



CenturyLink, Inc.

Quarterly Earnings Supplement

As of December 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 1Q13 | Actual 2Q13 | Actual 3Q13 | Actual 4Q13 | Actual 1Q14 | Actual 2Q14 | Actual 3Q14 | Actual 4Q14 |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS) | | | | | | | | |
| OPERATING REVENUES | | | | | | | | |
| Strategic services | \$ 2,164 | 2,186 | 2,212 | 2,261 | 2,281 | 2,298 | 2,310 | 2,311 |
| Legacy services | 1,952 | 1,923 | 1,892 | 1,849 | 1,829 | 1,803 | 1,769 | 1,737 |
| Data integration | 140 | 167 | 163 | 186 | 174 | 187 | 185 | 144 |
| Other | 257 | 249 | 248 | 246 | 254 | 253 | 250 | 246 |
| Total Operating Revenues | 4,513 | 4,525 | 4,515 | 4,542 | 4,538 | 4,541 | 4,514 | 4,438 |
| OPERATING EXPENSES | | | | | | | | |
| Cash expenses | 2,614 | 2,687 | 2,965 | 2,743 | 2,778 | 2,793 | 2,798 | 2,824 |
| Depreciation and amortization | 1,117 | 1,123 | 1,135 | 1,166 | 1,107 | 1,093 | 1,097 | 1,131 |
| Impairment of goodwill | — | — | 1,100 | (8) | — | — | — | — |
| Total Operating Expenses | 3,731 | 3,810 | 5,200 | 3,901 | 3,885 | 3,886 | 3,895 | 3,955 |
| OPERATING INCOME (LOSS) | 782 | 715 | (685) | 641 | 653 | 655 | 619 | 483 |
| OPERATING CASH FLOW | 1,899 | 1,838 | 1,550 | 1,799 | 1,760 | 1,748 | 1,716 | 1,614 |
| Operating Cash Flow Margin | 42.1% | 40.6% | 34.3% | 39.6% | 38.8% | 38.5% | 38.0% | 36.4% |
| OTHER INCOME (EXPENSE) | | | | | | | | |
| Interest expense | (316) | (325) | (329) | (328) | (331) | (325) | (325) | (330) |
| Other income (expense) | 39 | 4 | 9 | 17 | 9 | (7) | 5 | 4 |
| Income tax (expense) benefit | (207) | (125) | (40) | (91) | (128) | (130) | (111) | 31 |
| NET INCOME (LOSS) | \$ 298 | 269 | (1,045) | 239 | 203 | 193 | 188 | 188 |
| EARNINGS (LOSS) PER COMMON SHARE-DILUTED* | \$ 0.48 | 0.44 | (1.76) | 0.41 | 0.35 | 0.34 | 0.33 | 0.33 |
| WEIGHTED AVERAGE COMMON SHARES OUTSTANDING-DILUTED* | 621.1 | 605.6 | 594.6 | 586.4 | 575.5 | 569.0 | 567.4 | 567.0 |

* For the three months ended September 30, 2013, due to the net loss position, CenturyLink excluded from the calculation of diluted loss per share 1.16 million shares which were potentially issuable under incentive compensation plans or convertible securities, as their effect, if included, would have been anti-dilutive.

CenturyLink, Inc.

CONDENSED CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

(Dollars in millions)

| | <u>December 31, 2013</u> | <u>March 31, 2014</u> | <u>June 30, 2014</u> | <u>September 30, 2014</u> | <u>December 31, 2014</u> |
|--|------------------------------|---------------------------|--------------------------|-------------------------------|------------------------------|
| ASSETS | | | | | |
| CURRENT ASSETS | | | | | |
| Cash and cash equivalents | \$ 168 | 219 | 181 | 734 | 128 |
| Other current assets | 3,739 | 3,529 | 3,417 | 3,284 | 3,448 |
| Total current assets | <u>3,907</u> | <u>3,748</u> | <u>3,598</u> | <u>4,018</u> | <u>3,576</u> |
| NET PROPERTY, PLANT AND EQUIPMENT | | | | | |
| Property, plant and equipment | 34,307 | 34,847 | 35,404 | 35,970 | 36,718 |
| Accumulated depreciation | (15,661) | (16,354) | (16,969) | (17,647) | (18,285) |
| Net property, plant and equipment | <u>18,646</u> | <u>18,493</u> | <u>18,435</u> | <u>18,323</u> | <u>18,433</u> |
| GOODWILL AND OTHER ASSETS | | | | | |
| Goodwill | 20,674 | 20,674 | 20,674 | 20,664 | 20,755 |
| Other, net | 8,560 | 8,251 | 7,907 | 7,641 | 7,383 |
| Total goodwill and other assets | <u>29,234</u> | <u>28,925</u> | <u>28,581</u> | <u>28,305</u> | <u>28,138</u> |
| TOTAL ASSETS | <u>\$ 51,787</u> | <u>51,166</u> | <u>50,614</u> | <u>50,646</u> | <u>50,147</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | | | |
| CURRENT LIABILITIES | | | | | |
| Current maturities of long-term debt | \$ 785 | 1,126 | 1,188 | 1,169 | 550 |
| Other current liabilities | 3,624 | 3,495 | 3,255 | 3,408 | 3,368 |
| Total current liabilities | <u>4,409</u> | <u>4,621</u> | <u>4,443</u> | <u>4,577</u> | <u>3,918</u> |
| LONG-TERM DEBT | 20,181 | 19,814 | 19,771 | 19,982 | 20,121 |
| DEFERRED CREDITS AND OTHER LIABILITIES | 10,006 | 9,933 | 9,802 | 9,642 | 11,085 |
| STOCKHOLDERS' EQUITY | <u>17,191</u> | <u>16,798</u> | <u>16,598</u> | <u>16,445</u> | <u>15,023</u> |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | <u>\$ 51,787</u> | <u>51,166</u> | <u>50,614</u> | <u>50,646</u> | <u>50,147</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> | <u>Q2 2014</u> | <u>Q3 2014</u> | <u>Q4 2014</u> |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| OPERATING ACTIVITIES | | | | | | | | |
| Net income (loss) | \$ 298 | 269 | (1,045) | 239 | 203 | 193 | 188 | 188 |
| 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 | 1,093 | 1,097 | 1,131 |
| Impairment of assets | — | — | — | — | — | 32 | — | — |
| Impairment of goodwill | — | — | 1,100 | (8) | — | — | — | — |
| Deferred income taxes | 166 | 141 | 43 | 41 | 106 | 102 | 93 | (10) |
| Provision for uncollectible accounts | 27 | 38 | 46 | 41 | 30 | 33 | 47 | 49 |
| Gain on intangible assets | (32) | — | — | — | — | — | — | — |
| Net gain on early retirement of debt | — | — | — | (10) | — | — | — | — |
| Share based compensation | 18 | 17 | 15 | 21 | 19 | 23 | 20 | 17 |
| Changes in current assets and current liabilities, net | (29) | (70) | 327 | (225) | (47) | (317) | 140 | (223) |
| Retirement benefits | (178) | (42) | (68) | (54) | (28) | (74) | (153) | 71 |
| Changes in other noncurrent assets and liabilities, net | 14 | 34 | 22 | (51) | 3 | 63 | — | 33 |
| Other, net | (14) | (41) | (13) | (19) | (13) | (19) | (4) | (5) |
| 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> | <u>1,129</u> | <u>1,428</u> | <u>1,251</u> |
| INVESTING ACTIVITIES | | | | | | | | |
| Payments for property, plant and equipment and capitalized software | (663) | (747) | (801) | (837) | (670) | (731) | (712) | (934) |
| Cash paid for acquisitions, net | — | — | (10) | (150) | — | — | — | (93) |
| Proceeds from sale of property or intangible assets | 75 | — | — | 5 | 1 | (1) | — | 63 |
| Other, net | 4 | 19 | (4) | (39) | (13) | (5) | 18 | — |
| Net cash used in investing activities | <u>(584)</u> | <u>(728)</u> | <u>(815)</u> | <u>(1,021)</u> | <u>(682)</u> | <u>(737)</u> | <u>(694)</u> | <u>(964)</u> |
| FINANCING ACTIVITIES | | | | | | | | |
| Net proceeds from issuance of long-term debt | 988 | 752 | — | 741 | — | — | 483 | — |
| Payments of long-term debt | (56) | (962) | (151) | (841) | (47) | (74) | (41) | (638) |
| Net (payments) borrowings on credit facility | (745) | (30) | 155 | 525 | 30 | 90 | (260) | 136 |
| Early retirement of debt costs | — | — | — | (31) | — | — | — | — |
| Dividends paid | (341) | (320) | (325) | (315) | (309) | (307) | (308) | (304) |
| Net proceeds from issuance of common stock | 13 | 27 | 14 | 19 | 7 | 25 | 13 | 5 |
| Repurchase of common stock | (397) | (470) | (385) | (334) | (328) | (165) | (65) | (92) |
| Other, net | — | — | (3) | 18 | — | 1 | (3) | — |
| Net cash used in financing activities | <u>(538)</u> | <u>(1,003)</u> | <u>(695)</u> | <u>(218)</u> | <u>(647)</u> | <u>(430)</u> | <u>(181)</u> | <u>(893)</u> |
| Net increase (decrease) in cash and cash equivalents | 265 | (262) | 52 | (98) | 51 | (38) | 553 | (606) |
| Cash and cash equivalents at beginning of period | 211 | 476 | 214 | 266 | 168 | 219 | 181 | 734 |
| Cash and cash equivalents at end of period | <u>\$ 476</u> | <u>214</u> | <u>266</u> | <u>168</u> | <u>219</u> | <u>181</u> | <u>734</u> | <u>128</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 1Q13 | Actual 2Q13 | Actual 3Q13 | Actual 4Q13 | Actual 1Q14 | Actual 2Q14 | Actual 3Q14 | Actual 4Q14 |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| CONDENSED CONSOLIDATED STATEMENTS OF INCOME | | | | | | | | |
| OPERATING REVENUES | | | | | | | | |
| Strategic services | \$ 2,164 | 2,186 | 2,212 | 2,261 | 2,281 | 2,298 | 2,310 | 2,311 |
| Legacy services | 1,952 | 1,923 | 1,892 | 1,849 | 1,829 | 1,803 | 1,769 | 1,737 |
| Data integration | 140 | 167 | 163 | 186 | 174 | 187 | 185 | 144 |
| Other | 257 | 249 | 248 | 246 | 254 | 253 | 250 | 246 |
| Total Operating Revenues | 4,513 | 4,525 | 4,515 | 4,542 | 4,538 | 4,541 | 4,514 | 4,438 |
| OPERATING EXPENSES | | | | | | | | |
| Cash expenses | 2,580 | 2,667 | 2,710 | 2,706 | 2,750 | 2,728 | 2,768 | 2,729 |
| Depreciation and amortization | 1,117 | 1,123 | 1,135 | 1,166 | 1,107 | 1,093 | 1,097 | 1,131 |
| Total Operating Expenses | 3,697 | 3,790 | 3,845 | 3,872 | 3,857 | 3,821 | 3,865 | 3,860 |
| OPERATING INCOME | 816 | 735 | 670 | 670 | 681 | 720 | 649 | 578 |
| OPERATING CASH FLOW | 1,933 | 1,858 | 1,805 | 1,836 | 1,788 | 1,813 | 1,746 | 1,709 |
| Operating Cash Flow Margin | 42.8% | 41.1% | 40.0% | 40.4% | 39.4% | 39.9% | 38.7% | 38.5% |
| OTHER INCOME (EXPENSE) | | | | | | | | |
| Interest expense | (316) | (325) | (329) | (328) | (331) | (325) | (325) | (330) |
| Other income (expense) | 2 | 4 | 9 | 7 | 9 | 7 | 5 | 4 |
| Income tax expense | (199) | (165) | (139) | (124) | (139) | (155) | (122) | (65) |
| NET INCOME | \$ 303 | 249 | 211 | 225 | 220 | 247 | 207 | 187 |
| EARNINGS PER COMMON SHARE-DILUTED | \$ 0.49 | 0.41 | 0.35 | 0.38 | 0.38 | 0.43 | 0.36 | 0.33 |
| WEIGHTED AVERAGE COMMON SHARES OUTSTANDING-DILUTED | 621.1 | 605.6 | 595.7 | 586.4 | 575.5 | 569.0 | 567.4 | 567.0 |

*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)

| | <u>Actual 1Q13</u> | <u>Actual 2Q13</u> | <u>Actual 3Q13</u> | <u>Actual 4Q13</u> | <u>Actual 1Q14</u> | <u>Actual 2Q14</u> | <u>Actual 3Q14</u> | <u>Actual 4Q14</u> |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| ADJUSTMENTS TO OPERATING EXPENSES | | | | | | | | |
| Cash expenses | \$ (34) (A) | (20) (C) | (255) (D) | (37) (F) | (28) (H) | (65) (I) | (30) (K) | 95 (L) |
| Depreciation and amortization | — | — | — | — | — | — | — | — |
| Impairment of goodwill | — | — | (1,100) (E) | 8 (E) | — | — | — | — |
| Total Operating Expenses | <u>(34)</u> | <u>(20)</u> | <u>(1,355)</u> | <u>(29)</u> | <u>(28)</u> | <u>(65)</u> | <u>(30)</u> | <u>95</u> |
| ADJUSTMENTS TO OPERATING INCOME | | | | | | | | |
| | 34 | 20 | 1,355 | 29 | 28 | 65 | 30 | (95) |
| ADJUSTMENTS TO OTHER INCOME OR EXPENSE | | | | | | | | |
| Interest expense | — | — | — | — | — | — | — | — |
| Other income or expense | (37) (B) | — | — | (10) (G) | — | 14 (J) | — | — |
| Income tax expense or benefit | 8 (M) | (40) (M) | (99) (M) | (33) (M) | (11) (M) | (25) (M) | (11) (M) | 96 (M) |
| ADJUSTMENTS TO NET INCOME OR LOSS | <u>\$ 5</u> | <u>(20)</u> | <u>1,256</u> | <u>(14)</u> | <u>17</u> | <u>54</u> | <u>19</u> | <u>1</u> |

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

Summary description of special items:

- (A) Includes severance costs associated with headcount reductions (\$7 million), integration 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).
- (B) Gain on the sale of a non-operating investment (\$32 million) and settlements of other non-operating issues (\$5 million).
- (C) Includes severance costs associated with headcount reductions (\$4 million), integration and retention costs associated with our acquisition of Qwest (\$11 million), integration and severance costs associated with our acquisition of Savvis (\$4 million) and an accounting adjustment (\$1 million).
- (D) Includes a litigation reserve (\$233 million), severance costs associated with headcount reductions (\$3 million), integration and retention costs associated with our acquisition of Qwest (\$9 million), integration costs associated with our acquisition of Savvis (\$1 million) and an impairment of an office building (\$9 million).
- (E) Non-cash, non-tax deductible goodwill impairment charge.
- (F) Includes the Communications Workers of America contract ratification bonus (\$6 million), severance costs associated with headcount reductions (\$13 million), integration 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.
- (G) Gain on early retirement of debt.
- (H) 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.
- (I) 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).
- (J) Impairment of a non-operating investment.
- (K) Includes severance costs associated with headcount reductions (\$14 million) and integration costs associated with our acquisition of Qwest (\$16 million).
- (L) 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).
- (M) Tax effect of above items. Second quarter 2013 includes a favorable federal income tax settlement (\$33 million), fourth quarter 2013 includes a release of a tax reserve (\$22 million) and fourth quarter 2014 includes a favorable income tax adjustment of \$60 million.

CenturyLink, Inc.**OPERATING CASH FLOW, OPERATING CASH FLOW MARGIN AND FREE CASH FLOW, EXCLUDING SPECIAL ITEMS - NON-GAAP***

(UNAUDITED)

(Dollars in millions)

| | Actual 1Q13 | Actual 2Q13 | Actual 3Q13 | Actual 4Q13 | Actual 1Q14 | Actual 2Q14 | Actual 3Q14 | Actual 4Q14 |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| <u>Operating Cash Flow and Cash Flow Margin</u> | | | | | | | | |
| Operating Income, excluding special items* | \$ 816 | 735 | 670 | 670 | 681 | 720 | 649 | 578 |
| Add: Depreciation and amortization | 1,117 | 1,123 | 1,135 | 1,166 | 1,107 | 1,093 | 1,097 | 1,131 |
| Operating cash flow | <u>\$ 1,933</u> | <u>1,858</u> | <u>1,805</u> | <u>1,836</u> | <u>1,788</u> | <u>1,813</u> | <u>1,746</u> | <u>1,709</u> |
| Operating Revenues | <u>\$ 4,513</u> | <u>4,525</u> | <u>4,515</u> | <u>4,542</u> | <u>4,538</u> | <u>4,541</u> | <u>4,514</u> | <u>4,438</u> |
| Operating cash flow margin (operating cash flow divided by revenues) | 42.8% | 41.1% | 40.0% | 40.4% | 39.4% | 39.9% | 38.7% | 38.5% |
| <u>Free Cash Flow</u> | | | | | | | | |
| Operating cash flow | \$ 1,933 | 1,858 | 1,805 | 1,836 | 1,788 | 1,813 | 1,746 | 1,709 |
| Less: Cash (paid) refunded for income taxes | (8) | (38) | 1 | (3) | (10) | (13) | 2 | (6) |
| Less: Cash paid for interest, net of amounts capitalized | (265) | (382) | (268) | (419) | (265) | (407) | (262) | (404) |
| Less: Capital expenditures, excluding expenditures related to integration efforts | (656) | (739) | (786) | (820) | (662) | (723) | (711) | (930) |
| Add: Other income (expense) | 2 | 4 | 9 | 7 | 9 | 7 | 5 | 4 |
| Free cash flow | <u>\$ 1,006</u> | <u>703</u> | <u>761</u> | <u>601</u> | <u>860</u> | <u>677</u> | <u>780</u> | <u>373</u> |

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

CenturyLink, Inc.

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

(UNAUDITED)

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

| | | Actual 1Q13 | Actual 2Q13 | Actual 3Q13 | Actual 4Q13 | Actual 1Q14 | Actual 2Q14 | Actual 3Q14 | Actual 4Q14 |
|--|----|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Net income (excluding special items**) | \$ | 303 | 249 | 211 | 225 | 220 | 247 | 207 | 187 |
| Add back: | | | | | | | | | |
| Amortization of customer base intangibles: | | | | | | | | | |
| Qwest | | 234 | 230 | 226 | 223 | 219 | 216 | 212 | 209 |
| Embarq | | 34 | 34 | 29 | 30 | 29 | 30 | 24 | 25 |
| Savvis | | 15 | 15 | 15 | 16 | 15 | 16 | 15 | 16 |
| Amortization of trademark intangibles: | | | | | | | | | |
| Qwest | | 12 | 11 | 9 | 7 | 6 | 5 | 4 | 2 |
| Savvis | | 2 | 2 | 2 | 15 | 5 | — | — | — |
| Amortization of fair value adjustment of long-term debt: | | | | | | | | | |
| Embarq | | 1 | 1 | 1 | 1 | 1 | 2 | 1 | 1 |
| Qwest | | (17) | (17) | (14) | (14) | (12) | (12) | (12) | (6) |
| Subtotal | | 281 | 276 | 268 | 278 | 263 | 257 | 244 | 247 |
| Tax effect of above items | | (109) | (108) | (104) | (107) | (102) | (96) | (92) | (94) |
| Net adjustment, after taxes | | 172 | 168 | 164 | 171 | 161 | 161 | 152 | 153 |
| Net income, as adjusted for above items | \$ | 475 | 417 | 375 | 396 | 381 | 408 | 359 | 340 |
| Weighted average common shares outstanding-diluted | | 621.1 | 605.6 | 595.7 | 586.4 | 575.5 | 569.0 | 567.4 | 567.0 |
| Diluted EPS (excluding special items) | \$ | 0.49 | 0.41 | 0.35 | 0.38 | 0.38 | 0.43 | 0.36 | 0.33 |
| Adjusted diluted EPS as adjusted for purchase accounting intangible and interest amortizations (excluding special items) | \$ | 0.76 | 0.69 | 0.63 | 0.68 | 0.66 | 0.72 | 0.63 | 0.60 |

*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 1Q13** | Actual 2Q13** | Actual 3Q13** | Actual 4Q13** | Actual 1Q14* | Actual 2Q14* | Actual 3Q14* | Actual 4Q14 |
|--|------------------|------------------|------------------|------------------|-----------------|-----------------|-----------------|----------------|
| Business | | | | | | | | |
| Revenues | | | | | | | | |
| Strategic services | \$ 1,519 | 1,533 | 1,543 | 1,578 | 1,579 | 1,589 | 1,598 | 1,584 |
| Legacy services | 1,088 | 1,083 | 1,059 | 1,037 | 1,023 | 1,013 | 991 | 971 |
| Data integration | 138 | 166 | 162 | 185 | 173 | 186 | 184 | 143 |
| Total revenues | 2,745 | 2,782 | 2,764 | 2,800 | 2,775 | 2,788 | 2,773 | 2,698 |
| Expenses | | | | | | | | |
| Total expenses | 1,368 | 1,455 | 1,472 | 1,513 | 1,503 | 1,516 | 1,549 | 1,521 |
| Segment income | \$ 1,377 | 1,327 | 1,292 | 1,287 | 1,272 | 1,272 | 1,224 | 1,177 |
| Segment income margin | 50.2% | 47.7% | 46.7% | 46.0% | 45.8% | 45.6% | 44.1% | 43.6% |
| Consumer | | | | | | | | |
| Revenues | | | | | | | | |
| Strategic services | \$ 645 | 653 | 669 | 683 | 702 | 709 | 712 | 727 |
| Legacy services | 864 | 840 | 833 | 812 | 806 | 790 | 778 | 766 |
| Data integration | 2 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Total revenues | 1,511 | 1,494 | 1,503 | 1,496 | 1,509 | 1,500 | 1,491 | 1,494 |
| Expenses | | | | | | | | |
| Total expenses | 555 | 582 | 612 | 610 | 593 | 601 | 612 | 614 |
| Segment income | \$ 956 | 912 | 891 | 886 | 916 | 899 | 879 | 880 |
| Segment income margin | 63.3% | 61.0% | 59.3% | 59.2% | 60.7% | 59.9% | 59.0% | 58.9% |
| Segment income | \$ 1,377 | 1,327 | 1,292 | 1,287 | 1,272 | 1,272 | 1,224 | 1,177 |
| Segment income margin | 50.2% | 47.7% | 46.7% | 46.0% | 45.8% | 45.6% | 44.1% | 43.6% |
| Total segment revenues | \$ 4,256 | 4,276 | 4,267 | 4,296 | 4,284 | 4,288 | 4,264 | 4,192 |
| Total segment expenses | 1,923 | 2,037 | 2,084 | 2,123 | 2,096 | 2,117 | 2,161 | 2,135 |
| Total segment income | \$ 2,333 | 2,239 | 2,183 | 2,173 | 2,188 | 2,171 | 2,103 | 2,057 |
| Total segment income margin (segment income divided by segment revenues) | 54.8% | 52.4% | 51.2% | 50.6% | 51.1% | 50.6% | 49.3% | 49.1% |

* Effective November 1, 2014, we implemented a new organizational structure designed to strengthen our ability to attain our operational, strategic and financial goals. Prior to this reorganization, we recognized four segments: consumer, business, wholesale and hosting. As a result of this reorganization, we now report two segments: business and consumer, in our consolidated financial statements. We have restated prior periods to reflect the reorganization.

** 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.

See our SEC reports for further information.

*** 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 1Q13 | Actual 2Q13 | Actual 3Q13 | Actual 4Q13 | Actual 1Q14 | Actual 2Q14 | Actual 3Q14 | Actual 4Q14 |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Total segment revenues | \$ 4,256 | 4,276 | 4,267 | 4,296 | 4,284 | 4,288 | 4,264 | 4,192 |
| Total segment expenses | 1,923 | 2,037 | 2,084 | 2,123 | 2,096 | 2,117 | 2,161 | 2,135 |
| Total segment income | \$ 2,333 | 2,239 | 2,183 | 2,173 | 2,188 | 2,171 | 2,103 | 2,057 |
| Total segment income margin (segment income divided by segment revenues) | 54.8% | 52.4% | 51.2% | 50.6% | 51.1% | 50.6% | 49.3% | 49.1% |

Reconciliation of segment income to net income:

| | | | | | | | | |
|-------------------------------|----------|---------|---------|---------|---------|---------|---------|---------|
| Total segment income | \$ 2,333 | 2,239 | 2,183 | 2,173 | 2,188 | 2,171 | 2,103 | 2,057 |
| Other revenue | 257 | 249 | 248 | 246 | 254 | 253 | 250 | 246 |
| Unassigned expenses | (657) | (630) | (626) | (583) | (654) | (611) | (607) | (594) |
| Operating Cash Flow | \$ 1,933 | 1,858 | 1,805 | 1,836 | 1,788 | 1,813 | 1,746 | 1,709 |
| Depreciation and amortization | (1,117) | (1,123) | (1,135) | (1,166) | (1,107) | (1,093) | (1,097) | (1,131) |
| Total other expense | (314) | (321) | (320) | (321) | (322) | (318) | (320) | (326) |
| Income tax expense | (199) | (165) | (139) | (124) | (139) | (155) | (122) | (65) |
| Net Income | \$ 303 | 249 | 211 | 225 | 220 | 247 | 207 | 187 |

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

CenturyLink, Inc.

SUPPLEMENTAL NON-GAAP SEGMENT DATA, BUSINESS SEGMENT REVENUES

(UNAUDITED)

(Dollars in millions)

| | Actual 1Q13 | Actual 2Q13 | Actual 3Q13 | Actual 4Q13 | Actual 1Q14 | Actual 2Q14 | Actual 3Q14 | Actual 4Q14 |
|----------------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Revenues | | | | | | | | |
| High-bandwidth data services (1) | \$ 537 | 560 | 577 | 616 | 635 | 649 | 673 | 694 |
| Hosting services (2) | 302 | 313 | 319 | 324 | 329 | 329 | 331 | 327 |
| Other strategic services (3) | 16 | 14 | 16 | 15 | 1 | 22 | 30 | 22 |
| Low-bandwidth data services (4) | 664 | 646 | 631 | 623 | 614 | 589 | 564 | 541 |
| Legacy voice services | 742 | 735 | 731 | 710 | 711 | 700 | 692 | 677 |
| Other legacy services | 346 | 348 | 328 | 327 | 312 | 313 | 299 | 294 |
| Data integration | 138 | 166 | 162 | 185 | 173 | 186 | 184 | 143 |
| Total revenues | \$ 2,745 | 2,782 | 2,764 | 2,800 | 2,775 | 2,788 | 2,773 | 2,698 |

- (1) Includes MPLS, Ethernet and Wavelength revenue
- (2) Includes colocation, managed hosting and Hosted-Area Network (HAN) revenue. Excludes Wide-Area Network (WAN) revenue previously reported in total Hosting revenue
- (3) Includes primarily VoIP, video, IT services and deferred revenue recognition
- (4) Includes private line and high-speed Internet revenue

CenturyLink, Inc.SUPPLEMENTAL NON-GAAP SEGMENT DATA, HOSTING REVENUES AND OPERATING METRICS
(UNAUDITED)*(Dollars in millions)***Hosting Services Detail (1)**

| | Actual 1Q13 | Actual 2Q13 | Actual 3Q13 | Actual 4Q13 | Actual 1Q14 | Actual 2Q14 | Actual 3Q14 | Actual 4Q14 |
|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Colocation | \$ 153 | 156 | 157 | 157 | 161 | 159 | 164 | 160 |
| Managed Hosting/Cloud | 127 | 133 | 137 | 143 | 143 | 147 | 145 | 145 |
| Hosting Area Network | 22 | 24 | 25 | 24 | 25 | 23 | 22 | 22 |
| Total Hosting Services | \$ 302 | 313 | 319 | 324 | 329 | 329 | 331 | 327 |

Hosting Data Center Metrics

| | Actual 1Q13 | Actual 2Q13 | Actual 3Q13 | Actual 4Q13 | Actual 1Q14 | Actual 2Q14 | Actual 3Q14 | Actual 4Q14 |
|-------------------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Number of data centers (2) | 54 | 55 | 55 | 55 | 56 | 57 | 58 | 58 |
| Sellable square feet, million sq ft | 1.39 | 1.43 | 1.44 | 1.39 | 1.42 | 1.43 | 1.45 | 1.46 |
| Billed square feet, million sq ft | 0.99 | 1.00 | 0.99 | 0.96 | 0.93 | 0.93 | 0.94 | 0.92 |
| Utilization | 71% | 70% | 68% | 69% | 66% | 64% | 64% | 63% |

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

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