

**CenturyLink, Inc.**

Financial Results

(UNAUDITED)

(\$ in millions)

Metric	As Reported	Pro Forma <sup>2</sup>
	First Quarter 2018	First Quarter 2017
Business Revenue	4,383	4,429
Consumer Revenue	1,379	1,447
Regulatory Revenue <sup>3</sup>	183	174
Total Revenue	<u>\$ 5,945</u>	<u>\$ 6,050</u>
Cost of Products and Services	2,803	2,880
Selling, General & Administrative Expenses	1,109	1,174
Share-based compensation expenses	41	69
Adjusted EBITDA <sup>1</sup>	2,074	2,140
Adjusted EBITDA, excluding integration-related expenses <sup>1,4</sup>	2,181	2,181
Adjusted EBITDA Margin <sup>1</sup>	34.9 %	35.4 %
Adjusted EBITDA Margin, excluding integration-related expenses <sup>1,4</sup>	36.7 %	36.0 %
Cash Flow from Operating Activities <sup>1,5</sup>	1,667	1,596
Capital Expenditures	805	1,148
Capital Expenditures, excluding integration-related capital expenditures <sup>6</sup>	788	1,137
Unlevered Cash Flow <sup>1</sup>	1,352	854
Unlevered Cash Flow, excluding integration-related expenses <sup>1,5</sup>	1,431	877
Free Cash Flow <sup>1</sup>	862	448
Free Cash Flow, excluding integration-related expenses <sup>1,5</sup>	941	471
Net Income	115	123
Net Income per Common Share - diluted	\$ 0.11	\$ 0.12
Weighted Average Shares Outstanding (in millions) - diluted	1,069.2	1,061.7

<sup>(1)</sup> See the attached schedules for definitions of non-GAAP metrics and reconciliation to GAAP figures.

<sup>(2)</sup> Reference to "pro forma" figures assume the Level 3 acquisition and the colocation and data center sale took place on January 1, 2017. For a description of adjustments made in connection with preparing these pro forma figures, see the attached schedule in the Non-GAAP metrics section

<sup>(3)</sup> Regulatory revenues include CAF Phase 1, CAF Phase 2 and federal and state USF support revenue.

<sup>(4)</sup> In first quarter 2018, special items include an impairment of \$42 million and integration-related expenses of \$65 million. In pro forma first quarter 2017, integration and acquisition-related expenses were \$30 million.

<sup>(5)</sup> In first quarter 2018, cash paid for integration-related expenses were \$79 million. In pro forma first quarter 2017, cash paid for acquisition-related expenses were \$23 million.

<sup>(6)</sup> In first quarter 2018, integration-related capital expenditures were \$17 million. In pro forma first quarter 2017 special items were \$11 million.

**CenturyLink, Inc.**  
Consolidated Statements of Income  
(UNAUDITED)  
(\$ in millions; shares in millions)

	Actual		Pro Forma		
	1Q18	4Q17	3Q17	2Q17	1Q17
OPERATING REVENUES	\$ 5,945	6,005	6,033	6,040	6,050
OPERATING EXPENSES					
Cost of services and products	2,803	2,840	2,914	2,868	2,880
Selling, general and administrative	1,109	1,227	1,064	1,251	1,174
Depreciation and amortization	1,283	1,300	1,268	1,313	1,244
	—	—	—	(25)	(75)
Less estimated net costs of colocation sold to Cyxtera and not retained					
Total operating expenses	5,195	5,367	5,246	5,407	5,223
OPERATING INCOME	750	638	787	633	827
OTHER (EXPENSE) INCOME					
Interest Expense	(535)	(545)	(528)	(525)	(527)
Other income (expense), net	21	21	13	(10)	(46)
Total other expense, net	(514)	(524)	(515)	(535)	(573)
Income tax (expense) benefit	(121)	1,015	(85)	(29)	(131)
NET INCOME	\$ 115	\$ 1,129	187	69	123
	\$ 0.11	1.06	0.18	0.07	0.12
BASIC EARNINGS PER SHARE	\$ 0.11	1.06	0.18	0.06	0.12
DILUTED EARNINGS PER SHARE					
WEIGHTED AVERAGE SHARES OUTSTANDING					
Basic	1,065.8	1,061.0	1,060.8	1,059.1	1,056.9
Diluted	1,069.2	1,062.2	1,063.9	1,063.6	1,061.7
DIVIDENDS PER COMMON SHARE <sup>(1)</sup>	\$ 0.54	0.54	0.54	0.54	0.54
Add back: integration-related expenses and special items <sup>(2)</sup>	147	(997)	19	119	25
NET INCOME EXCLUDING INTEGRATION-RELATED EXPENSES AND SPECIAL ITEMS	262	132	206	188	148
DILUTED EARNINGS PER SHARE EXCLUDING INTEGRATION-RELATED EXPENSES AND SPECIAL ITEMS	\$ 0.25	\$ 0.12	\$ 0.19	\$ 0.18	\$ 0.14

<sup>(1)</sup> Dividends per common share based on actuals previously reported

<sup>(2)</sup> Net of income tax effect. Refer to *Non-GAAP Special Items* for detail of special items included.

**CenturyLink, Inc.**  
Condensed Consolidated Balance Sheets  
(UNAUDITED)  
(\$ in millions)

	<b>Actual</b>	
	<b>1Q18</b>	<b>4Q17</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 501	551
Restricted cash	5	5
Other current assets	3,677	3,638
Total current assets	4,183	4,194
<b>NET PROPERTY, PLANT AND EQUIPMENT</b>		
Property, plant and equipment	51,942	51,204
Accumulated depreciation	(25,116)	(24,352)
Net property, plant and equipment	26,826	26,852
<b>GOODWILL AND OTHER ASSETS</b>		
Goodwill	30,778	30,475
Restricted cash	31	31
Other, net	12,975	14,059
Total goodwill and other assets	43,784	44,565
<b>TOTAL ASSETS</b>	<b>\$ 74,793</b>	<b>75,611</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Current maturities of long-term debt	\$ 437	443
Other current liabilities	4,330	4,414
Total current liabilities	4,767	4,857
<b>LONG TERM DEBT</b>	36,940	37,283
<b>DEFERRED CREDITS AND OTHER LIABILITIES</b>	9,643	9,980
<b>STOCKHOLDERS' EQUITY</b>	23,443	23,491
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 74,793</b>	<b>75,611</b>

**CenturyLink, Inc.**

Condensed Consolidated Statements of Cash Flows

(UNAUDITED)

(\$ in millions)

	Actual		Pro Forma		
	1Q18	4Q17	3Q17	2Q17	1Q17
<b>OPERATING ACTIVITIES</b>					
Net cash provided by operating activities	\$ 1,667	1,301	1,649	1,246	1,596
<b>INVESTING ACTIVITIES</b>					
Payments for property, plant and equipment and capitalized software	(805)	(844)	(1,075)	(1,158)	(1,148)
Cash paid for acquisitions, net of \$2.3 billion cash acquired	—	(7,289)	—	(5)	—
Deposits received on assets held for sale	34	—	—	—	—
Proceeds from the sale of data centers and colocation business, less cash sold	—	—	(6)	1,473	—
Proceeds from sale of property	3	11	4	3	45
Purchase of marketable securities	—	—	—	(1,127)	—
Maturity of marketable securities	—	—	1,127	—	—
Other, net	—	—	—	(3)	3
Net cash (used in) provided by investing activities	(768)	(8,122)	50	(817)	(1,100)
<b>FINANCING ACTIVITIES</b>					
Net proceeds from the issuance of long-term debt	130	1,790	—	6,608	4,569
Proceeds from financing obligation	—	—	(22)	378	—
Payments of financing obligations	—	—	4	(4)	—
Payments of long-term debt and capital leases	(68)	(351)	(388)	(1,497)	(4,644)
Net proceeds (payments) on credit facility and revolving line of credit	(405)	405	—	(375)	5
Dividends paid	(580)	(572)	(291)	(294)	(296)
Proceeds from the issuance of stock	—	—	1	1	3
Shares withheld to satisfy tax withholdings	(25)	(1)	(1)	(1)	(14)
Payment of contingent consideration	—	(3)	—	—	—
Net cash (used in) provided by financing activities	(948)	1,268	(697)	4,816	(377)
Effect of exchange rates on cash, cash equivalents and restricted cash	(1)	(2)	1	1	1
Net (decrease) increase in cash, cash equivalents and restricted cash	(50)	(5,555)	1,003	5,246	120
Cash, cash equivalents and restricted cash at beginning of period	587	8,450	7,447	2,201	2,081
Less: cash acquired included in proforma beginning balance	—	(2,308)	—	—	—
Cash, cash equivalents and restricted cash at end of period	\$ 537	587	8,450	7,447	2,201

**CenturyLink, Inc.**  
Disaggregated Revenues  
(UNAUDITED)  
(\$ in millions)

	Actual		Pro Forma		
	1Q18	4Q17	3Q17	2Q17	1Q17
<b><u>By Segment</u></b>					
Business	\$ 4,383	4,415	4,427	4,419	4,429
Consumer	1,379	1,401	1,420	1,436	1,447
Regulatory	183	189	186	185	174
<b>Total revenues</b>	<b>\$ 5,945</b>	<b>6,005</b>	<b>6,033</b>	<b>6,040</b>	<b>6,050</b>
<b><u>By Business Unit</u></b>					
Medium & Small Business	\$ 860	874	896	893	901
Enterprise	1,315	1,324	1,311	1,296	1,292
International & Global Accounts	937	941	918	911	891
Wholesale & Indirect	1,271	1,276	1,302	1,319	1,345
Consumer	1,379	1,401	1,420	1,436	1,447
Regulatory	183	189	186	185	174
<b>Total revenues</b>	<b>\$ 5,945</b>	<b>6,005</b>	<b>6,033</b>	<b>6,040</b>	<b>6,050</b>
<b><u>By Service Type</u></b>					
IP & Data Services	\$ 1,845	1,839	1,811	1,807	1,819
Transport & Infrastructure	2,118	2,092	2,108	2,119	2,092
Voice & Collaboration	1,637	1,716	1,759	1,768	1,812
IT & Managed Services	162	169	169	161	153
Regulatory	183	189	186	185	174
<b>Total revenues</b>	<b>\$ 5,945</b>	<b>6,005</b>	<b>6,033</b>	<b>6,040</b>	<b>6,050</b>

**CenturyLink, Inc.**

Selected Segment Financial Information

(UNAUDITED)

(\$ in millions)

	<b>Actual</b>		<b>Pro Forma</b>		
	<b>Q1 2018</b>	<b>Q4 2017</b>	<b>Q3 2017</b>	<b>Q2 2017</b>	<b>Q1 2017</b>
Total segment revenues	\$ 5,762	\$ 5,816	\$ 5,847	\$ 5,855	\$ 5,876
Total segment expenses	3,226	3,233	3,295	3,242	3,242
Total segment adjusted EBITDA	2,536	2,583	2,552	2,613	2,634
Total segment adjusted EBITDA margin	44.0 %	44.4 %	43.6 %	44.6 %	44.8 %
<b>Business</b>					
Revenues	4,383	4,415	4,427	4,419	4,429
Expenses	2,613	2,621	2,635	2,611	2,602
Segment adjusted EBITDA	1,770	1,794	1,792	1,808	1,827
Segment adjusted EBITDA margin	40.4 %	40.6 %	40.5 %	40.9 %	41.3 %
<b>Consumer</b>					
Revenues	1,379	1,401	1,420	1,436	1,447
Expenses	613	612	660	631	640
Segment adjusted EBITDA	\$ 766	\$ 789	\$ 760	\$ 805	807
Segment adjusted EBITDA margin	55.5 %	56.3 %	53.5 %	56.1 %	55.8 %

In connection with CenturyLink's acquisition of Level 3, CenturyLink implemented a new organization structure and began managing its operations in two segments: business and consumer. CenturyLink's consumer segment remains substantially unchanged under this reorganization, and CenturyLink's newly recognized business segment includes the legacy CenturyLink enterprise segment operations and the legacy Level 3 operations. In addition, it reassigned its information technology, managed hosting, cloud hosting and hosting area network operations into the business segment from the former non-reportable operating segment.

CenturyLink, Inc.  
Operating Metrics  
(UNAUDITED)  
*(In thousands)*

	As of March 31, 2018	As of December 31, 2017	As of September 30, 2017	As of June 30, 2017	As of March 31, 2017
<b>Operating Metrics</b>					
Consumer broadband subscribers	4,986	5,044	5,137	5,226	5,291

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CenturyLink's methodology for counting broadband subscribers may not be comparable to those of other companies.

## Description of Non-GAAP Metrics

Pursuant to Regulation G, the company is hereby providing definitions of non-GAAP financial metrics and reconciliations to the most directly comparable GAAP measures.

The following describes and reconciles those financial measures as reported under accounting principles generally accepted in the United States (GAAP) with those financial measures as adjusted by the items detailed below and presented in the accompanying news release. These calculations are not prepared in accordance with GAAP and should not be viewed as alternatives to GAAP. In keeping with its historical financial reporting practices, the company believes that the supplemental presentation of these calculations provides meaningful non-GAAP financial measures to help investors understand and compare business trends among different reporting periods on a consistent basis.

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.

**Adjusted EBITDA (\$)** is defined as net income (loss) from the Statements of Income before income tax (expense) benefit, total other income (expense), non-cash impairment charges, depreciation and amortization and non-cash stock compensation expense.

**Adjusted EBITDA Margin (%)** is defined as Adjusted EBITDA divided by total revenue.

Management believes that Adjusted EBITDA and Adjusted EBITDA Margin are relevant and useful metrics to provide to investors, as they are an important part of CenturyLink's internal reporting and are key measures used by Management to evaluate profitability and operating performance of CenturyLink and to make resource allocation decisions. Management believes such measures are especially important in a capital-intensive industry such as telecommunications. Management also uses Adjusted EBITDA and Adjusted EBITDA Margin (and similarly uses these terms excluding acquisition-related expenses) to compare CenturyLink's performance to that of its competitors and to eliminate certain non-cash and non-operating items in order to consistently measure from period to period its ability to fund capital expenditures, fund growth, service debt and determine bonuses. Adjusted EBITDA excludes non-cash impairment charges and non-cash stock compensation expense because of the non-cash nature of these items. Adjusted EBITDA also excludes interest income, interest expense and income taxes because these items are associated with CenturyLink's capitalization and tax structures. Adjusted EBITDA also excludes depreciation and amortization expense because these non-cash expenses primarily reflect the impact of historical capital investments, as opposed to the cash impacts of capital expenditures made in recent periods, which may be evaluated through cash flow measures. Adjusted EBITDA excludes the gain (or loss) on extinguishment and modification of debt and other, net because these items are not related to the primary operations of CenturyLink.

There are limitations to using Adjusted EBITDA as a financial measure, including the difficulty associated with comparing companies that use similar performance measures whose calculations may differ from CenturyLink's calculations. Additionally, this financial measure does not include certain significant items such as interest income, interest expense, income taxes, depreciation and amortization, non-cash impairment charges, non-cash stock compensation expense, the gain (or loss) on extinguishment and modification of debt and net other income (expense). Adjusted EBITDA and Adjusted EBITDA Margin (either with or without acquisition-related expense adjustments) should not be considered a substitute for other measures of financial performance reported in accordance with GAAP.

**Unlevered Cash Flow** is defined as net cash provided by (used in) operating activities less capital expenditures, plus cash interest paid and less interest income all as disclosed in the Statements of Cash Flows or the Statements of Income. Management believes that Unlevered Cash Flow is a relevant metric to provide to investors, as it is an indicator of the operational strength and performance of CenturyLink and, measured over time, provides management and investors with a sense of the underlying business' growth pattern and ability to generate cash. Unlevered Cash Flow excludes cash used for acquisitions and debt service and the impact of exchange rate changes on cash and cash equivalents balances.

There are material limitations to using Unlevered Cash Flow to measure CenturyLink's cash performance as it excludes certain material items such as payments on and repurchases of long-term debt, interest income, cash interest expense and cash used to fund acquisitions. Comparisons of CenturyLink's Unlevered Cash Flow to that of some of its competitors may be of limited usefulness since CenturyLink does not currently pay a significant amount of income taxes due to net operating loss carryforwards, and therefore, generates higher cash flow than a comparable business that does pay income taxes. Additionally, this financial measure is subject to variability quarter over quarter as a result of the timing of payments related to accounts receivable and accounts payable and capital expenditures. Unlevered Cash Flow should not be used as a substitute for net change in cash and cash equivalents in the Consolidated Statements of Cash Flows.

**Free Cash Flow** is defined as net cash provided by (used in) operating activities less capital expenditures as disclosed in the Statements of Cash Flows. Management believes that Free Cash Flow is a relevant metric to provide to investors, as it is an indicator of the CenturyLink's ability to generate cash to service its debt. Free Cash Flow excludes cash used for acquisitions, principal repayments and the impact of exchange rate changes on cash and cash equivalents balances.

There are material limitations to using Free Cash Flow to measure CenturyLink's performance as it excludes certain material items such as principal payments on and repurchases of long-term debt and cash used to fund acquisitions. Comparisons of CenturyLink's Free Cash Flow to that of some of its competitors may be of limited usefulness since CenturyLink does not currently pay a significant amount of income taxes due to net operating loss carryforwards, and therefore, generates higher cash flow than a comparable business that does pay income taxes. Additionally, this financial measure is subject to variability quarter over quarter as a result of the timing of payments related to interest expense, accounts receivable and accounts payable and capital expenditures. Free Cash Flow should not be used as a substitute for net change in cash and cash equivalents on the Consolidated Statements of Cash Flows.



**CenturyLink, Inc.**

Non-GAAP Integration-Related Expenses and Special Items

(UNAUDITED)

(\$ in millions)

<b>Integration-Related Expenses and Special Items Impacting Adjusted EBITDA</b>	<b>Actual</b>		<b>Pro Forma</b>		
	<b>1Q18</b>	<b>4Q17</b>	<b>3Q17</b>	<b>2Q17</b>	<b>1Q17</b>
(Gain) loss on sale of data centers and colocation business	\$ —	—	(37)	108	11
OTT/Stream impairment of content commitment and hardware, software, and internal labor <sup>(1)</sup>	42	—	—	—	—
<b>Total special items impacting adjusted EBITDA</b>	<b>42</b>	<b>—</b>	<b>(37)</b>	<b>108</b>	<b>11</b>
Plus: integration-related expenses impacting adjusted EBITDA	65	218	68	40	30
<b>Total integration-related expenses and special items impacting adjusted EBITDA</b>	<b>\$ 107</b>	<b>218</b>	<b>31</b>	<b>148</b>	<b>41</b>
<hr/>					
<b>Integration-Related Expenses and Special Items Impacting Net Income</b>	<b>1Q18</b>	<b>4Q17</b>	<b>3Q17</b>	<b>2Q17</b>	<b>1Q17</b>
(Gain) loss on sale of data centers and colocation business	\$ —	—	(37)	108	11
OTT/Stream impairment of content commitment and hardware, software, and internal labor <sup>(1)</sup>	42	—	—	—	—
Additional depreciation expense for real estate assets not meeting the requirement of sale leaseback accounting	—	—	—	44	—
<b>Total special items impacting net income</b>	<b>42</b>	<b>—</b>	<b>(37)</b>	<b>152</b>	<b>11</b>
Plus: integration-related expenses impacting net income	71	218	68	40	30
<b>Total integration-related expenses and special items impacting net income</b>	<b>113</b>	<b>218</b>	<b>31</b>	<b>192</b>	<b>41</b>
Income tax effect of integration-related expenses and special items <sup>(2)</sup>	(30)	(83)	(12)	(73)	(16)
Impact of tax reform	64	(1,132)	—	—	—
<b>Total integration-related expenses and special items impacting net income, net of tax</b>	<b>\$ 147</b>	<b>(997)</b>	<b>19</b>	<b>119</b>	<b>25</b>

<sup>(1)</sup> Includes \$15 million of content commitment impairment and \$27 million of hardware, software, and internal labor impairment.

<sup>(2)</sup> Tax effect calculated using the effective tax rate in place for each period, which was 38% for 2017 and 26.4% for Q1 2018.

**CenturyLink, Inc.**  
Consolidated Statements of Income  
(UNAUDITED)  
(\$ in millions)

	Three Months Ending December 31, 2017				Three Months Ending September 30, 2017				Three Months Ending June 30, 2017				Three Months Ending March 31, 2017			
	Actual Consolidated CenturyLink	Add Level 3 October 2017	Adjustments	Pro Forma Combined Company	Actual Consolidated CenturyLink	Predecessor Level 3	Adjustments	Pro Forma Combined Company	Actual Consolidated CenturyLink	Predecessor Level 3	Adjustments	Pro Forma Combined Company	Actual Consolidated CenturyLink	Predecessor Level 3	Adjustments	Pro Forma Combined Company
<b>OPERATING REVENUES</b>																
Operating revenues	5,323	701	(21) (a)	6,003	4,034	2,059	(61) (a)	6,032	4,090	2,062	(60) (a)	6,092	4,209	2,048	(63) (a)	6,194
Less: colocation sold to Cyxtera and not retained	—	—	2	2	—	—	1	1	—	—	(52)	(52)	—	—	(144)	(144)
Total operating revenues	5,323	701	(19)	6,005	4,034	2,059	(60)	6,033	4,090	2,062	(112)	6,040	4,209	2,048	(207)	6,050
<b>OPERATING EXPENSES</b>																
Cost of services and products	2,498	363	(21) (a)	2,840	1,927	1,046	(59) (a)	2,914	1,890	1,035	(57) (a)	2,868	1,888	1,050	(58) (a)	2,880
Selling, general and administrative	1,104	123	—	1,227	710	354	—	1,064	884	367	—	1,251	810	364	—	1,174
Depreciation and amortization	1,197	103	—	1,300	910	310	48 (b)	1,268	949	307	57 (b)	1,313	880	297	67 (b)	1,244
Less estimated net costs of colocation sold to Cyxtera and not retained	—	—	—	—	—	—	—	—	—	—	(25)	(25)	—	—	(75)	(75)
Total operating expenses	4,799	589	(21)	5,367	3,547	1,710	(11)	5,246	3,723	1,709	(25)	5,407	3,578	1,711	(66)	5,223
<b>OPERATING INCOME</b>	524	112	2	638	487	349	(49)	787	367	353	(87)	633	631	337	(141)	827
<b>OTHER (EXPENSE) INCOME</b>																
Interest expense	(481)	(41)	(23) (c)	(545)	(362)	(128)	(38) (c)	(528)	(320)	(129)	(76) (c)	(525)	(318)	(132)	(77) (c)	(527)
Other income (expense), net	11	1	9 (d)	21	14	12	(13) (d)	13	(7)	(1)	(2) (d)	(10)	(6)	(40)	—	(46)
Income tax benefit (expense)	1,063	(53)	5 (e)	1,015	(47)	(76)	38 (e)	(85)	(23)	(69)	63 (e)	(29)	(144)	(70)	83 (e)	(131)
<b>NET INCOME</b>	1,117	19	(7)	1,129	92	157	(62)	187	17	154	(102)	69	163	95	(135)	123

**Pro Forma Reconciliation for Non-GAAP Adjusted EBITDA**

Acquisition/integration related expenses <sup>(1)</sup>	222	12	(16)	218	67	31	(30)	68	18	22	—	40	10	20	—	30
Share-based compensation expense	47	12	(5)	54	21	33	—	54	22	39	—	61	21	48	—	69

<sup>(1)</sup> Pro Forma adjustments relate to integration related interest income and expense as such items would not have been incurred in 2017 under the Pro Forma perspective that assumes the Level 3 acquisition occurred on January 1, 2016.

(a) Adjustment reflects the elimination of operating revenues and expenses for existing commercial transactions between CenturyLink and Level 3 and elimination of Level 3 deferred revenues.

(b) Depreciation expense decreased on Level 3's property, plant and equipment resulting from decreased PP&E fair value. Increase in amortization expense resulting from increase intangible asset fair value.

(c) Adjustments reflect the net increase in interest expense resulting from (i) interest on the new debt to finance the combination and the amortization of the related debt issuance costs; (ii) the elimination of Level 3's historical amortization of debt discount and amortization of debt issuance costs; and (iii) a reduction in interest expense from the accretion of the purchase accounting associated with reflecting Level 3's long-term debt based on its estimated fair value. The Q4 2017 adjustment also includes the reclassification of Level 3 interest income from Interest expense to Other income/(expense), net.

(d) Adjustments reflect the removal of CenturyLink's interest income earned on funds held in escrow for the purpose of the acquisition of Level 3; the Q4 2017 adjustment includes the reclassification of Level 3 interest income from Interest expense to Other income/(expense), net.

(e) Income tax effect of Pro Forma adjustments was based on the effective tax rate of 38%.

**CenturyLink, Inc.**  
Condensed Consolidated Statements of Cash Flows  
(UNAUDITED)  
(\$ in millions)

	Three Months Ending December 31, 2017				Three Months Ending September 30, 2017			Three Months Ending June 30, 2017			Three Months Ending March 31, 2017		
	Actual Consolidated CenturyLink	Add Level 3 October 2017	Pro Forma Adjustment <sup>(1)</sup>	Pro Forma Combined Company <sup>(1)</sup>	Actual Consolidated CenturyLink	Predecessor Level 3	Pro Forma Combined Company <sup>(1)</sup>	Actual Consolidated CenturyLink	Predecessor Level 3	Pro Forma Combined Company <sup>(1)</sup>	Actual Consolidated CenturyLink	Predecessor Level 3	Pro Forma Combined Company <sup>(1)</sup>
<b>OPERATING ACTIVITIES</b>													
Net cash provided by operating activities	1,178	123	—	1,301	958	691	1,649	685	561	1,246	1,057	539	1,596
<b>INVESTING ACTIVITIES</b>													
Payments for property, plant and equipment and capitalized software	(743)	(101)	—	(844)	(753)	(322)	(1,075)	(830)	(328)	(1,158)	(780)	(368)	(1,148)
Cash paid for acquisitions, less cash acquired of \$2.308 billion	(7,289)	—	—	(7,289)	—	—	—	(5)	—	(5)	—	—	—
Proceeds from the sale of data centers and colocation business, less cash sold	—	—	—	—	(6)	—	(6)	1,473	—	1,473	—	—	—
Proceeds from sale of property	11	—	—	11	3	1	4	3	—	3	45	—	45
Purchase of marketable securities	—	—	—	—	—	—	—	—	(1,127)	(1,127)	—	—	—
Maturity of marketable securities	—	—	—	—	—	1,127	1,127	—	—	—	—	—	—
Other, net	—	—	—	—	—	—	—	(3)	—	(3)	3	—	3
Net cash used in investing activities	(8,021)	(101)	—	(8,122)	(756)	806	50	638	(1,455)	(817)	(732)	(368)	(1,100)
<b>FINANCING ACTIVITIES</b>													
Net proceeds from the issuance of long-term debt	1,790	—	—	1,790	—	—	—	6,608	—	6,608	—	4,569	4,569
Proceeds from financing obligation	—	—	—	—	(22)	—	(22)	378	—	378	—	—	—
Payments of financing obligations	—	—	—	—	4	—	4	(4)	—	(4)	—	—	—
Payments of long-term debt and capital leases	(351)	—	—	(351)	(86)	(302)	(388)	(1,495)	(2)	(1,497)	(31)	(4,613)	(4,644)
Net proceeds (payments) on credit facility and revolving line of credit	405	—	—	405	—	—	—	(375)	—	(375)	5	—	5
Dividends paid	(572)	—	—	(572)	(291)	—	(291)	(294)	—	(294)	(296)	—	(296)
Proceeds from the issuance of stock	—	—	—	—	1	—	1	1	—	1	3	—	3
Shares withheld to satisfy tax withholdings	(1)	—	—	(1)	(1)	—	(1)	(1)	—	(1)	(14)	—	(14)
Payment of contingent consideration	(3)	—	—	(3)	—	—	—	—	—	—	—	—	—
Net cash used in financing activities	1,268	—	—	1,268	(395)	(302)	(697)	4,818	(2)	4,816	(333)	(44)	(377)
Effect of exchange rates on cash, cash equivalents and restricted cash	(2)	—	—	(2)	—	1	1	—	1	1	—	1	1
Net (decrease) increase in cash, cash equivalents and restricted cash	(5,577)	22	—	(5,555)	(193)	1,196	1,003	6,141	(895)	5,246	(8)	128	120
Cash, cash equivalents and restricted cash at beginning of period	6,164	2,286	—	8,450	6,357	1,090	7,447	216	1,985	2,201	224	1,857	2,081
Less: cash acquired in acquisition	—	—	(2,308)	(2,308)	—	—	—	—	—	—	—	—	—
Cash, cash equivalents and restricted cash at end of period	587	2,308	(2,308)	587	6,164	2,286	8,450	6,357	1,090	7,447	216	1,985	2,201
<b>Pro Forma Reconciliation for Non-GAAP Cash Flow:</b>													
Cash interest paid	484	56	—	540	293	130	423	369	129	498	255	153	408
Interest income	(6)	(2)	—	(8)	(14)	(6)	(20)	(3)	(3)	(6)	—	(2)	(2)
Cash integration-related expenses	343	14	—	357	16	10	26	11	3	14	21	2	23

<sup>(1)</sup> The Pro Forma statement of cash flows was derived by summing the cash flows of legacy CenturyLink and legacy Level 3. There were no Pro Forma adjustments made related to the sale of the legacy CenturyLink data centers and colocation business.

**CenturyLink, Inc.**

Non-GAAP Cash Flow Reconciliation

(UNAUDITED)

(\$ in millions)

	Actual		Pro Forma		
	1Q18	4Q17	3Q17	2Q17	1Q17
Net cash provided by operating activities	1,667	1,301	1,649	1,246	1,596
Capital expenditures	(805)	(844)	(1,075)	(1,158)	(1,148)
<b>Free cash flow</b>	<b>862</b>	<b>457</b>	<b>574</b>	<b>88</b>	<b>448</b>
Cash interest paid	491	540	423	498	408
Interest income	(1)	(8)	(20)	(6)	(2)
<b>Unlevered cash flow</b>	<b>1,352</b>	<b>989</b>	<b>977</b>	<b>580</b>	<b>854</b>
<b>Free cash flow</b>	<b>862</b>	<b>457</b>	<b>574</b>	<b>88</b>	<b>448</b>
Add back: cash integration-related expenses	79	357	26	14	23
Add back: special items	—	—	—	—	—
<b>Free cash flow excluding cash integration-related expenses and special items</b>	<b>941</b>	<b>814</b>	<b>600</b>	<b>102</b>	<b>471</b>
<b>Unlevered cash flow</b>	<b>1,352</b>	<b>989</b>	<b>977</b>	<b>580</b>	<b>854</b>
Add back: cash integration-related expenses	79	357	26	14	23
Add back: special items	—	—	—	—	—
<b>Unlevered cash flow excluding cash integration-related expenses and special items</b>	<b>1,431</b>	<b>1,346</b>	<b>1,003</b>	<b>594</b>	<b>877</b>
Capital expenditures	(805)	(844)	(1,075)	(1,158)	(1,148)
Less: integration-related capital expenditures	17	15	9	6	—
Less: special items	—	—	—	3	11
<b>Capital expenditures, excluding integration-related capital expenditures and special items</b>	<b>(788)</b>	<b>(829)</b>	<b>(1,066)</b>	<b>(1,149)</b>	<b>(1,137)</b>

**CenturyLink, Inc.**

Non-GAAP Reconciliation of Segment Information

(UNAUDITED)

(\$ in millions)

	<b>Actual</b>		<b>Pro Forma</b>		
	<b>Q1 2018</b>	<b>Q4 2017</b>	<b>Q3 2017</b>	<b>Q2 2017</b>	<b>Q1 2017</b>
Total segment revenues	\$ 5,762	5,816	5,847	5,855	5,876
Total segment expenses	3,226	3,233	3,295	3,242	3,242
Total segment adjusted EBITDA	2,536	2,583	2,552	2,613	2,634
Total segment adjusted EBITDA margin	44.0 %	44.4 %	43.6 %	44.6 %	44.8 %

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

Total segment adjusted EBITDA	\$ 2,536	2,583	2,552	2,613	2,634
Non-reportable segment and other revenues	183	189	186	185	174
Unassigned expenses	(645)	(780)	(629)	(791)	(668)
Adjusted EBITDA	2,074	1,992	2,109	2,007	2,140
Depreciation expense	1,283	1,300	1,268	1,313	1,244
Total other expense	514	524	515	535	573
Share-based compensation expense	41	54	54	61	69
Income tax expense (benefit)	121	(1,015)	85	29	131
<b>Net income</b>	<b>\$ 115</b>	<b>1,129</b>	<b>187</b>	<b>69</b>	<b>123</b>

**CenturyLink, Inc.**

Adjusted EBITDA Non-GAAP Reconciliation

(UNAUDITED)

(\$ in millions)

	Actual		Pro Forma		
	1Q18	4Q17	3Q17	2Q17	1Q17
<b>Net income</b>	<b>\$ 115</b>	<b>1,129</b>	<b>187</b>	<b>69</b>	<b>123</b>
Income tax expense (benefit)	121	(1,015)	85	29	131
Total other expense	514	524	515	535	573
Depreciation and amortization expense	1,283	1,300	1,268	1,313	1,244
Share-based compensation expenses	41	54	54	61	69
<b>Adjusted EBITDA</b>	<b>\$ 2,074</b>	<b>1,992</b>	<b>2,109</b>	<b>2,007</b>	<b>2,140</b>
Add back: integration-related expenses <sup>(1)</sup>	65	218	68	40	30
Add back: special items <sup>(2)</sup>	42	—	(37)	108	11
<b>Adjusted EBITDA excluding integration-related expenses and special items</b>	<b>\$ 2,181</b>	<b>2,210</b>	<b>2,140</b>	<b>2,155</b>	<b>2,181</b>
<b>Total revenues</b>	<b>\$ 5,945</b>	<b>6,005</b>	<b>6,033</b>	<b>6,040</b>	<b>6,050</b>
<b>Adjusted EBITDA margin</b>	<b>34.9 %</b>	<b>33.2 %</b>	<b>35.0 %</b>	<b>33.2 %</b>	<b>35.4 %</b>
<b>Adjusted EBITDA excluding integration-related expenses and special items margin</b>	<b>36.7 %</b>	<b>36.8 %</b>	<b>35.5 %</b>	<b>35.7 %</b>	<b>36.0 %</b>

<sup>(1)</sup> Q1 2018 integration-related expenses include \$65 million of expenses that impact adjusted EBITDA and \$6 million of additional expenses that impact net income.

<sup>(2)</sup> Refer to *Non-GAAP Special Items* table for details of the integration-related expenses and special items included above.

**CenturyLink, Inc.**  
LTM Adjusted EBITDA  
(UNAUDITED)  
(\$ in millions)

	Actual	Pro Forma		Total LTM Pro Forma Adjusted	
	1Q18	4Q17	3Q17		2Q17
Total revenues	5,945	6,005	6,033	6,040	24,023
Cost of services and products	2,803	2,840	2,914	2,868	11,425
Selling, general and administrative expenses	1,109	1,227	1,064	1,251	4,651
Add back: Stock-based compensation expense	41	54	54	61	210
Less estimated net costs of colocation sold to Cyxtera and not retained	—	—	—	(25)	(25)
<b>Adjusted EBITDA</b>	<b>2,074</b>	<b>1,992</b>	<b>2,109</b>	<b>2,007</b>	<b>8,182</b>
Add back: integration-related expenses	65	218	68	40	391
Add back: special items	42	—	(37)	108	113
<b>Adjusted EBITDA excluding integration-related expenses and special items</b>	<b>2,181</b>	<b>2,210</b>	<b>2,140</b>	<b>2,155</b>	<b>8,686</b>

**CenturyLink, Inc.**

Net Debt to LTM Adjusted EBITDA ratio as of March 31, 2018

(UNAUDITED)

(\$ in millions)

Gross debt	\$	37,703
Cash and cash equivalents		<u>(501)</u>
Net debt	\$	<u><u>37,202</u></u>
Adjusted EBITDA excluding integration-related expenses and special items <sup>(1)</sup>		<u><u>8,686</u></u>
Net debt to LTM adjusted EBITDA ratio		<u><u>4.3</u></u>

<sup>(1)</sup> Please refer to the computation on Tab LTM Adjusted EBITDA.



**CenturyLink, Inc.**  
**2018 OUTLOOK**  
(UNAUDITED)  
(\$ in millions)

**Adjusted EBITDA Outlook**

Twelve Months Ended December 31, 2018

	<b>Range</b>	
	<b>Low</b>	<b>High</b>
<b>Net Income</b>	<b>\$ 470</b>	<b>950</b>
Income Tax Expense	170	310
Total Other Expense	2,300	2,200
Depreciation and Amortization Expense	5,300	5,100
Non-Cash Compensation Expense	210	190
Integration-related expenses	300	200
<b>Adjusted EBITDA</b>	<b>8,750</b>	<b>8,950</b>

**Free Cash Flow Outlook**

Twelve Months Ended December 31, 2018

	<b>Range</b>	
	<b>Low</b>	<b>High</b>
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 7,050</b>	<b>7,150</b>
Capital Expenditures, excluding integration-related capital expenditures	(3,900)	(3,800)
<b>Free Cash Flow</b>	<b>3,150</b>	<b>3,350</b>