CenturyLink, Inc.

CONSOLIDATED STATEMENTS OF INCOME

THREE MONTHS ENDED DECEMBER 31, 2014 AND 2013

(UNAUDITED)

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

	Three months ended December 31, 2014				Three months ended December 31, 2013					
	As reported	Less special items		As adjusted excluding special items (Non-GAAP)	As reported	Less special items		As adjusted excluding special items (Non-GAAP)	Increase (decrease) as reported	Increase (decrease) excluding special items
OPERATING REVENUES										
Strategic	$ 2,311	—		2,311	2,261	—		2,261	2.2 %	2.2 %
Legacy	1,737	—		1,737	1,849	—		1,849	(6.1)%	(6.1)%
Data integration	144	—		144	186	—		186	(22.6)%	(22.6)%
Other	246	—		246	246	—		246	— %	— %
	4,438	—		4,438	4,542	—		4,542	(2.3)%	(2.3)%
OPERATING EXPENSES										
Cost of services and products	1,974	38	(1)	1,936	1,920	6	(3)	1,914	2.8 %	1.1 %
Selling, general and administrative	850	57	(1)	793	823	31	(3)	792	3.3 %	0.1 %
Depreciation and amortization	1,131	—		1,131	1,166	—		1,166	(3.0)%	(3.0)%
Impairment of goodwill	—	—		—	(8)	(8)	(4)	—	(100.0)%	— %
	3,955	95		3,860	3,901	29		3,872	1.4 %	(0.3)%
OPERATING INCOME	483	(95)		578	641	(29)		670	(24.6)%	(13.7)%
OTHER INCOME (EXPENSE)										
Interest expense	(330)	—		(330)	(328)	—		(328)	0.6 %	0.6 %
Other income, net	4	—		4	17	10	(5)	7	(76.5)%	(42.9)%
Income tax benefit (expense)	31	96	(2)	(65)	(91)	33	(6)	(124)	(134.1)%	(47.6)%
NET INCOME	$ 188	1		187	239	14		225	(21.3)%	(16.9)%
BASIC EARNINGS PER SHARE	$ 0.33	—		0.33	0.41	0.02		0.38	(19.5)%	(13.2)%
DILUTED EARNINGS PER SHARE	$ 0.33	—		0.33	0.41	0.02		0.38	(19.5)%	(13.2)%
AVERAGE SHARES OUTSTANDING										
Basic	565,327			565,327	585,259			585,259	(3.4)%	(3.4)%
Diluted	567,035			567,035	586,382			586,382	(3.3)%	(3.3)%
DIVIDENDS PER COMMON SHARE	$ 0.54			0.54	0.54			0.54	— %	— %

SPECIAL ITEMS

(1) - Includes severance costs associated with recent headcount reductions ($22 million), integration costs associated with our acquisition of Qwest ($10 million) and a pension settlement charge ($63 million).

(2) - Income tax benefit of Item (1) and a favorable income tax adjustment of $60 million.

(3) - Includes the Communications Workers of America contract ratification bonus ($6 million), severance costs associated with reduction in force initiatives ($13 million), integration, severance, and retention costs associated with our acquisition of Qwest ($20 million) and integration and severance costs associated with our acquisition of Savvis $2 million.

(4) - Non-cash, non-tax deductible goodwill impairment adjustment.

(5) - Gain on early retirement of debt.

(6) - Income tax benefit of Items (3) and (5) and release of tax reserve ($22 million).

CenturyLink, Inc.

CONSOLIDATED STATEMENTS OF INCOME (LOSS)

TWELVE MONTHS ENDED DECEMBER 31, 2014 AND 2013

(UNAUDITED)

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

	Twelve months ended December 31, 2014				Twelve months ended December 31, 2013					
	As reported	Less special items		As adjusted excluding special items (Non-GAAP)	As reported	Less special items		As adjusted excluding special items (Non-GAAP)	Increase (decrease) as reported	Increase (decrease) excluding special items
OPERATING REVENUES										
Strategic	$ 9,200	—		9,200	8,823	—		8,823	4.3 %	4.3 %
Legacy	7,138	—		7,138	7,616	—		7,616	(6.3)%	(6.3)%
Data integration	690	—		690	656	—		656	5.2 %	5.2 %
Other	1,003	—		1,003	1,000	—		1,000	0.3 %	0.3 %
	18,031	—		18,031	18,095	—		18,095	(0.4)%	(0.4)%
OPERATING EXPENSES										
Cost of services and products	7,846	50	(1)	7,796	7,507	15	(4)	7,492	4.5 %	4.1 %
Selling, general and administrative	3,347	168	(1)	3,179	3,502	331	(4)	3,171	(4.4)%	0.3 %
Depreciation and amortization	4,428	—		4,428	4,541	—		4,541	(2.5)%	(2.5)%
Impairment of goodwill	—	—		—	1,092	1,092	(5)	—	(100.0)%	— %
	15,621	218		15,403	16,642	1,438		15,204	(6.1)%	1.3 %
OPERATING INCOME	2,410	(218)		2,628	1,453	(1,438)		2,891	65.9 %	(9.1)%
OTHER INCOME (EXPENSE)										
Interest expense	(1,311)	—		(1,311)	(1,298)	—		(1,298)	1.0 %	1.0 %
Other income, net	11	(14)	(2)	25	69	47	(6)	22	(84.1)%	13.6 %
Income tax expense	(338)	143	(3)	(481)	(463)	164	(7)	(627)	(27.0)%	(23.3)%
NET INCOME (LOSS)	$ 772	(89)		861	(239)	(1,227)		988	(423.0)%	(12.9)%
BASIC EARNINGS (LOSS) PER SHARE	$ 1.36	(0.16)		1.51	(0.40)	(2.04)		1.64	(440.0)%	(7.9)%
DILUTED EARNINGS (LOSS) PER SHARE	$ 1.36	(0.16)		1.51	(0.40)	(2.04)		1.64	(440.0)%	(7.9)%
AVERAGE SHARES OUTSTANDING										
Basic	568,435			568,435	600,892			600,892	(5.4)%	(5.4)%
Diluted	569,739			569,739	600,892			602,201	(5.2)%	(5.4)%
DIVIDENDS PER COMMON SHARE	$ 2.16			2.16	2.16			2.16	— %	— %

SPECIAL ITEMS

(1) - Includes severance costs associated with recent headcount reductions ($88 million), integration and retention costs associated with our acquisition of Qwest ($51 million), the impairment of two office buildings ($18 million) and a pension settlement charge ($63 million), less the offsetting impact of a litigation settlement in the amount of $2 million.

(2) - Impairment of a non-operating investment ($14 million).

(3) - Income tax benefit of Item (1) and a favorable income tax adjustment of $60 million.

(4) - Includes a litigation reserve ($233 million), the Communications Workers of America contract ratification bonus ($6 million), severance costs associated with reduction in force initiatives ($27 million), integration, severance and retention costs associated with our acquisition of Qwest ($47 million), integration, severance, and retention costs associated with our acquisition of Savvis ($6 million), an accounting adjustment ($18 million) and an impairment of an office building ($9 million).

(5) - Non-cash, non-tax deductible goodwill impairment charge.

(6) - Gain on the sale of a non-operating investment ($32 million), gain on early retirement of debt ($10 million) and settlements of other non-operating issues ($5 million).

(7) - Income tax benefit of Items (4) and (6), a favorable federal income tax settlement ($33 million) and release of a tax reserve ($22 million).

CenturyLink, Inc.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

(UNAUDITED)

(Dollars in millions)

	Three months ended December 31, 2014			Three months ended December 31, 2013		
	As reported	Less special items	As adjusted excluding special items	As reported	Less special items	As adjusted excluding special items
Operating cash flow and cash flow margin						
Operating income	$ 483	(95) (1)	578	641	(29) (2)	670
Add: Depreciation and amortization	1,131	—	1,131	1,166	—	1,166
Add: Impairment of goodwill	—	—	—	(8)	(8) (3)	—
Operating cash flow	$ 1,614	(95)	1,709	1,799	(37)	1,836
Revenues	$ 4,438	—	4,438	4,542	—	4,542
Operating income margin (operating income divided by revenues)	10.9%		13.0%	14.1%		14.8%
Operating cash flow margin (operating cash flow divided by revenues)	36.4%		38.5%	39.6%		40.4%
Free cash flow						
Operating cash flow			$ 1,709			1,836
Less: Cash paid for income taxes, net of refunds			(6)			(3)
Less: Cash paid for interest, net of amounts capitalized			(404)			(419)
Less: Capital expenditures (4)			(930)			(820)
Add: Other income			4			7
Free cash flow (5)			$ 373			601

SPECIAL ITEMS

(1) - Includes severance costs associated with recent headcount reductions ($22 million), integration costs associated with our acquisition of Qwest ($10 million) and a pension settlement charge ($63 million).

(2) - Includes a non-cash, non-tax deductible goodwill impairment charge of $8 million, the Communications Workers of America contract ratification bonus ($6 million), severance costs associated with reduction in force initiatives ($13 million), integration, severance, and retention costs associated with our acquisition of Qwest ($20 million) and integration and severance costs associated with our acquisition of Savvis $2 million.

(3) - Non-cash, non-tax deductible goodwill impairment charge.

(4) - Excludes $4 million in fourth quarter 2014 and $17 million in fourth quarter 2013 of capital expenditures related to the integration of Qwest and Savvis.

(5) - Excludes special items identified in items (1) to (3).

CenturyLink, Inc.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

(UNAUDITED)

(Dollars in millions)

	Twelve months ended December 31, 2014			Twelve months ended December 31, 2013		
	As reported	Less special items	As adjusted excluding special items	As reported	Less special items	As adjusted excluding special items
Operating cash flow and cash flow margin						
Operating income	$ 2,410	(218) (1)	2,628	1,453	(1,438) (2)	2,891
Add: Depreciation and amortization	4,428	—	4,428	4,541	—	4,541
Add: Impairment of goodwill	—	—	—	1,092	1,092 (3)	—
Operating cash flow	$ 6,838	(218)	7,056	7,086	(346)	7,432
Revenues	$ 18,031	—	18,031	18,095	—	18,095
Operating income margin (operating income divided by revenues)	13.4%		14.6%	8.0%		16.0%
Operating cash flow margin (operating cash flow divided by revenues)	37.9%		39.1%	39.2%		41.1%
Free cash flow						
Operating cash flow			$ 7,056			7,432
Less: Cash paid for income taxes, net of refunds			(27)			(48)
Less: Cash paid for interest, net of amounts capitalized			(1,338)			(1,334)
Less: Capital expenditures (4)			(3,026)			(3,001)
Add: Other income			25			22
Free cash flow (5)			$ 2,690			3,071

SPECIAL ITEMS

(1) - Includes severance costs associated with recent headcount reductions ($88 million), integration and retention costs associated with our acquisition of Qwest ($51 million), the impairment of two office buildings ($18 million) and a pension settlement charge ($63 million), less the offsetting impact of a litigation settlement in the amount of $2 million.

(2) - Includes a non-cash, non-tax deductible goodwill impairment charge of ($1.092 billion), a litigation reserve ($233 million), the Communications Workers of America contract ratification bonus ($6 million), severance costs associated with reduction in force initiatives ($27 million), integration, severance and retention costs associated with our acquisition of Qwest ($47 million), integration, severance, and retention costs associated with our acquisition of Savvis ($6 million), an accounting adjustment ($18 million) and an impairment of an office building ($9 million).

(3) - Non-cash, non-tax deductible goodwill impairment charge.

(4) - Excludes $21 million in 2014 and $47 million in 2013 of capital expenditures related to the integration of Qwest and Savvis.

(5) - Excludes special items identified in items (1) to (3).

CenturyLink, Inc.

SUPPLEMENTAL NON-GAAP INFORMATION - ADJUSTED DILUTED EPS

THREE MONTHS ENDED DECEMBER 31, 2014 AND 2013 AND TWELVE MONTHS ENDED DECEMBER 31, 2014 AND 2013

(UNAUDITED)

(Dollars in millions, except per share amounts)

	Three months ended		Twelve months ended	
	December 31, 2014 (excluding special items)	**December 31, 2013 (excluding special items)**	**December 31, 2014 (excluding special items)**	**December 31, 2013 (excluding special items)**
Net income *	$ 187	225	861	988
Add back:				
Amortization of customer base intangibles:				
Qwest	209	223	856	913
Embarq	25	30	108	127
Savvis	16	16	62	61
Amortization of trademark intangibles:				
Qwest	2	7	17	39
Savvis	—	15	5	21
Amortization of fair value adjustment of long-term debt:				
Embarq	1	1	5	4
Qwest	(6)	(14)	(42)	(62)
Subtotal	247	278	1,011	1,103
Tax effect of above items	(94)	(107)	(384)	(428)
Net adjustment, after taxes	153	171	627	675
Net income, as adjusted for above items	$ 340	396	1,488	1,663
Weighted average diluted shares outstanding	567.0	586.4	569.7	602.2
Diluted EPS (excluding special items)	$ 0.33	0.38	1.51	1.64
Adjusted diluted EPS as adjusted for the above-listed purchase accounting intangible and interest amortizations (excluding special items)	$ 0.60	0.68	2.61	2.76

The above schedule presents adjusted net income and adjusted diluted earnings per share (both excluding special items) by adding back to net income and diluted earnings per share 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. Such presentation is not in accordance with generally accepted accounting principles but management believes the presentation is useful to analysts and investors to understand the impacts of growing our business through acquisitions.

*See preceding schedules for a summary description of special items.