depreciation and amortization* (EBITDA). *Operating cash flow* should not be confused with the GAAP term *Cash flows provided by operating activities*. Rather, *Cash flows provided by operating activities* is a fully cash-basis measure, while *Operating cash flow* is an accrual based measure that has the effect of excluding quarter-to-quarter variances that are caused by changes in working capital. *Operating cash flow* does not represent the residual cash flow available for discretionary expenditures, as mandatory debt service requirements and other non-discretionary expenditures are not deducted from the measure. It is also not intended to be used as a replacement for the GAAP measures of *Operating income* or *Cash flows provided by operating activities*, rather it is intended to provide additional information to enhance the understanding of CenturyLink's GAAP financial information, and it should be considered by investors in addition to, but not in substitution for, the GAAP measures.

We use the term *Free cash flow* as a non-GAAP measure to show profitability in our continuing, central business activities, without regard for the effects of special items or tax structure, but with effect for capital expenditures in the period. Other companies may use this same term, but calculate it in a different manner. *Free cash flow* does not represent the residual cash flow available for discretionary expenditures, as mandatory debt service requirements and other non-discretionary expenditures are not deducted from the measure. It is also not intended to be used as a replacement for the GAAP measures of *Operating income* or *Cash flows provided by operating activities*, rather it is intended to provide additional information to enhance the understanding of CenturyLink's GAAP financial information, and it should be considered by investors in addition to, but not in substitution for, the GAAP measures.

We use the term *Adjusted diluted EPS* as a non-GAAP measure that excludes both special items and certain non-cash expense items that arise as a result of the application of business combination accounting rules to our major acquisitions since mid-2009. It is not intended to be a liquidity measure. We believe it is especially useful when comparing earnings attributable to shares of our common stock for periods immediately before and after our major acquisitions. Because we had multiple major acquisitions over just a few years, we began presenting this measure in 2011 to show that while the significant decrease in *Diluted earnings per share*, a GAAP measure, was largely due to the effect of applying business combination accounting rules, even after controlling for that variable the trend of results of the business attributable to a share of our common stock was steadily downward. Although the downward trend has mitigated since 2011, we have continued to present this measure on a consistent basis since that time. We are aware of several other companies that use this same term, but calculate it in a different manner.