



CenturyLink, Inc.

Quarterly Earnings Supplement

As of March 31, 2017

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

(UNAUDITED)

(Dollars and shares in millions, except per share amounts)

	Actual 1Q15	Actual 2Q15	Actual 3Q15	Actual 4Q15	Actual 1Q16	Actual 2Q16	Actual 3Q16	Actual 4Q16	Actual 1Q17
CONDENSED CONSOLIDATED STATEMENTS OF INCOME									
OPERATING REVENUES *									
Strategic services	\$ 1,903	1,929	1,929	1,992	1,989	2,030	2,015	2,016	2,000
Legacy services	2,151	2,089	2,062	2,036	1,988	1,938	1,900	1,846	1,803
Data integration	140	143	154	140	116	123	163	131	118
Other	257	258	409	308	308	307	304	296	288
Total Operating Revenues	4,451	4,419	4,554	4,476	4,401	4,398	4,382	4,289	4,209
OPERATING EXPENSES **									
Cash expenses	2,773	2,824	2,856	2,679	2,737	2,764	2,794	2,926	2,698
Depreciation and amortization	1,040	1,048	1,048	1,053	976	987	995	958	880
Total Operating Expenses	3,813	3,872	3,904	3,732	3,713	3,751	3,789	3,884	3,578
OPERATING INCOME	638	547	650	744	688	647	593	405	631
OPERATING CASH FLOW ***	1,678	1,595	1,698	1,797	1,664	1,634	1,588	1,363	1,511
Operating Cash Flow Margin (operating cash flow divided by revenues)	37.7%	36.1%	37.3%	40.1%	37.8%	37.2%	36.2%	31.8%	35.9%
OTHER INCOME (EXPENSE) **									
Interest expense	(328)	(327)	(329)	(328)	(331)	(340)	(327)	(320)	(318)
Other income (expense)	13	14	8	14	23	10	(17)	(11)	(6)
Income tax (expense) benefit	(131)	(91)	(124)	(92)	(144)	(121)	(97)	(32)	(144)
NET INCOME	\$ 192	143	205	338	236	196	152	42	163
EARNINGS PER COMMON SHARE-DILUTED	\$ 0.34	0.26	0.37	0.62	0.44	0.36	0.28	0.08	0.30
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING-DILUTED	563.5	559.2	555.2	542.5	540.2	540.4	540.9	541.2	541.5

* During the second quarter of 2016, we determined that because of declines due to customer migration to other strategic products and services, certain of our enterprise low-bandwidth data services, specifically our private line (including special access) services in our enterprise segment, are more closely aligned with our legacy services than with our strategic services. As a result, we reflect these operating revenues as legacy services, and we have reclassified certain prior period amounts to conform to this change. The revision resulted in a reduction of revenue from strategic services and a corresponding increase in revenue from legacy services. For additional information related to this re-alignment, please see page 11, Segment Revenues.

** In the first quarter of 2017, we adopted ASU 2017-07 "Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost" ("ASU 2017-07"). ASU 2017-07 modified the presentation of net periodic pension and postretirement benefit costs and requires the service cost component to be reported separately from the other components in order to provide more useful information. Under ASU 2017-07, the service cost component of net periodic pension and postretirement benefit costs is required to be presented in the same expense category as the related salary and wages for the employee. The other components of the net periodic pension and postretirement benefit costs are required to be recognized below operating income in other (expense) income, net in our consolidated statements of operations. This change was applied on a retrospective basis to all previous periods to match the current period presentation. This retrospective application resulted in the following (reductions) increases in operating income and other income (expense), net:

	Actual 1Q15	Actual 2Q15	Actual 3Q15	Actual 4Q15	Actual 1Q16	Actual 2Q16	Actual 3Q16	Actual 4Q16
(Reduction) increase in operating income	(11)	(2)	(6)	(7)	(6)	(3)	(2)	13
Increase (decrease) in other income (expense)	11	2	6	7	6	3	2	(13)

*** See description on page 12.

CenturyLink, Inc.

CONDENSED CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

(Dollars in millions)

	<u>March 31, 2016</u>	<u>June 30, 2016</u>	<u>September 30, 2016</u>	<u>December 31, 2016</u>	<u>March 31, 2017</u>
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 438	191	140	222	214
Other current assets	2,488	2,600	2,588	4,940	4,754
Total current assets	<u>2,926</u>	<u>2,791</u>	<u>2,728</u>	<u>5,162</u>	<u>4,968</u>
NET PROPERTY, PLANT AND EQUIPMENT					
Property, plant and equipment	39,229	39,763	40,304	39,194	39,642
Accumulated depreciation	(21,266)	(21,869)	(22,464)	(22,155)	(22,626)
Net property, plant and equipment	<u>17,963</u>	<u>17,894</u>	<u>17,840</u>	<u>17,039</u>	<u>17,016</u>
GOODWILL AND OTHER ASSETS					
Goodwill	20,743	20,766	20,766	19,650	19,650
Other, net	5,885	5,667	5,462	5,166	4,968
Total goodwill and other assets	<u>26,628</u>	<u>26,433</u>	<u>26,228</u>	<u>24,816</u>	<u>24,618</u>
TOTAL ASSETS	<u>\$ 47,517</u>	<u>47,118</u>	<u>46,796</u>	<u>47,017</u>	<u>46,602</u>
LIABILITIES AND STOCKHOLDERS' EQUITY					
CURRENT LIABILITIES					
Current maturities of long-term debt	\$ 517	1,451	1,534	1,503	1,499
Other current liabilities	3,309	3,391	3,199	3,846	3,597
Total current liabilities	<u>3,826</u>	<u>4,842</u>	<u>4,733</u>	<u>5,349</u>	<u>5,096</u>
LONG-TERM DEBT	19,508	18,165	18,184	18,185	18,180
DEFERRED CREDITS AND OTHER LIABILITIES	10,147	10,126	9,987	10,084	10,020
STOCKHOLDERS' EQUITY	<u>14,036</u>	<u>13,985</u>	<u>13,892</u>	<u>13,399</u>	<u>13,306</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 47,517</u>	<u>47,118</u>	<u>46,796</u>	<u>47,017</u>	<u>46,602</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, 2016, 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>2015</u>	<u>Q2</u> <u>2015</u>	<u>Q3</u> <u>2015</u>	<u>Q4</u> <u>2015</u>	<u>Q1</u> <u>2016</u>	<u>Q2</u> <u>2016</u>	<u>Q3</u> <u>2016</u>	<u>Q4</u> <u>2016</u>	<u>Q1</u> <u>2017</u>
OPERATING ACTIVITIES									
Net income	\$ 192	143	205	338	236	196	152	42	163
Adjustments to reconcile net income to net cash provided by operating activities:									
Depreciation and amortization	1,040	1,048	1,048	1,053	976	987	995	958	880
Impairment of assets	8	—	1	—	—	1	—	12	—
Deferred income taxes	37	16	40	257	11	10	11	(21)	(37)
Provision for uncollectible accounts	42	42	44	49	46	50	48	48	47
Net loss on early retirement of debt	—	—	—	—	—	—	27	—	—
Share-based compensation	18	20	19	16	18	22	20	20	21
Changes in current assets and liabilities, net	13	(106)	291	(519)	192	(99)	(222)	21	(25)
Retirement benefits	(9)	(10)	(115)	(7)	(21)	(7)	(115)	(9)	(25)
Changes in other noncurrent assets and liabilities, net	(10)	(1)	(43)	(24)	(35)	—	(6)	18	12
Other, net	5	(7)	(15)	33	—	18	1	7	21
Net cash provided by operating activities	<u>1,336</u>	<u>1,145</u>	<u>1,475</u>	<u>1,196</u>	<u>1,423</u>	<u>1,178</u>	<u>911</u>	<u>1,096</u>	<u>1,057</u>
INVESTING ACTIVITIES									
Payments for property, plant and equipment and capitalized software	(616)	(656)	(767)	(833)	(611)	(653)	(746)	(971)	(780)
Cash paid for acquisitions	—	—	—	(4)	(1)	(23)	—	(15)	—
Proceeds from sale of property or intangible assets	14	12	3	2	7	4	11	8	45
Other, net	(8)	(4)	—	4	—	(2)	2	(4)	3
Net cash used in investing activities	<u>(610)</u>	<u>(648)</u>	<u>(764)</u>	<u>(831)</u>	<u>(605)</u>	<u>(674)</u>	<u>(733)</u>	<u>(982)</u>	<u>(732)</u>
FINANCING ACTIVITIES									
Net proceeds from issuance of long-term debt	594	—	396	(1)	227	988	946	—	—
Payments of long-term debt	(386)	(120)	(29)	(431)	(25)	(1,439)	(972)	(26)	(31)
Net (payments) borrowings on credit facility	(425)	20	(320)	410	(410)	—	85	285	5
Early retirement of debt costs	—	—	—	(1)	—	—	—	—	—
Dividends paid	(304)	(305)	(296)	(293)	(290)	(296)	(290)	(291)	(296)
Net proceeds from issuance of common stock	8	1	2	—	4	(1)	2	1	3
Repurchase of common stock and shares withheld to satisfy tax withholdings	(185)	(92)	(264)	(278)	(12)	(3)	—	(1)	(14)
Other, net	(1)	(1)	—	—	—	—	—	—	—
Net cash used in financing activities	<u>(699)</u>	<u>(497)</u>	<u>(511)</u>	<u>(594)</u>	<u>(506)</u>	<u>(751)</u>	<u>(229)</u>	<u>(32)</u>	<u>(333)</u>
Net increase (decrease) in cash and cash equivalents	27	—	200	(229)	312	(247)	(51)	82	(8)
Cash and cash equivalents at beginning of period	128	155	155	355	126	438	191	140	222
Cash and cash equivalents at end of period	<u>\$ 155</u>	<u>155</u>	<u>355</u>	<u>126</u>	<u>438</u>	<u>191</u>	<u>140</u>	<u>222</u>	<u>214</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, 2016, 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 and shares in millions, except per share amounts)

	Actual 1Q15	Actual 2Q15	Actual 3Q15	Actual 4Q15	Actual 1Q16	Actual 2Q16	Actual 3Q16	Actual 4Q16	Actual 1Q17
CONDENSED CONSOLIDATED STATEMENTS OF INCOME									
OPERATING REVENUES *									
Strategic services	\$ 1,903	1,929	1,929	1,992	1,989	2,030	2,015	2,016	2,000
Legacy services	2,151	2,089	2,062	2,036	1,988	1,938	1,900	1,846	1,803
Data integration	140	143	154	140	116	123	163	131	118
Other	257	258	409	308	308	307	304	296	288
Total Operating Revenues	4,451	4,419	4,554	4,476	4,401	4,398	4,382	4,289	4,209
OPERATING EXPENSES									
Cash expenses ***	2,727	2,797	2,778	2,664	2,717	2,750	2,786	2,704	2,677
Depreciation and amortization	1,040	1,048	1,048	1,053	976	987	995	994	930
Total Operating Expenses	3,767	3,845	3,826	3,717	3,693	3,737	3,781	3,698	3,607
OPERATING INCOME	684	574	728	759	708	661	601	591	602
OPERATING CASH FLOW ****	1,724	1,622	1,776	1,812	1,684	1,648	1,596	1,585	1,532
Operating Cash Flow Margin (operating cash flow divided by revenues)	38.7%	36.7%	39.0%	40.5%	38.3%	37.5%	36.4%	37.0%	36.4%
OTHER (EXPENSE) INCOME									
Interest expense	(328)	(327)	(329)	(328)	(331)	(340)	(327)	(320)	(318)
Other income, net ***	13	14	8	14	23	10	10	5	(6)
Income tax expense	(143)	(101)	(157)	(152)	(152)	(126)	(110)	(109)	(114)
NET INCOME	\$ 226	160	250	293	248	205	174	167	164
EARNINGS PER COMMON SHARE-DILUTED	\$ 0.40	0.29	0.45	0.54	0.46	0.38	0.32	0.31	0.30
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING-DILUTED	563.5	559.2	555.2	542.5	540.2	540.4	540.9	541.2	541.5

* During the second quarter of 2016, we determined that because of declines due to customer migration to other strategic products and services, certain of our enterprise low-bandwidth data services, specifically our private line (including special access) services in our enterprise segment, are more closely aligned with our legacy services than with our strategic services. As a result, we reflect these operating revenues as legacy services, and we have reclassified certain prior period amounts to conform to this change. The revision resulted in a reduction of revenue from strategic services and a corresponding increase in revenue from legacy services. For additional information related to this re-alignment, please see page 11, Segment Revenues.

** 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.

*** In the first quarter of 2017, we adopted ASU 2017-07 "Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost" ("ASU 2017-07"). ASU 2017-07 modified the presentation of net periodic pension and postretirement benefit costs and requires the service cost component to be reported separately from the other components in order to provide more useful information. Under ASU 2017-07, the service cost component of net periodic pension and postretirement benefit costs is required to be presented in the same expense category as the related salary and wages for the employee. The other components of the net periodic pension and postretirement benefit costs are required to be recognized below operating income in other (expense) income, net in our consolidated statements of operations. This change was applied on a retrospective basis to all previous periods to match the current period presentation. This retrospective application resulted in the following (reductions) increases in operating income and other income (expense), net:

	Actual 1Q15	Actual 2Q15	Actual 3Q15	Actual 4Q15	Actual 1Q16	Actual 2Q16	Actual 3Q16	Actual 4Q16
Reduction in operating income	(11)	(2)	(6)	(7)	(6)	(3)	(2)	(3)
Increase in other income (expense)	11	2	6	7	6	3	2	3

**** See description on page 12.

CenturyLink, Inc.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME, IMPACTS OF NON-GAAP SPECIAL ITEMS*

(UNAUDITED)

(Dollars in millions)

	<u>Actual 1Q15</u>	<u>Actual 2Q15</u>	<u>Actual 3Q15</u>	<u>Actual 4Q15</u>	<u>Actual 1Q16</u>	<u>Actual 2Q16</u>	<u>Actual 3Q16</u>	<u>Actual 4Q16</u>	<u>Actual 1Q17</u>
ADJUSTMENTS TO OPERATING EXPENSES									
Cash expenses	\$ (46) (A)	(27) (B)	(78) (C)	(15) (D)	(20) (E)	(14) (F)	(8) (G)	(222) (I)	(21) (L)
Depreciation and amortization	—	—	—	—	—	—	—	36 (J)	50 (M)
Impairment of goodwill	—	—	—	—	—	—	—	—	—
Total Operating Expenses	<u>(46)</u>	<u>(27)</u>	<u>(78)</u>	<u>(15)</u>	<u>(20)</u>	<u>(14)</u>	<u>(8)</u>	<u>(186)</u>	<u>29</u>
ADJUSTMENTS TO OPERATING INCOME									
	46	27	78	15	20	14	8	186	(29)
ADJUSTMENTS TO OTHER INCOME OR EXPENSE									
Interest expense	—	—	—	—	—	—	—	—	—
Other income or expense	—	—	—	—	—	—	(27) (H)	(16) (K)	—
Income tax expense or benefit	(12) (N)	(10) (N)	(33) (N)	(60) (N)	(8) (N)	(5) (N)	(13) (N)	(77) (N)	30 (N)
ADJUSTMENTS TO NET INCOME OR LOSS	<u>\$ 34</u>	<u>17</u>	<u>45</u>	<u>(45)</u>	<u>12</u>	<u>9</u>	<u>22</u>	<u>125</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. See also the description of Special items on page 13.

Summary description of special items:

- (A) Includes severance costs associated with 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).
- (B) Includes severance costs associated with headcount reductions (\$19 million) and integration costs associated with our acquisition of Qwest (\$8 million).
- (C) Includes severance costs associated with headcount reductions (\$58 million), integration costs associated with our acquisition of Qwest (\$8 million) and litigation and other adjustments associated with pre-acquisition activities of Qwest and Embarq (\$12 million).
- (D) Includes severance costs associated with headcount reductions (\$9 million) and integration costs associated with our acquisition of Qwest (\$6 million).
- (E) Includes severance costs associated with headcount reductions (\$14 million), integration costs associated with our acquisition of Qwest (\$4 million) and a large billing system integration (\$2 million).
- (F) Includes severance costs associated with headcount reductions (\$7 million), integration costs associated with our acquisition of Qwest (\$3 million) and costs associated with a large billing system integration project (\$4 million).
- (G) Includes severance costs associated with headcount reductions (\$4 million), integration costs associated with our acquisition of Qwest (\$1 million) and costs associated with a large billing system integration project (\$7 million), less an offsetting gain on the sale of a building \$4 million.
- (H) Net loss associated with early retirement of debt (\$27 million).
- (I) Includes severance costs associated with headcount reductions (\$148 million), integration costs associated with our acquisition of Qwest (\$2 million), costs associated with a large billing system integration project (\$2 million), costs related to our pending acquisition of Level 3 (\$52 million), costs associated with our pending sale of the colocation business (\$7 million) and the impairment of a building (\$11 million).
- (J) Termination of depreciation expense related to our sale of the colocation business (\$36 million).
- (K) Includes Pension/OPEB related reduction in force initiative (\$16 million).
- (L) Costs related to our pending acquisition of Level 3 (\$10 million) and an impairment loss associated with the sale of our data centers and colocation business (\$11 million).
- (M) Termination of depreciation expense related to our sale of the data centers and colocation business \$50 million.
- (N) Tax effect of above items. Fourth quarter 2015 includes a favorable income tax adjustment of \$20 million and \$34 million related to affiliate debt rationalization. First quarter 2017 includes a tax expense related to the sale of our data centers and colocation business of (\$15 million).

CenturyLink, Inc.

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

(UNAUDITED)

(Dollars in millions)

	Actual 1Q15	Actual 2Q15	Actual 3Q15	Actual 4Q15	Actual 1Q16	Actual 2Q16	Actual 3Q16	Actual 4Q16	Actual 1Q17
<u>Operating Cash Flow and Cash Flow Margin</u>									
Operating Income, excluding special items * **	\$ 684	574	728	759	708	661	601	591	602
Add: Depreciation and amortization	1,040	1,048	1,048	1,053	976	987	995	994	930
Operating cash flow	\$ 1,724	1,622	1,776	1,812	1,684	1,648	1,596	1,585	1,532
Operating revenues	\$ 4,451	4,419	4,554	4,476	4,401	4,398	4,382	4,289	4,209
Operating cash flow margin (operating cash flow divided by revenues)	38.7%	36.7%	39.0%	40.5%	38.3%	37.5%	36.4%	37.0%	36.4%
<u>Free Cash Flow</u>									
Operating cash flow	\$ 1,724	1,622	1,776	1,812	1,684	1,648	1,596	1,585	1,532
Less: Capital expenditures, excluding expenditures related to integration efforts	(613)	(654)	(764)	(830)	(607)	(648)	(740)	(963)	(780)
Less: Cash paid for interest, net of amounts capitalized	(270)	(384)	(260)	(396)	(262)	(398)	(262)	(379)	(255)
Pension and post-retirement impacts:									
Less: Net periodic pension benefit income	(24)	(17)	(21)	(19)	(20)	(18)	(18)	(18)	1
Less: Contributions to our qualified pension plan trust	—	—	(100)	—	—	—	(100)	—	—
Less: Benefits paid to participants of our non-qualified pension plans	(1)	(2)	(2)	(1)	(2)	(1)	(2)	(2)	(2)
Less: Post-retirement benefits paid by company	(42)	(48)	(49)	(42)	(51)	(38)	(47)	(55)	(75)
Add: Net periodic post-retirement benefit expense	41	41	41	39	36	35	36	35	34
Add: Post-retirement participant contribution	15	14	14	14	15	14	14	14	14
Add: Post-retirement direct subsidy receipts	1	2	2	3	1	1	2	1	3
Net pension and post-retirement impacts	(10)	(10)	(115)	(6)	(21)	(7)	(115)	(25)	(25)
Less: Cash (paid) refunded for income taxes	(5)	(36)	(13)	(9)	(11)	(10)	(323)	(53)	5
Add: Share-based compensation	18	20	19	16	18	22	20	20	21
Add: Other income **	13	14	8	14	23	10	10	5	(6)
Free cash flow	\$ 857	572	651	601	824	617	186	190	492

* For additional information regarding special items, please see page 6, Impacts of Non-GAAP Special Items. See also the description of Special items, Operating cash flow and Free cash flow on page 13.

** In the first quarter of 2017, we adopted ASU 2017-07 "Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost" ("ASU 2017-07"). ASU 2017-07 modified the presentation of net periodic pension and postretirement benefit costs and requires the service cost component to be reported separately from the other components in order to provide more useful information. Under ASU 2017-07, the service cost component of net periodic pension and postretirement benefit costs is required to be presented in the same expense category as the related salary and wages for the employee. The other components of the net periodic pension and postretirement benefit costs are required to be recognized below operating income in other (expense) income, net in our consolidated statements of operations. This change was applied on a retrospective basis to all previous periods to match the current period presentation. See page 5 for the retrospective application.

CenturyLink, Inc.
SUPPLEMENTAL NON-GAAP INFORMATION - ADJUSTED DILUTED EARNINGS PER SHARE*

(UNAUDITED)

(Dollars and shares in millions, except per share amounts)

	Actual 1Q15	Actual 2Q15	Actual 3Q15	Actual 4Q15	Actual 1Q16	Actual 2Q16	Actual 3Q16	Actual 4Q16	Actual 1Q17
Net Income	\$ 192	143	205	338	236	196	152	42	163
Less Special Items: **									
Special items (excluding tax items)	(46)	(27)	(78)	(15)	(20)	(14)	(35)	(202)	29
Special income tax items and income tax effect of other special items	12	10	33	60	8	5	13	77	(30)
Total impact of special items	(34)	(17)	(45)	45	(12)	(9)	(22)	(125)	(1)
Net income, excluding special items	226	160	250	293	248	205	174	167	164
Add back certain items arising from purchase accounting:									
Amortization of customer base intangibles:									
Qwest	205	202	197	195	191	187	183	179	175
Embarq	25	24	20	20	20	20	15	15	15
Savvis	15	16	15	16	15	16	15	10	7
Amortization of trademark intangibles:									
Qwest	1	—	—	—	—	—	—	—	—
Amortization of fair value adjustment of long- term debt:									
Embarq	1	2	1	2	2	1	—	—	—
Qwest	(6)	(6)	(5)	(6)	(5)	(4)	(3)	(3)	(3)
Subtotal	241	238	228	227	223	220	210	201	194
Tax effect of items arising from purchasing accounting	(92)	(90)	(88)	(86)	(85)	(83)	(79)	(76)	(74)
Net adjustment, after taxes	149	148	140	141	138	137	131	125	120
Net income, as adjusted for above items	\$ 375	308	390	434	386	342	305	292	284
Weighted average common shares outstanding- diluted	563.5	559.2	555.2	542.5	540.2	540.4	540.9	541.2	541.5
Diluted EPS (excluding special items)	\$ 0.40	0.29	0.45	0.54	0.46	0.38	0.32	0.31	0.30
Adjusted diluted EPS as adjusted for purchase accounting intangible and interest amortizations (excluding special items)	\$ 0.67	0.55	0.70	0.80	0.71	0.63	0.56	0.54	0.52

* 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. See also the description of Adjusted diluted EPS on page 13.

** For more information on these special items, please see page 6, Impacts of Non-GAAP Special Items. See also the description of Special items on page 12.

CenturyLink, Inc.

SUPPLEMENTAL SEGMENT DATA

(UNAUDITED)

(Dollars in millions)

	Actual 1Q15	Actual 2Q15	Actual 3Q15	Actual 4Q15	Actual 1Q16	Actual 2Q16	Actual 3Q16	Actual 4Q16	Actual 1Q17
Enterprise									
Revenues *									
Strategic services	\$ 994	997	996	1,046	1,053	1,069	1,066	1,074	1,084
Legacy services	1,392	1,344	1,317	1,295	1,274	1,244	1,217	1,182	1,155
Data integration	139	143	153	140	115	122	161	130	117
Total revenues	2,525	2,484	2,466	2,481	2,442	2,435	2,444	2,386	2,356
Expenses *									
Total expenses	1,354	1,389	1,412	1,348	1,319	1,372	1,425	1,354	1,321
Segment income	\$ 1,171	1,095	1,054	1,133	1,123	1,063	1,019	1,032	1,035
Segment income margin	46.4%	44.1%	42.7%	45.7%	46.0%	43.7%	41.7%	43.3%	43.9%
Consumer									
Revenues *									
Strategic services	\$ 738	758	764	773	774	800	789	784	764
Legacy services	759	745	745	741	714	694	683	664	648
Data integration	1	—	1	—	1	—	—	1	—
Total revenues	1,498	1,503	1,510	1,514	1,489	1,494	1,472	1,449	1,412
Expenses *									
Total expenses	595	621	625	602	611	639	643	617	609
Segment income	\$ 903	882	885	912	878	855	829	832	803
Segment income margin	60.3%	58.7%	58.6%	60.2%	59.0%	57.2%	56.3%	57.4%	56.9%
Total segment revenues	\$ 4,023	3,987	3,976	3,995	3,931	3,929	3,916	3,835	3,768
Total segment expenses	1,949	2,010	2,037	1,950	1,930	2,011	2,068	1,971	1,930
Total segment income	\$ 2,074	1,977	1,939	2,045	2,001	1,918	1,848	1,864	1,838
Total segment income margin (segment income divided by segment revenues)	51.6%	49.6%	48.8%	51.2%	50.9%	48.8%	47.2%	48.6%	48.8%

* During the second quarter of 2016, we determined that because of declines due to customer migration to other strategic products and services, certain of our enterprise low-bandwidth data services, specifically our private line (including special access) services in our enterprise segment, are more closely aligned with our legacy services than with our strategic services. As a result, we reflect these operating revenues as legacy services, and we have reclassified certain prior period amounts to conform to this change. The revision resulted in a reduction of revenue from strategic services and a corresponding increase in revenue from legacy services. For additional information related to this re-alignment, please see page 11, Segment Revenues.

During the first half of 2016, we implemented several changes with respect to the assignment of certain expenses to our reportable segments. We have recast our previously-reported segment results to conform to the current presentation. The impact of the segment expense recast were as follows:

	Actual 1Q15	Actual 2Q15	Actual 3Q15	Actual 4Q15
Decrease in Enterprise Expenses	\$ (21)	(21)	(13)	(12)
Increase in Consumer Expenses	19	19	15	16

See our SEC reports for further information.

CenturyLink, Inc.**RECONCILIATION OF NON-GAAP SEGMENT INCOME TO NET INCOME, EXCLUDING SPECIAL ITEMS - NON-GAAP***

(UNAUDITED)

(Dollars in millions)

	Actual 1Q15	Actual 2Q15	Actual 3Q15	Actual 4Q15	Actual 1Q16	Actual 2Q16	Actual 3Q16	Actual 4Q16	Actual 1Q17
Total segment revenues	\$ 4,023	3,987	3,976	3,995	3,931	3,929	3,916	3,835	3,768
Total segment expenses	1,949	2,010	2,037	1,950	1,930	2,011	2,068	1,971	1,930
Total segment income	\$ 2,074	1,977	1,939	2,045	2,001	1,918	1,848	1,864	1,838
Total segment income margin (segment income divided by segment revenues)	51.6%	49.6%	48.8%	51.2%	50.9%	48.8%	47.2%	48.6%	48.8%

Reconciliation of segment income to net income:

Total reportable segment income	\$ 2,074	1,977	1,939	2,045	2,001	1,918	1,848	1,864	1,838
Non-reportable segment revenues	171	174	169	173	162	162	162	158	153
Other revenue	257	258	409	308	308	307	304	296	288
Unassigned expenses	(778)	(787)	(741)	(714)	(787)	(739)	(718)	(733)	(747)
Operating cash flow	1,724	1,622	1,776	1,812	1,684	1,648	1,596	1,585	1,532
Depreciation and amortization	(1,040)	(1,048)	(1,048)	(1,053)	(976)	(987)	(995)	(994)	(930)
Total other expense	(315)	(313)	(321)	(314)	(308)	(330)	(317)	(315)	(324)
Income tax expense	(143)	(101)	(157)	(152)	(152)	(126)	(110)	(109)	(114)
Net income	\$ 226	160	250	293	248	205	174	167	164

* For additional information regarding special items, please see page 6, Impacts of Non-GAAP Special Items. See also the description of Special items on page 13.

CenturyLink, Inc.

SUPPLEMENTAL SEGMENT DATA, SEGMENT REVENUES

(UNAUDITED)

(Dollars in millions)

	Actual 1Q15	Actual 2Q15	Actual 3Q15	Actual 4Q15	Actual 1Q16	Actual 2Q16	Actual 3Q16	Actual 4Q16	Actual 1Q17
Strategic services									
Enterprise high-bandwidth data services (1)	\$ 687	697	699	733	738	753	744	755	769
Other enterprise strategic services (2)	307	300	297	313	315	316	322	319	315
IT and managed services (3)	171	174	169	173	162	161	160	158	152
Consumer broadband services (4)	635	652	658	666	667	682	674	666	661
Other consumer strategic services (5)	103	106	106	107	107	118	115	118	103
Total strategic services revenues	1,903	1,929	1,929	1,992	1,989	2,030	2,015	2,016	2,000
Legacy services									
Enterprise voice services (6)	670	648	638	631	622	611	601	579	573
Enterprise low-bandwidth data services (7)	419	403	391	381	365	352	339	325	314
Other enterprise legacy services (8)	303	293	288	283	287	281	277	278	268
Consumer voice services (6)	689	676	664	649	634	615	605	589	575
Other consumer legacy services (9)	70	69	81	92	80	79	78	75	73
Total legacy services revenues	2,151	2,089	2,062	2,036	1,988	1,938	1,900	1,846	1,803
Data integration									
Enterprise data integration	139	143	153	140	115	122	161	130	117
IT and managed services data integration	—	—	—	—	—	1	2	—	1
Consumer data integration	1	—	1	—	1	—	—	1	—
Total data integration revenues	140	143	154	140	116	123	163	131	118
Other revenues									
High-cost support revenue (10)	134	132	284	182	174	173	171	170	168
Other revenue (11)	123	126	125	126	134	134	133	126	120
Total other revenues	257	258	409	308	308	307	304	296	288
Total revenues	\$ 4,451	4,419	4,554	4,476	4,401	4,398	4,382	4,289	4,209

(1) Includes MPLS and Ethernet revenue

(2) Includes primarily colocation, broadband, VOIP and video revenue

(3) Includes primarily IT services, managed hosting, cloud hosting and hosting area network revenue

(4) Includes broadband and related services revenue

(5) Includes video and other revenue

(6) Includes local and long-distance voice revenue

(7) Includes private line (including special access) revenue

(8) Includes UNEs, public access, switched access and other ancillary revenue

(9) Includes other ancillary revenue

(10) Includes CAF Phase 1, CAF Phase 2 and federal and state USF support revenue

(11) Includes USF surcharges

During the second quarter of 2016, we determined that because of declines due to customer migration to other strategic products and services certain of our enterprise low-bandwidth data services, specifically our private line (including special access) services in our enterprise segment, are more closely aligned with our legacy services than with our strategic services. As a result, we reflect these operating revenues as legacy services, and we have reclassified certain prior period amounts to conform to this change. The impact of the revision resulted in a reduction of revenue from strategic services and a corresponding increase in revenue from legacy services are as follows.

	Actual 1Q15	Actual 2Q15	Actual 3Q15	Actual 4Q15	Actual 1Q16
Strategic services					
Enterprise low-bandwidth data services	\$ (532)	(515)	(505)	(496)	(481)
Other enterprise strategic services	115	114	116	117	116
	(417)	(401)	(389)	(379)	(365)
Legacy services					
Enterprise low-bandwidth data services	419	403	391	381	366
Other enterprise legacy services	(2)	(2)	(2)	(2)	(1)
Total	\$ 417	401	389	379	365

DESCRIPTION OF NON-GAAP FINANCIAL MEASURES

We use the term *Special items* as a non-GAAP measure to describe items that impacted a period's net income and the statement of operations for which investors may want to give special consideration due to their magnitude, nature or both. We do not use the term *non-recurring* because while some of these items are special because they are unusual and infrequent, others may recur in future periods.

We use the term *Operating cash flow* as a non-GAAP measure to show profitability in our continuing, central business activities, without regard for the effects of special items, capital structure or tax structure, which may be helpful in analyzing trends or making comparisons to other companies that have different capital or tax structures. Other companies may refer to this measure using the term *Operating income before depreciation and amortization* (OIBDA). We are also aware of other companies that refer to this measure as adjusted *Earnings before interest, taxes, depreciation and amortization* (EBITDA). *Operating cash flow* should not be confused with the GAAP term *Cash flows provided by operating activities*. Rather, *Cash flows provided by operating activities* is a fully cash-basis measure, while *Operating cash flow* is an accrual based measure that has the effect of excluding quarter-to-quarter variances that are caused by changes in working capital. *Operating cash flow* does not represent the residual cash flow available for discretionary expenditures, as mandatory debt service requirements and other non-discretionary expenditures are not deducted from the measure. It is also not intended to be used as a replacement for the GAAP measures of *Operating income* or *Cash flows provided by operating activities*. Rather it is intended to provide additional information to enhance the understanding of CenturyLink's GAAP financial information, and it should be considered by investors in addition to, but not in substitution for, the GAAP measures.

We use the term *Free cash flow* as a non-GAAP measure to show profitability in our continuing, central business activities, without regard for the effects of special items or tax structure, but with effect for capital expenditures in the period. Other companies may use this same term, but calculate it in a different manner. *Free cash flow* does not represent the residual cash flow available for discretionary expenditures, as mandatory debt service requirements and other non-discretionary expenditures are not deducted from the measure. It is also not intended to be used as a replacement for the GAAP measures of *Operating income* or *Cash flows provided by operating activities*. Rather it is intended to provide additional information to enhance the understanding of CenturyLink's GAAP financial information, and it should be considered by investors in addition to, but not in substitution for, the GAAP measures.

We use the term *Adjusted diluted EPS* as a non-GAAP measure that excludes both special items and 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. It is not intended to be a liquidity measure. We believe it is especially useful when comparing earnings attributable to shares of our common stock for periods immediately before and after our major acquisitions. Because we had multiple major acquisitions over just a few years, we began presenting this measure in 2011 to show that while the significant decrease in our *Diluted earnings per share*, a GAAP measure, was largely due to the effect of applying business combination accounting rules, even after controlling for that variable the trend of results of the business attributable to a share of our common stock was steadily downward. Although the downward trend has mitigated since 2011, we have continued to present this measure on a consistent basis since that time. We are aware of several other companies that use this same term, but calculate it in a different manner.