



CenturyLink, Inc.

Quarterly Earnings Supplement

As of March 31, 2015

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	Actual 1Q15
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS)									
OPERATING REVENUES *									
Strategic services	\$ 2,153	2,173	2,200	2,250	2,271	2,289	2,302	2,304	2,320
Legacy services	1,963	1,936	1,904	1,860	1,839	1,812	1,777	1,744	1,735
Data integration	140	167	163	186	174	187	185	144	139
Other	257	249	248	246	254	253	250	246	257
Total Operating Revenues	4,513	4,525	4,515	4,542	4,538	4,541	4,514	4,438	4,451
OPERATING EXPENSES									
Cash expenses	2,614	2,687	2,965	2,743	2,778	2,793	2,798	2,824	2,762
Depreciation and amortization	1,117	1,123	1,135	1,166	1,107	1,093	1,097	1,131	1,040
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	3,802
OPERATING INCOME (LOSS)	782	715	(685)	641	653	655	619	483	649
OPERATING CASH FLOW	1,899	1,838	1,550	1,799	1,760	1,748	1,716	1,614	1,689
Operating Cash Flow Margin	42.1%	40.6%	34.3%	39.6%	38.8%	38.5%	38.0%	36.4%	37.9%
OTHER INCOME (EXPENSE)									
Interest expense	(316)	(325)	(329)	(328)	(331)	(325)	(325)	(330)	(328)
Other income (expense)	39	4	9	17	9	(7)	5	4	2
Income tax (expense) benefit	(207)	(125)	(40)	(91)	(128)	(130)	(111)	31	(131)
NET INCOME (LOSS)	\$ 298	269	(1,045)	239	203	193	188	188	192
EARNINGS (LOSS) PER COMMON SHARE-DILUTED	\$ 0.48	0.44	(1.76)	0.41	0.35	0.34	0.33	0.33	0.34
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING-DILUTED **	621.1	605.6	594.6	586.4	575.5	569.0	567.4	567.0	563.5

* During the first quarter of 2015, we determined that certain products and services associated with our acquisition of SAVVIS, Inc. are more closely aligned to legacy services than to strategic services. As a result, these operating revenues are now reflected as legacy services.

** 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>March 31,</u> <u>2014</u>	<u>June 30,</u> <u>2014</u>	<u>September 30,</u> <u>2014</u>	<u>December 31,</u> <u>2014</u>	<u>March 31,</u> <u>2015</u>
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 219	181	734	128	155
Other current assets	3,529	3,417	3,284	3,448	3,313
Total current assets	<u>3,748</u>	<u>3,598</u>	<u>4,018</u>	<u>3,576</u>	<u>3,468</u>
NET PROPERTY, PLANT AND EQUIPMENT					
Property, plant and equipment	34,847	35,404	35,970	36,718	37,100
Accumulated depreciation	(16,354)	(16,969)	(17,647)	(18,285)	(18,917)
Net property, plant and equipment	<u>18,493</u>	<u>18,435</u>	<u>18,323</u>	<u>18,433</u>	<u>18,183</u>
GOODWILL AND OTHER ASSETS					
Goodwill	20,674	20,674	20,664	20,755	20,753
Other, net	8,251	7,907	7,641	7,383	7,116
Total goodwill and other assets	<u>28,925</u>	<u>28,581</u>	<u>28,305</u>	<u>28,138</u>	<u>27,869</u>
TOTAL ASSETS	<u>\$ 51,166</u>	<u>50,614</u>	<u>50,646</u>	<u>50,147</u>	<u>49,520</u>
LIABILITIES AND STOCKHOLDERS' EQUITY					
CURRENT LIABILITIES					
Current maturities of long-term debt	\$ 1,126	1,188	1,169	550	202
Other current liabilities	3,495	3,255	3,408	3,368	3,377
Total current liabilities	<u>4,621</u>	<u>4,443</u>	<u>4,577</u>	<u>3,918</u>	<u>3,579</u>
LONG-TERM DEBT	19,814	19,771	19,982	20,121	20,254
DEFERRED CREDITS AND OTHER LIABILITIES	9,933	9,802	9,642	11,085	10,922
STOCKHOLDERS' EQUITY	<u>16,798</u>	<u>16,598</u>	<u>16,445</u>	<u>15,023</u>	<u>14,765</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 51,166</u>	<u>50,614</u>	<u>50,646</u>	<u>50,147</u>	<u>49,520</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, 2014, 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</u> <u>2013</u>	<u>Q2</u> <u>2013</u>	<u>Q3</u> <u>2013</u>	<u>Q4</u> <u>2013</u>	<u>Q1</u> <u>2014</u>	<u>Q2</u> <u>2014</u>	<u>Q3</u> <u>2014</u>	<u>Q4</u> <u>2014</u>	<u>Q1</u> <u>2015</u>
OPERATING ACTIVITIES									
Net income (loss)	\$ 298	269	(1,045)	239	203	193	188	188	192
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	1,040
Impairment of assets	—	—	—	—	—	32	—	—	8
Impairment of goodwill	—	—	1,100	(8)	—	—	—	—	—
Deferred income taxes	166	141	43	41	106	102	93	(10)	37
Provision for uncollectible accounts	27	38	46	41	30	33	47	49	42
Gain on intangible assets	(32)	—	—	—	—	—	—	—	—
Net gain on early retirement of debt	—	—	—	(10)	—	—	—	—	—
Share-based compensation	18	17	15	21	19	23	20	17	18
Changes in current assets and current liabilities, net	(29)	(70)	327	(225)	(47)	(317)	140	(223)	13
Retirement benefits	(178)	(42)	(68)	(54)	(28)	(74)	(153)	71	(9)
Changes in other noncurrent assets and liabilities, net	14	34	22	(51)	3	63	—	33	(10)
Other, net	(14)	(41)	(13)	(19)	(13)	(19)	(4)	(5)	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>	<u>1,336</u>
INVESTING ACTIVITIES									
Payments for property, plant and equipment and capitalized software	(663)	(747)	(801)	(837)	(670)	(731)	(712)	(934)	(616)
Cash paid for acquisitions, net	—	—	(10)	(150)	—	—	—	(93)	—
Proceeds from sale of property or intangible assets	75	—	—	5	1	(1)	—	63	14
Other, net	4	19	(4)	(39)	(13)	(5)	18	—	(8)
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>	<u>(610)</u>
FINANCING ACTIVITIES									
Net proceeds from issuance of long-term debt	988	752	—	741	—	—	483	—	594
Payments of long-term debt	(56)	(962)	(151)	(841)	(47)	(74)	(41)	(638)	(386)
Net (payments) borrowings on credit facility	(745)	(30)	155	525	30	90	(260)	136	(425)
Early retirement of debt costs	—	—	—	(31)	—	—	—	—	—
Dividends paid	(341)	(320)	(325)	(315)	(309)	(307)	(308)	(304)	(304)
Net proceeds from issuance of common stock	13	27	14	19	7	25	13	5	8
Repurchase of common stock	(397)	(470)	(385)	(334)	(328)	(165)	(65)	(92)	(185)
Other, net	—	—	(3)	18	—	1	(3)	—	(1)
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>	<u>(699)</u>
Net increase (decrease) in cash and cash equivalents	265	(262)	52	(98)	51	(38)	553	(606)	27
Cash and cash equivalents at beginning of period	211	476	214	266	168	219	181	734	128
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>	<u>155</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, 2014, 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	Actual 1Q15
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CONDENSED CONSOLIDATED STATEMENTS OF INCOME

OPERATING REVENUES **

Strategic services	\$ 2,153	2,173	2,200	2,250	2,271	2,289	2,302	2,304	2,320
Legacy services	1,963	1,936	1,904	1,860	1,839	1,812	1,777	1,744	1,735
Data integration	140	167	163	186	174	187	185	144	139
Other	257	249	248	246	254	253	250	246	257
Total Operating Revenues	4,513	4,525	4,515	4,542	4,538	4,541	4,514	4,438	4,451

OPERATING EXPENSES

Cash expenses	2,580	2,667	2,710	2,706	2,750	2,728	2,768	2,729	2,716
Depreciation and amortization	1,117	1,123	1,135	1,166	1,107	1,093	1,097	1,131	1,040
Total Operating Expenses	3,697	3,790	3,845	3,872	3,857	3,821	3,865	3,860	3,756

OPERATING INCOME

	816	735	670	670	681	720	649	578	695
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OPERATING CASH FLOW

	1,933	1,858	1,805	1,836	1,788	1,813	1,746	1,709	1,735
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Operating Cash Flow Margin

	42.8%	41.1%	40.0%	40.4%	39.4%	39.9%	38.7%	38.5%	39.0%
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OTHER (EXPENSE) INCOME

Interest expense	(316)	(325)	(329)	(328)	(331)	(325)	(325)	(330)	(328)
Other income, net	2	4	9	7	9	7	5	4	2
Income tax expense	(199)	(165)	(139)	(124)	(139)	(155)	(122)	(65)	(143)

NET INCOME

	\$ 303	249	211	225	220	247	207	187	226
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EARNINGS PER COMMON SHARE-DILUTED

	\$ 0.49	0.41	0.35	0.38	0.38	0.43	0.36	0.33	0.40
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WEIGHTED AVERAGE COMMON SHARES
OUTSTANDING-DILUTED

	621.1	605.6	595.7	586.4	575.5	569.0	567.4	567.0	563.5
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* 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.

** During the first quarter of 2015, we determined that certain products and services associated with our acquisition of SAVVIS, Inc. are more closely aligned to legacy services than to strategic services. As a result, these operating revenues are now reflected as legacy services.

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>	<u>Actual 1Q15</u>
ADJUSTMENTS TO OPERATING EXPENSES									
Cash expenses	\$ (34) (A)	(20) (C)	(255) (D)	(37) (F)	(28) (H)	(65) (I)	(30) (K)	(95) (L)	(46) (M)
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>	<u>(46)</u>
ADJUSTMENTS TO OPERATING INCOME									
	34	20	1,355	29	28	65	30	95	46
ADJUSTMENTS TO OTHER INCOME OR EXPENSE									
Interest expense	—	—	—	—	—	—	—	—	—
Other income or expense	(37) (B)	—	—	(10) (G)	—	14 (J)	—	—	—
Income tax expense or benefit	8 (N)	(40) (N)	(99) (N)	(33) (N)	(11) (N)	(25) (N)	(11) (N)	(96) (N)	(12) (N)
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>	<u>34</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 headcount reductions (\$22 million), integration costs associated with our acquisition of Qwest (\$10 million) and a pension settlement charge (\$63 million).
- (M) Includes severance costs associated with recent headcount reductions (\$13 million), integration costs associated with our acquisition of Qwest (\$10 million), the impairment of office buildings (\$8 million) and regulatory fines associated with a 911 system outage (\$15 million).
- (N) 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	Actual 1Q15
<u>Operating Cash Flow and Cash Flow Margin</u>									
Operating Income, excluding special items*	\$ 816	735	670	670	681	720	649	578	695
Add: Depreciation and amortization	1,117	1,123	1,135	1,166	1,107	1,093	1,097	1,131	1,040
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>	<u>1,735</u>
Operating revenues	\$ 4,513	4,525	4,515	4,542	4,538	4,541	4,514	4,438	4,451
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%	39.0%
<u>Free Cash Flow</u>									
Operating cash flow	\$ 1,933	1,858	1,805	1,836	1,788	1,813	1,746	1,709	1,735
Less: Cash (paid) refunded for income taxes	(8)	(38)	1	(3)	(10)	(13)	2	(6)	(5)
Less: Cash paid for interest, net of amounts capitalized	(265)	(382)	(268)	(419)	(265)	(407)	(262)	(404)	(270)
Less: Capital expenditures, excluding expenditures related to integration efforts	(656)	(739)	(786)	(820)	(662)	(723)	(711)	(930)	(613)
Add: Other income, net	2	4	9	7	9	7	5	4	2
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>	<u>849</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	Actual 1Q15
Net income (excluding special items**)	\$ 303	249	211	225	220	247	207	187	226
Add back:									
Amortization of customer base intangibles:									
Qwest	234	230	226	223	219	216	212	209	205
Embarq	34	34	29	30	29	30	24	25	25
Savvis	15	15	15	16	15	16	15	16	15
Amortization of trademark intangibles:									
Qwest	12	11	9	7	6	5	4	2	1
Savvis	2	2	2	15	5	—	—	—	—
Amortization of fair value adjustment of long-term debt:									
Embarq	1	1	1	1	1	2	1	1	1
Qwest	(17)	(17)	(14)	(14)	(12)	(12)	(12)	(6)	(6)
Subtotal	281	276	268	278	263	257	244	247	241
Tax effect of above items	(109)	(108)	(104)	(107)	(102)	(96)	(92)	(94)	(92)
Net adjustment, after taxes	172	168	164	171	161	161	152	153	149
Net income, as adjusted for above items	\$ 475	417	375	396	381	408	359	340	375
Weighted average common shares outstanding-diluted	621.1	605.6	595.7	586.4	575.5	569.0	567.4	567.0	563.5
Diluted EPS (excluding special items)	\$ 0.49	0.41	0.35	0.38	0.38	0.43	0.36	0.33	0.40
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	0.67

*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*	Actual 1Q15
Business									
Revenues *									
Strategic services	\$ 1,508	1,520	1,531	1,567	1,569	1,580	1,590	1,577	1,582
Legacy services	1,099	1,096	1,071	1,048	1,033	1,022	999	978	977
Data integration	138	166	162	185	173	186	184	143	138
Total revenues	2,745	2,782	2,764	2,800	2,775	2,788	2,773	2,698	2,697
Expenses									
Total expenses	1,368	1,455	1,472	1,513	1,503	1,516	1,549	1,521	1,484
Segment income	\$ 1,377	1,327	1,292	1,287	1,272	1,272	1,224	1,177	1,213
Segment income margin	50.2%	47.7%	46.7%	46.0%	45.8%	45.6%	44.1%	43.6%	45.0%
Consumer									
Revenues									
Strategic services	\$ 645	653	669	683	702	709	712	727	738
Legacy services	864	840	833	812	806	790	778	766	758
Data integration	2	1	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	1,497
Expenses									
Total expenses	555	582	612	610	593	601	612	614	589
Segment income	\$ 956	912	891	886	916	899	879	880	908
Segment income margin	63.3%	61.0%	59.3%	59.2%	60.7%	59.9%	59.0%	58.9%	60.7%
Total segment revenues	\$ 4,256	4,276	4,267	4,296	4,284	4,288	4,264	4,192	4,194
Total segment expenses	1,923	2,037	2,084	2,123	2,096	2,117	2,161	2,135	2,073
Total segment income	\$ 2,333	2,239	2,183	2,173	2,188	2,171	2,103	2,057	2,121
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%	50.6%

* 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, including changes with respect to the assignment of certain expenses to our segments, and have restated our previously-reported segment results to conform to the current presentation. The nature of the most significant changes to segment expenses are as follows: certain business segment expenses were reassigned to consumer segment expense; and certain business segment expenses were reassigned to corporate overhead.

During the first quarter of 2015, we determined that certain products and services associated with our acquisition of SAVVIS, Inc. are more closely aligned to legacy services than to strategic services. As a result, these operating revenues are now reflected as legacy services.

** 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	Actual 1Q15
Total segment revenues	\$ 4,256	4,276	4,267	4,296	4,284	4,288	4,264	4,192	4,194
Total segment expenses	1,923	2,037	2,084	2,123	2,096	2,117	2,161	2,135	2,073
Total segment income	\$ 2,333	2,239	2,183	2,173	2,188	2,171	2,103	2,057	2,121
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%	50.6%

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	2,121
Other revenue	257	249	248	246	254	253	250	246	257
Unassigned expenses	(657)	(630)	(626)	(583)	(654)	(611)	(607)	(594)	(643)
Operating cash flow	\$ 1,933	1,858	1,805	1,836	1,788	1,813	1,746	1,709	1,735
Depreciation and amortization	(1,117)	(1,123)	(1,135)	(1,166)	(1,107)	(1,093)	(1,097)	(1,131)	(1,040)
Total other expense	(314)	(321)	(320)	(321)	(322)	(318)	(320)	(326)	(326)
Income tax expense	(199)	(165)	(139)	(124)	(139)	(155)	(122)	(65)	(143)
Net income	\$ 303	249	211	225	220	247	207	187	226

*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	Actual 1Q15
Revenues *									
High-bandwidth data services (1)	\$ 525	544	561	600	617	632	655	675	687
Hosting services (2)	302	313	319	325	328	329	331	328	318
Other strategic services (3)	16	14	16	14	3	22	30	21	44
Low-bandwidth data services (4)	665	649	635	628	621	597	574	553	533
Legacy voice services	742	734	730	710	711	700	692	677	671
Other legacy services	357	362	341	338	322	322	307	301	306
Data integration	138	166	162	185	173	186	184	143	138
Total revenues	\$ 2,745	2,782	2,764	2,800	2,775	2,788	2,773	2,698	2,697

(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

* During the first quarter of 2015, we determined that certain products and services associated with our acquisition of SAVVIS, Inc. are more closely aligned to legacy services than to strategic services. As a result, these operating revenues are now reflected as legacy services.

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	Actual 1Q15
Colocation	\$ 154	155	156	158	161	158	164	160	156
Managed Hosting/Cloud	126	134	138	143	142	147	145	146	140
Hosting Area Network	22	24	25	24	25	24	22	22	22
Total Hosting Services	\$ 302	313	319	325	328	329	331	328	318

Hosting Data Center Metrics

	Actual 1Q13	Actual 2Q13	Actual 3Q13	Actual 4Q13	Actual 1Q14	Actual 2Q14	Actual 3Q14	Actual 4Q14	Actual 1Q15
Number of data centers (2)	54	55	55	55	56	57	58	58	58
Sellable square feet, million sq ft	1.39	1.43	1.44	1.39	1.42	1.43	1.45	1.46	1.53
Billed square feet, million sq ft	0.99	1.00	0.99	0.96	0.93	0.93	0.94	0.92	0.93
Utilization	71%	70%	68%	69%	66%	64%	64%	63%	61%

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

During the first quarter of 2015, we determined that certain products and services associated with our acquisition of SAVVIS, Inc. are more closely aligned to legacy services than to strategic services. As a result, these operating revenues are now reflected as legacy services.

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