



CenturyLink®

3rd Quarter 2014 Earnings Results

November 5, 2014

Forward-Looking Statements / Non-GAAP Financial Measures

Certain non-historical statements made in this presentation and future oral or written statements or press releases by us or our management are intended to be forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on current expectations only, and are subject to a number of assumptions, risks and uncertainties, many of which are beyond our control. Actual events and results may differ materially from those anticipated, estimated, projected or implied by us if one or more of these risks or uncertainties materialize, or if our underlying assumptions prove incorrect. Factors that could affect actual results include but are not limited to: the timing, success and overall effects of competition from a wide variety of competitive providers; the risks inherent in rapid technological change, including product displacement; the effects of ongoing changes in the regulation of the communications industry, including the outcome of regulatory or judicial proceedings relating to intercarrier compensation, access charges, universal service, broadband deployment, data protection and net neutrality; our ability to effectively adjust to changes in the communications industry, and changes in our markets, product mix and network caused by our recent acquisitions; our ability to successfully integrate recently-acquired operations into our incumbent operations, including the possibility that the anticipated benefits from our recent acquisitions cannot be fully realized in a timely manner or at all; our ability to effectively manage our expansion opportunities, including retaining and hiring key personnel; possible changes in the demand for, or pricing of, our products and services, including our ability to effectively respond to increased demand for high-speed broadband service; our ability to successfully introduce new product or service offerings on a timely and cost-effective basis; the adverse impact on our business and network from possible equipment failures, security breaches or similar attacks on our network; our ability to successfully negotiate collective bargaining agreements on reasonable terms without work stoppages; our ability to use net operating loss carryovers of Qwest in projected amounts; our continued access to credit markets on favorable terms; our ability to collect our receivables from financially troubled communications companies; our ability to maintain favorable relations with our key business partners, suppliers, vendors, landlords and financial institutions; any adverse developments in legal or regulatory proceedings involving us; changes in our operating plans, corporate strategies, dividend payment plans or other capital allocation plans, including those caused by changes in our cash requirements, capital expenditure needs, debt obligations, pension funding requirements, cash flows, or financial position, or other similar changes; the effects of adverse weather; other risks referenced from time to time in our filings with the SEC; and the effects of more general factors such as changes in interest rates, in tax laws, in accounting policies or practices, in operating, medical, pension or administrative costs, in general market, labor or economic conditions, or in legislation, regulation or public policy. These and other uncertainties related to our business and our recent acquisitions are described in greater detail in Item 1A of our Form 10-Q for the quarter ended June 30, 2014, as updated and supplemented by our subsequent SEC reports. You should be aware that new factors may emerge from time to time and it is not possible for us to identify all such factors nor can we predict the impact of each such factor on the business or the extent to which any one or more factors may cause actual results to differ from those reflected in any forward-looking statements. You are further cautioned not to place undue reliance on these forward-looking statements, which are inherently speculative and speak only as of the date made. We undertake no obligation to update any of our forward-looking statements for any reason.

Non-GAAP Financial Measures

This presentation includes certain non-GAAP financial measures. These measures are provided and valid only as of the date of this presentation and should not be relied upon beyond that date. Reconciliations of these non-GAAP measures to the most directly comparable GAAP measures are available on our website at www.centurylink.com.

Participants

Glen Post

Chief Executive Officer & President

Stewart Ewing

Executive Vice President & Chief Financial Officer

Karen Puckett

Executive Vice President & Chief Operating Officer

Bill Cheek

President, Wholesale

Jeff Von Deylen

President, CenturyLink Technology Solutions

3Q14 Highlights & Strategic Overview

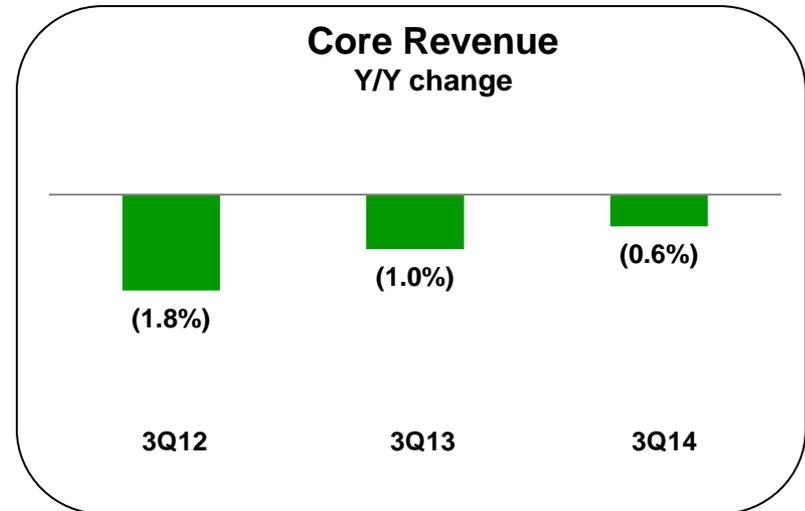
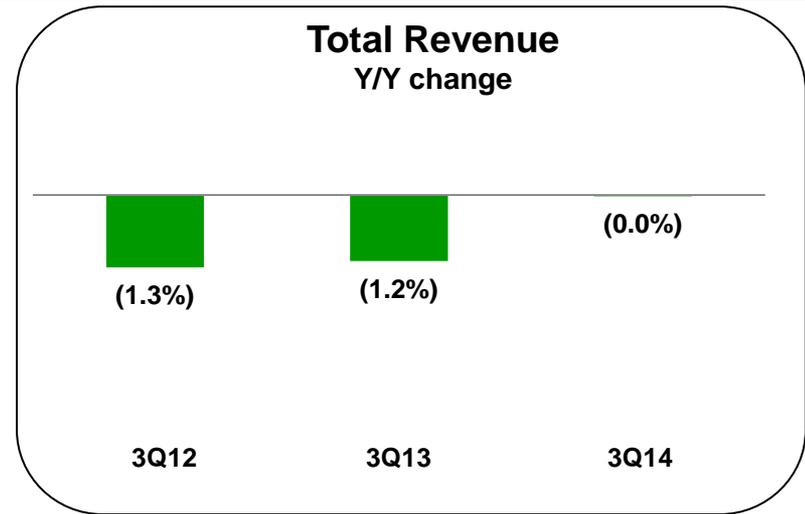
Glen Post

Chief Executive Officer & President



Solid 3Q14 Results

- Total operating revenue of \$4.51 billion was flat Y/Y
 - Compared to Y/Y declines of 1.2% in 3Q13 and 1.3% in 3Q12
- Core revenue¹ of \$4.08 billion declined 0.6% from 3Q13
 - Compared to Y/Y declines of 1.0% in 3Q13 and 1.8% in 3Q12



(1) Core revenue defined as strategic revenue plus legacy revenue (excludes data integration and other revenue)

Key Drivers of 3Q14 Results

- Strategic revenue grew 4.4% year-over-year while legacy revenue decline slowed to 6.5%
- Demand for high-bandwidth data services and bundled service offerings from Business and Wholesale customers drove solid revenue growth
- Year-over-year increase in high-speed Internet and Prism™ TV customers, as well as select price increases implemented earlier this year, resulted in solid Consumer strategic revenue growth
- Managed hosting revenue¹ grew 14% year-over-year and colocation revenue increased 4.5%

(1) Hosting revenue by product category was restated in 1Q14 to allocate cross-connect revenue with the associated colocation or managed service.

Strategic Priorities

Business Network Solutions

- Expand MPLS, Ethernet, Wavelength, Business GPON and VoIP offerings
- Extend FTTT footprint for wireless data backhaul
- Continue to drive Managed Service offerings

- ❖ Continued strength in sale of high-bandwidth data services
- ❖ Achieved strong SMB sales from August 1 Gig expansion to 16 cities
- ❖ Completed approximately 1,200 fiber-to-the-tower builds in 3Q, bringing total builds to nearly 21,000

Hosting, Cloud and IT Services

- Expand and enhance cloud and hosting services platform
- Increase sales efficiency of direct channel and expand partner sales channel
- Offer complete portfolio of IT and cloud enablement services

- ❖ Generated solid bookings across Hosting business in third quarter; Exited quarter with strong funnel
- ❖ Launched private cloud service
- ❖ Announced hosting services in China for multinational corporations through partnership arrangement

Strategic Priorities (continued)

Consumer Broadband and Video

- Deploy fiber deeper into network to drive higher speeds
 - Expand Prism TV footprint and penetration
- ❖ Expansion of 1 Gig to consumers in 10 cities continues to progress well
 - ❖ Continue to see 1 Gig halo effect in previously launched markets
 - ❖ Grew Prism TV footprint by nearly 110 thousand homes passed in third quarter

Operating Efficiency

- Simplify and rationalize network infrastructure
 - Automate and improve processes
 - Continue to integrate and simplify systems
- ❖ Reduced the number of ATM access devices in the network by 11% Y/Y
 - ❖ Continue to manage expenses related to legacy services
 - ❖ Migrating internal IT services to our cloud platform

Strengthening Go-to-Market Approach

- Implemented new organization structure, effective November 1st, designed to accelerate progress toward long-term growth
- Combined marketing, sales and service delivery for business, cloud, wholesale and consumer customers under single leader
- Created organization under single leader responsible for operational excellence through end-to-end engineering, delivery and management of our network and data centers
- Improved our ability to develop and deliver new technologies and solutions, strengthened focus on revenue generation and continued alignment of cost structure to revenue streams

3Q14 Financial Results & Guidance Overview

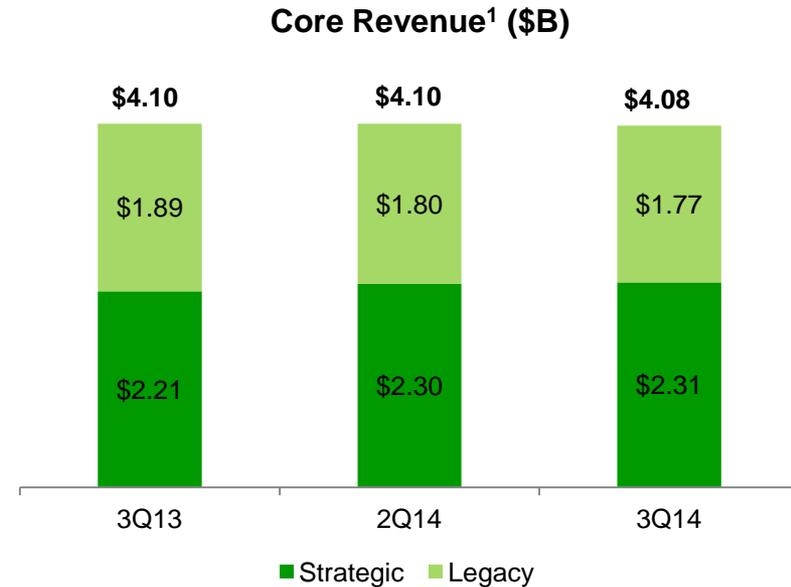
Stewart Ewing

Executive Vice President & Chief Financial Officer



3Q14 Financial Summary

- ▶ \$4.51 billion in Total revenue
 - \$4.08 billion Core revenue¹, slightly lower from 3Q13 and 2Q14
 - \$2.3 billion Strategic revenue, 4.4% Y/Y increase from 3Q13 vs. 4.4% Y/Y increase in 3Q13
 - \$1.8 billion Legacy revenue, a 6.5% Y/Y decrease from 3Q13 vs. 6.7% Y/Y decrease in 3Q13



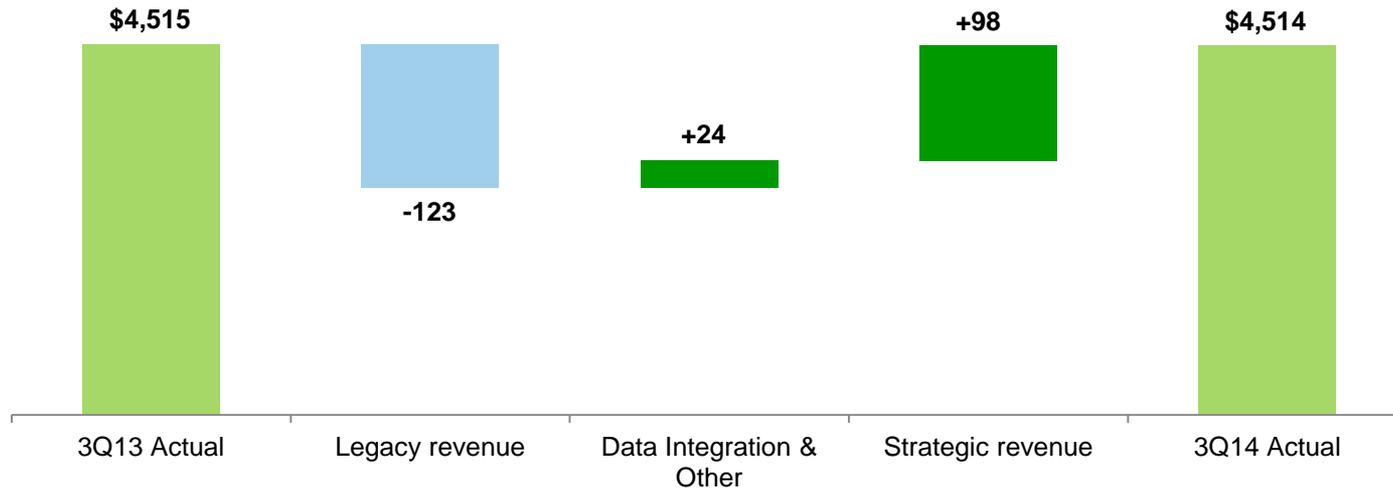
- ▶ Added approximately 14,000 Prism™ TV customers and 8,400 high-speed Internet customers
- ▶ Operating cash flow² of \$1.75 billion and free cash flow² of \$780 million
- ▶ \$0.63 Adjusted Diluted EPS²
- ▶ Repurchased 1.7 million shares for \$64 million during 3Q

(1) Core revenue defined as strategic revenue plus legacy revenue (excludes data integration and other revenue)

(2) See supporting financial schedules available at ir.centurylink.com

3Q14 Revenue Drivers

3Q14 vs. 3Q13
Revenue Waterfall
\$ in millions



Year-over-year: 3Q14 vs. 3Q13

- ▶ Strategic revenue growth driven by MPLS & Ethernet services, Managed Hosting & Cloud, HSI and Prism™ TV
- ▶ Legacy revenue decline of \$123 million due to access line losses and lower access revenue; Compares favorably to \$135 million decline in 3Q13
- ▶ Data integration and other revenue increased primarily due to higher CPE sales

Consumer

Consumer - Operating Revenue¹

\$ in millions



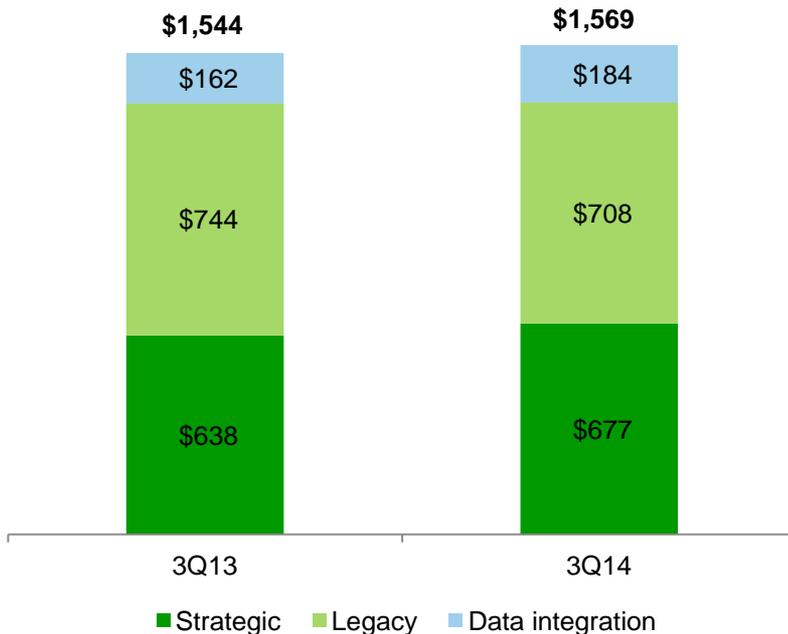
- ▶ Total Y/Y revenue decline of 0.8%
- ▶ Strategic revenue increased 6.4% from year-ago period driven by growth of high-speed Internet and Prism™ TV customers and select price increases
- ▶ Legacy services revenue declined 6.6% in 3Q14 due to lower local and LD revenue partially offset by select price increases; 8.7% decline in 3Q13
- ▶ Operating expenses increased \$6 million from 3Q13, or 1%, primarily driven by higher Prism™ TV costs

(1) Total revenue for 3Q13 and 3Q14 includes \$1 million of data integration revenue not reflected graphically in the chart

Business

Business - Operating Revenue

\$ in millions



- ▶ Total Y/Y revenue growth of 1.6%
- ▶ Strategic revenue increased 6.1% from 3Q13 driven by continued strength in high-bandwidth products including MPLS, Ethernet and Wavelength
- ▶ Legacy services revenue declined 4.8% in 3Q14 due to lower voice revenue
- ▶ Data integration revenue increased 13.6% driven by higher CPE sales
- ▶ Operating expenses increased \$65 million from 3Q13, or 7.0%, primarily driven by increased CPE and facility costs, along with higher employee-related expenses

Wholesale

Wholesale - Operating Revenue

\$ in millions



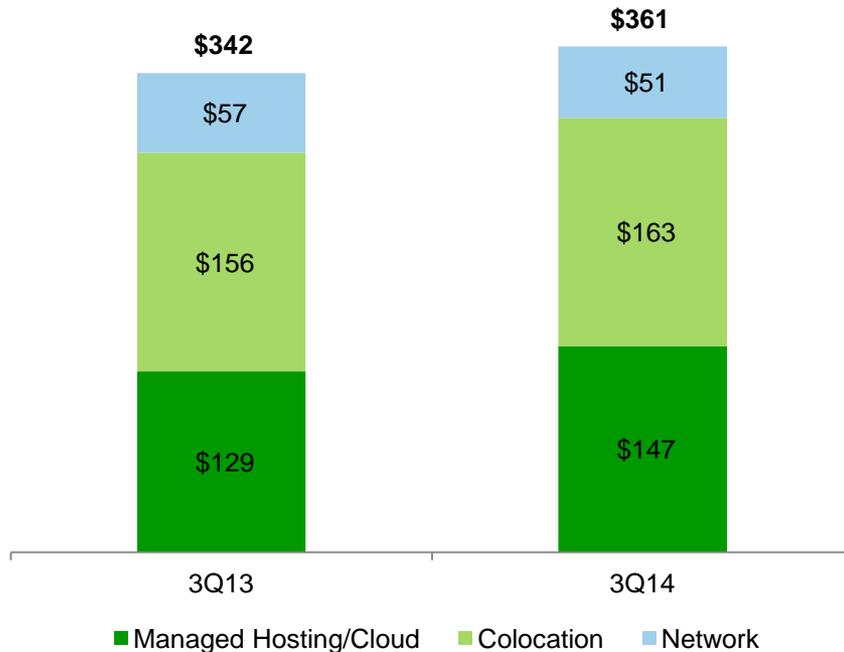
- ▶ Total Y/Y revenue decline of 4.0%
- ▶ Strategic revenue was down slightly from 3Q13 as declines in low-speed data revenue offset growth in Ethernet services and wireless bandwidth expansion
- ▶ Legacy revenue declined 10.2% as continued implementation of the CAF Order¹ and lower minutes of use continue to pressure wholesale switched access revenue
- ▶ Segment expenses declined \$8 million from 3Q13, or 2.7%, primarily driven by lower employee-related expenses and network facility costs

(1) Federal Communications Commission's Connect America and Intercarrier Compensation Reform Order (the CAF Order) adopted on October 27, 2011

Hosting

Hosting - Operating Revenue¹

\$ in millions



- ▶ Total Y/Y revenue growth of 5.6%
- ▶ Managed hosting & cloud revenue grew 14% over year-ago period and colocation revenue grew 4.5% over the same period
- ▶ Expenses² increased \$9 million from 3Q13, or 3.5%, primarily due to higher employee costs related to revenue growth

(1) Hosting revenue by product category was restated in 1Q14 to allocate cross-connect revenue with the associated colocation or managed service.

(2) Hosting expenses were restated in 1Q14 to remove certain administrative expenses in order to conform reporting methodology of all segments.

4Q14 Guidance

4th Quarter 2014

Operating Revenue	\$4.44 to \$4.49 billion
Core Revenue	\$4.05 to \$4.10 billion
Operating Cash Flow	\$1.75 to \$1.80 billion
Adjusted Diluted EPS	\$0.59 to \$0.64

Q & A

