



# CenturyLink, Inc.

## Quarterly Earnings Supplement

As of March 31, 2014

**Disclosures:**

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

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

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

	Actual 2Q12	Actual 3Q12	Actual 4Q12	Actual 1Q13	Actual 2Q13	Actual 3Q13	Actual 4Q13	Actual 1Q14
<b>CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS)</b>								
OPERATING REVENUES								
Strategic services	\$ 2,094	2,119	2,144	2,164	2,186	2,212	2,261	2,281
Legacy services	2,082	2,027	1,983	1,952	1,923	1,892	1,849	1,829
Data integration	170	168	189	140	167	163	186	174
Other	266	257	267	257	249	248	246	254
Total Operating Revenues	4,612	4,571	4,583	4,513	4,525	4,515	4,542	4,538
OPERATING EXPENSES								
Cash expenses	2,747	2,691	2,697	2,614	2,687	2,965	2,743	2,778
Depreciation and amortization	1,208	1,144	1,220	1,117	1,123	1,135	1,166	1,107
Impairment of goodwill						1,100	(8)	-
Total Operating Expenses	3,955	3,835	3,917	3,731	3,810	5,200	3,901	3,885
OPERATING INCOME (LOSS)	657	736	666	782	715	(685)	641	653
OPERATING CASH FLOW								
Operating Cash Flow Margin	40.4%	41.1%	41.2%	42.1%	40.6%	34.3%	39.6%	38.8%
OTHER INCOME (EXPENSE)								
Interest expense	(335)	(326)	(315)	(316)	(325)	(329)	(328)	(331)
Other income (expense)	(199)	12	23	39	4	9	17	9
Income tax expense	(49)	(152)	(141)	(207)	(125)	(40)	(91)	(128)
NET INCOME (LOSS)	\$ 74	270	233	298	269	(1,045)	239	203
EARNINGS (LOSS) PER COMMON SHARE-DILUTED*	\$ 0.12	0.43	0.37	0.48	0.44	(1.76)	0.41	0.35
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING-DILUTED*	621.8	623.3	623.7	621.1	605.6	594.6	586.4	575.5

\* For the three months ended September 30, 2013, CenturyLink excluded from the calculation of diluted loss per share, 1.37 million shares potentially issuable under incentive compensation plans and convertible securities, as their effect, if included, would have been anti-dilutive.

**CenturyLink, Inc.**

## CONDENSED CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

*(Dollars in millions)*

	<u>March 31,</u> <u>2013</u>	<u>June 30,</u> <u>2013</u>	<u>September 30,</u> <u>2013</u>	<u>December 31,</u> <u>2013</u>	<u>March 31,</u> <u>2014</u>
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 476	214	266	168	219
Other current assets	3,424	3,459	3,571	3,739	3,529
Total current assets	<u>3,900</u>	<u>3,673</u>	<u>3,837</u>	<u>3,907</u>	<u>3,748</u>
NET PROPERTY, PLANT AND EQUIPMENT					
Property, plant and equipment	32,407	33,034	33,724	34,307	34,847
Accumulated depreciation	(13,710)	(14,384)	(15,059)	(15,661)	(16,354)
Net property, plant and equipment	<u>18,697</u>	<u>18,650</u>	<u>18,665</u>	<u>18,646</u>	<u>18,493</u>
GOODWILL AND OTHER ASSETS					
Goodwill	21,628	21,639	20,532	20,674	20,674
Other, net	9,424	9,212	8,870	8,560	8,251
Total goodwill and other assets	<u>31,052</u>	<u>30,851</u>	<u>29,402</u>	<u>29,234</u>	<u>28,925</u>
TOTAL ASSETS	<u>\$ 53,649</u>	<u>53,174</u>	<u>51,904</u>	<u>51,787</u>	<u>51,166</u>
LIABILITIES AND STOCKHOLDERS' EQUITY					
CURRENT LIABILITIES					
Current maturities of long-term debt	\$ 1,193	302	191	785	1,126
Other current liabilities	3,390	3,446	3,787	3,624	3,495
Total current liabilities	<u>4,583</u>	<u>3,748</u>	<u>3,978</u>	<u>4,409</u>	<u>4,621</u>
LONG-TERM DEBT	19,595	20,283	20,391	20,181	19,814
DEFERRED CREDITS AND OTHER LIABILITIES	10,615	10,743	10,821	10,006	9,933
STOCKHOLDERS' EQUITY	<u>18,856</u>	<u>18,400</u>	<u>16,714</u>	<u>17,191</u>	<u>16,798</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 53,649</u>	<u>53,174</u>	<u>51,904</u>	<u>51,787</u>	<u>51,166</u>

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

**CenturyLink, Inc.**

 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 (UNAUDITED)

(Dollars in millions)

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

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

**CenturyLink, Inc.**

CONDENSED CONSOLIDATED STATEMENTS OF INCOME, EXCLUDING SPECIAL ITEMS - NON-GAAP\*  
(UNAUDITED)

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

	Actual 2Q12	Actual 3Q12	Actual 4Q12	Actual 1Q13	Actual 2Q13	Actual 3Q13	Actual 4Q13	Actual 1Q14
<b>CONDENSED CONSOLIDATED STATEMENTS OF INCOME</b>								
<b>OPERATING REVENUES</b>								
Strategic services	\$ 2,094	2,119	2,144	2,164	2,186	2,212	2,261	2,281
Legacy services	2,082	2,027	1,983	1,952	1,923	1,892	1,849	1,829
Data integration	170	168	189	140	167	163	186	174
Other	266	257	267	257	249	248	246	254
Total Operating Revenues	4,612	4,571	4,583	4,513	4,525	4,515	4,542	4,538
<b>OPERATING EXPENSES</b>								
Cash expenses	2,712	2,672	2,670	2,580	2,667	2,710	2,706	2,750
Depreciation and amortization	1,208	1,189	1,220	1,117	1,123	1,135	1,166	1,107
Total Operating Expenses	3,920	3,861	3,890	3,697	3,790	3,845	3,872	3,857
OPERATING INCOME	692	710	693	816	735	670	670	681
<b>OPERATING CASH FLOW</b>								
Operating Cash Flow Margin	41.2%	41.5%	41.7%	42.8%	41.1%	40.0%	40.4%	39.4%
<b>OTHER INCOME (EXPENSE)</b>								
Interest expense	(335)	(326)	(315)	(316)	(325)	(329)	(328)	(331)
Other income (expense)	3	6	5	2	4	9	7	9
Income tax expense	(142)	(153)	(143)	(199)	(165)	(139)	(124)	(139)
NET INCOME	\$ 218	237	240	303	249	211	225	220
EARNINGS PER COMMON SHARE-DILUTED	\$ 0.35	0.38	0.38	0.49	0.41	0.35	0.38	0.38
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING-DILUTED	621.8	623.3	623.7	621.1	605.6	595.7	586.4	575.5

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

**CenturyLink, Inc.**

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

(UNAUDITED)

(Dollars in millions)

	Actual 2Q12	Actual 3Q12	Actual 4Q12	Actual 1Q13	Actual 2Q13	Actual 3Q13	Actual 4Q13	Actual 1Q14
ADJUSTMENTS TO OPERATING EXPENSES								
Cash expenses	\$ (35) (A)	(19) (C)	(27) (F)	(34) (H)	(20) (J)	(255) (K)	(37) (M)	(28) (O)
Depreciation and amortization	-	45 (D)	-	-	-	-	-	-
Impairment of goodwill						(1,100) (L)	8 (L)	-
Total Operating Expenses	(35)	26	(27)	(34)	(20)	(1,355)	(29)	(28)
ADJUSTMENTS TO OPERATING INCOME	35	(26)	27	34	20	1,355	29	28
ADJUSTMENTS TO OTHER INCOME OR EXPENSE								
Interest expense	-	-	-	-	-	-	-	-
Other income or expense	202 (B)	(6) (E)	(18) (G)	(37) (I)	-	-	(10) (N)	-
Income tax expense or benefit	(93) (P)	(1) (P)	(2) (P)	8 (P)	(40) (P)	(99) (P)	(33) (P)	(11) (P)
ADJUSTMENTS TO NET INCOME OR LOSS	\$ 144	(33)	7	5	(20)	1,256	(14)	17

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

**Summary description of special items:**

- (A) Includes severance costs associated with reduction in force initiatives (\$23 million), integration, severance, and retention costs associated with our acquisition of Qwest (\$10 million) and integration, severance, and retention costs associated with our acquisition of Savvis (\$2 million).
- (B) Loss associated with early retirement of debt.
- (C) Includes severance costs associated with reduction in force initiatives (\$2 million), integration, severance, and retention costs associated with our acquisition of Qwest (\$16 million) and integration, severance, and retention costs associated with our acquisition of Savvis (\$4 million); partially offset with a \$3 million credit related to tax incentives for the Embarq integration.
- (D) Out-of-period depreciation adjustment (\$45 million) to correct an overstatement of depreciation.
- (E) Gain on the sale of a non-operating investment (\$6 million).
- (F) Includes severance costs associated with reduction in force initiatives (\$13 million), integration, severance, and retention costs associated with our acquisition of Qwest (\$9 million) and integration, severance, and retention costs associated with our acquisition of Savvis (\$5 million).
- (G) Gain on the sale of a non-operating investment (\$3 million) and early retirement of debt (\$15 million).
- (H) Includes severance costs associated with headcount reductions (\$7 million), integration, severance, and retention costs associated with our acquisition of Qwest (\$7 million), integration, severance, and retention costs associated with our acquisition of Savvis (\$3 million) and an accounting adjustment (\$17 million).
- (I) Gain on the sale of a non-operating investment (\$32 million) and settlements of other non-operating issues (\$5 million).
- (J) Includes severance costs associated with headcount reductions (\$4 million), integration, severance, and retention costs associated with our acquisition of Qwest (\$11 million), integration, severance, and retention costs associated with our acquisition of Savvis (\$4 million) and an accounting adjustment (\$1 million).
- (K) Includes a litigation reserve (\$233 million), severance costs associated with headcount reductions (\$3 million), integration, severance, and retention costs associated with our acquisition of Qwest (\$9 million), integration, severance, and retention costs associated with our acquisition of Savvis (\$1 million) and an impairment of an office building (\$9 million).
- (L) Non-cash, non-tax deductible goodwill impairment charge of (\$1.1 billion) in third quarter 2013 and \$8 million in fourth quarter 2013.
- (M) Includes the Communications Workers of America contract ratification bonus (\$6 million), severance costs associated with headcount reductions (\$13 million), integration, severance, and retention costs associated with our acquisition of Qwest (\$20 million) and integration, severance, and retention costs associated with our acquisition of Savvis \$2 million.
- (N) Gain on early retirement of debt
- (O) 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.
- (P) Tax effect of above items. Third quarter 2012 includes a benefit from the reversal of a valuation allowance (\$11 million), fourth quarter 2012 includes a benefit from the reversal of a valuation allowance and the effect of a rate adjustment on the first three quarters of year (\$3 million), second quarter 2013 includes a favorable federal income tax settlement (\$33 million) and fourth quarter 2013 includes a release of a tax reserve (\$22 million).

**CenturyLink, Inc.**

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

(UNAUDITED)

*(Dollars in millions)*

	Actual 2Q12	Actual 3Q12	Actual 4Q12	Actual 1Q13	Actual 2Q13	Actual 3Q13	Actual 4Q13	Actual 1Q14
<b><u>Operating Cash Flow and Cash Flow Margin</u></b>								
Operating Income, excluding special items*	\$ 692	710	693	816	735	670	670	681
Add: Depreciation and amortization	1,208	1,189	1,220	1,117	1,123	1,135	1,166	1,107
Operating cash flow	\$ 1,900	1,899	1,913	1,933	1,858	1,805	1,836	1,788
Operating Revenues	\$ 4,612	4,571	4,583	4,513	4,525	4,515	4,542	4,538
Operating cash flow margin (operating cash flow divided by revenues)	41.2%	41.5%	41.7%	42.8%	41.1%	40.0%	40.4%	39.4%
<b><u>Free Cash Flow</u></b>								
Operating cash flow	\$ 1,900	1,899	1,913	1,933	1,858	1,805	1,836	1,788
Less: Cash (paid) refunded for income taxes	(30)	(28)	(23)	(8)	(38)	1	(3)	(10)
Less: Cash paid for interest, net of amounts capitalized	(485)	(268)	(408)	(265)	(382)	(268)	(419)	(265)
Less: Capital expenditures, excluding expenditures related to integration efforts	(609)	(704)	(877)	(656)	(739)	(786)	(820)	(662)
Add: Other income (expense)	3	6	5	2	4	9	7	9
Free cash flow	\$ 779	905	610	1,006	703	761	601	860

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

**CenturyLink, Inc.**

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

(UNAUDITED)

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

		Actual 2Q12	Actual 3Q12	Actual 4Q12	Actual 1Q13	Actual 2Q13	Actual 3Q13	Actual 4Q13	Actual 1Q14
Net income (excluding special items**)	\$	218	237	240	303	249	211	225	220
Add back:									
Amortization of customer base intangibles:									
Qwest		244	241	237	234	230	226	223	219
Embarq		39	34	34	34	34	29	30	29
Savvis		14	15	15	15	15	15	16	15
Amortization of trademark intangibles:									
Qwest		16	15	14	12	11	9	7	6
Savvis		3	2	2	2	2	2	15	5
Amortization of fair value adjustment of long-term debt:									
Embarq		1	1	1	1	1	1	1	1
Qwest		(20)	(20)	(18)	(17)	(17)	(14)	(14)	(12)
Subtotal		297	288	285	281	276	268	278	263
Tax effect of above items		(112)	(112)	(110)	(109)	(108)	(104)	(107)	(102)
Net adjustment, after taxes	\$	185	176	175	172	168	164	171	161
Net income, as adjusted for above items	\$	403	413	415	475	417	375	396	381
Weighted average common shares outstanding-diluted		621.8	623.3	623.7	621.1	605.6	595.7	586.4	575.5
Diluted EPS (excluding special items)	\$	0.35	0.38	0.38	0.49	0.41	0.35	0.38	0.38
Adjusted diluted EPS as adjusted for purchase accounting intangible and interest amortizations (excluding special items)	\$	0.65	0.66	0.67	0.76	0.69	0.63	0.68	0.66

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

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



**CenturyLink, Inc.**

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

(UNAUDITED)

(Dollars in millions)

	Actual 2Q12	Actual 3Q12	Actual 4Q12	Actual 1Q13*	Actual 2Q13*	Actual 3Q13*	Actual 4Q13*	Actual 1Q14
<b>Consumer</b>								
Revenues								
Strategic services	\$ 611	624	635	645	653	669	683	702
Legacy services	926	912	887	864	840	833	812	806
Data integration	3	-	2	2	1	1	1	1
Total Revenues	1,540	1,536	1,524	1,511	1,494	1,503	1,496	1,509
Expenses								
Direct expense	467	478	472	436	458	481	482	466
Allocated expense	123	127	125	113	116	124	121	117
Total expenses	590	605	597	549	574	605	603	583
Segment income	\$ 950	931	927	962	920	898	893	926
Segment income margin	61.7%	60.6%	60.8%	63.7%	61.6%	59.7%	59.7%	61.4%
<b>Business</b>								
Revenues								
Strategic services	\$ 587	600	598	614	615	638	644	655
Legacy services	784	774	761	753	744	744	734	731
Data integration	167	168	187	138	166	162	185	173
Total Revenues	1,538	1,542	1,546	1,505	1,525	1,544	1,563	1,559
Expenses								
Direct expense	804	795	814	753	804	816	850	854
Allocated expense	113	118	117	104	108	116	114	112
Total expenses	917	913	931	857	912	932	964	966
Segment income	\$ 621	629	615	648	613	612	599	593
Segment income margin	40.4%	40.8%	39.8%	43.1%	40.2%	39.6%	38.3%	38.0%
<b>Wholesale</b>								
Revenues								
Strategic services	\$ 573	568	571	571	571	563	581	570
Legacy services	372	341	335	335	339	315	303	292
Data integration	-	-	-	-	-	-	-	-
Total Revenues	945	909	906	906	910	878	884	862
Expenses								
Direct expense	45	38	39	30	50	46	44	41
Allocated expense	268	265	263	244	251	247	246	235
Total expenses	313	303	302	274	301	293	290	276
Segment income	\$ 632	606	604	632	609	585	594	586
Segment income margin	66.9%	66.7%	66.7%	69.8%	66.9%	66.6%	67.2%	68.0%
<b>Hosting</b>								
Revenues								
Strategic services	\$ 323	327	340	334	347	342	353	354
Total Revenues	323	327	340	334	347	342	353	354
Expenses								
Direct expense	186	193	203	209	215	219	229	238
Allocated expense	39	39	39	39	39	41	43	36
Total expenses	225	232	242	248	254	260	272	274
Segment income	\$ 98	95	98	86	93	82	81	80
Segment income margin	30.3%	29.1%	28.8%	25.7%	26.8%	24.0%	22.9%	22.6%
Total segment revenues	\$ 4,346	4,314	4,316	4,256	4,276	4,267	4,296	4,284
Total segment expenses	2,045	2,053	2,072	1,928	2,041	2,090	2,129	2,099
Total segment income	\$ 2,301	2,261	2,244	2,328	2,235	2,177	2,167	2,185
Total segment income margin (segment income divided by segment revenues)	52.9%	52.4%	52.0%	54.7%	52.3%	51.0%	50.4%	51.0%

\* During the first quarter of 2014, we adopted several changes with respect to the assignment of certain expenses to our segments. We have restated the previously reported segment results for the three months ended March 31, 2013 to conform to the current presentation. The nature of the most significant changes and the related effect on segment expenses for the three months ended March 31, 2013 are as follows:

- The method for allocating certain shared costs of consumer sales and care, including bad debt expense and credit card fees, was revised, which resulted in an increase in consumer segment expenses of \$20 million and a corresponding decrease in business segment expenses for the three months ended March 31, 2013; and
- Hosting segment expenses have been conformed to the reporting of our other segments' expenses. Specifically, our integration efforts and centralization of certain administrative functions reached the point where it has become more practical to discontinue including certain finance, information technology, legal and human resources expenses in the hosting segment, which resulted in a decrease of \$18 million in hosting segment expenses for the three months ended March 31, 2013.

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

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

**CenturyLink, Inc.**

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

(UNAUDITED)

*(Dollars in millions)*

	Actual 2Q12	Actual 3Q12	Actual 4Q12	Actual 1Q13	Actual 2Q13	Actual 3Q13	Actual 4Q13	Actual 1Q14
Total segment revenues	\$ 4,346	4,314	4,316	4,256	4,276	4,267	4,296	4,284
Total segment expenses	2,045	2,053	2,072	1,928	2,041	2,090	2,129	2,099
Total segment income	\$ 2,301	2,261	2,244	2,328	2,235	2,177	2,167	2,185
Total segment income margin (segment income divided by segment revenues)	52.9%	52.4%	52.0%	54.7%	52.3%	51.0%	50.4%	51.0%

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

Total segment income	\$ 2,301	2,261	2,244	2,328	2,235	2,177	2,167	2,185
Other revenue	266	257	267	257	249	248	246	254
Unassigned expenses	(667)	(619)	(598)	(652)	(626)	(620)	(577)	(651)
Operating Cash Flow	\$ 1,900	1,899	1,913	1,933	1,858	1,805	1,836	1,788
Depreciation and amortization	(1,208)	(1,189)	(1,220)	(1,117)	(1,123)	(1,135)	(1,166)	(1,107)
Total other expense	(332)	(320)	(310)	(314)	(321)	(320)	(321)	(322)
Income tax expense	(142)	(153)	(143)	(199)	(165)	(139)	(124)	(139)
Net Income	\$ 218	237	240	303	249	211	225	220

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

## CenturyLink, Inc.

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

(UNAUDITED)

(Dollars in millions)

#### Product View

	Actual 2Q12*	Actual 3Q12*	Actual 4Q12*	Actual 1Q13*	Actual 2Q13*	Actual 3Q13*	Actual 4Q13*	Actual 1Q14
Colocation	\$ 151	153	154	153	155	156	157	158
Managed Hosting **	111	113	126	126	135	129	143	142
Other	61	61	60	55	57	57	53	54
Total Data Center Revenue	\$ 323	327	340	334	347	342	353	354

#### Segment View

	Actual 2Q12*	Actual 3Q12*	Actual 4Q12*	Actual 1Q13*	Actual 2Q13*	Actual 3Q13*	Actual 4Q13*	Actual 1Q14
Business	\$ 45	46	48	43	52	47	55	60
Wholesale	3	2	2	2	2	2	2	2
Hosting	275	279	290	289	293	293	296	292
Total Data Center Revenue	\$ 323	327	340	334	347	342	353	354

#### Data Center Metrics

	Actual 2Q12	Actual 3Q12	Actual 4Q12	Actual 1Q13	Actual 2Q13	Actual 3Q13*	Actual 4Q13*	Actual 1Q14
Number of data centers***	52	53	54	54	55	55	55	56
Revenue square feet, million sq ft	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4
Billable square feet, million sq ft	1.0	1.0	1.0	1.0	1.0	1.0	1.0	0.9
Utilization	71%	71%	72%	71%	70%	68%	69%	66%

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

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

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