



CenturyLink, Inc.

Quarterly Earnings Supplement

As of September 30, 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 4Q15 | Actual 1Q16 | Actual 2Q16 | Actual 3Q16 | Actual 4Q16 | Actual 1Q17 | Actual 2Q17 | Actual 3Q17 |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| CONDENSED CONSOLIDATED STATEMENTS OF INCOME | | | | | | | | |
| OPERATING REVENUES * | | | | | | | | |
| Strategic services *** | \$ 2,004 | 2,001 | 2,042 | 2,027 | 2,028 | 2,013 | 1,915 | 1,892 |
| Legacy services | 2,024 | 1,976 | 1,926 | 1,888 | 1,834 | 1,790 | 1,740 | 1,705 |
| Data integration | 140 | 116 | 123 | 163 | 131 | 118 | 133 | 134 |
| Other | 308 | 308 | 307 | 304 | 296 | 288 | 302 | 303 |
| Total operating revenues | 4,476 | 4,401 | 4,398 | 4,382 | 4,289 | 4,209 | 4,090 | 4,034 |
| OPERATING EXPENSES ** | | | | | | | | |
| Cash expenses | 2,679 | 2,737 | 2,764 | 2,794 | 2,926 | 2,698 | 2,774 | 2,637 |
| Depreciation and amortization | 1,053 | 976 | 987 | 995 | 958 | 880 | 949 | 910 |
| Total operating expenses | 3,732 | 3,713 | 3,751 | 3,789 | 3,884 | 3,578 | 3,723 | 3,547 |
| OPERATING INCOME | 744 | 688 | 647 | 593 | 405 | 631 | 367 | 487 |
| OTHER (EXPENSE) INCOME ** | | | | | | | | |
| Interest expense | (328) | (331) | (340) | (327) | (320) | (318) | (320) | (362) |
| Other income (expense), net | 14 | 23 | 10 | (17) | (11) | (6) | (7) | 14 |
| Income tax (expense) benefit | (92) | (144) | (121) | (97) | (32) | (144) | (23) | (47) |
| NET INCOME | \$ 338 | 236 | 196 | 152 | 42 | 163 | 17 | 92 |
| EARNINGS PER COMMON SHARE-DILUTED | \$ 0.62 | 0.44 | 0.36 | 0.28 | 0.08 | 0.30 | 0.03 | 0.17 |
| WEIGHTED AVERAGE COMMON SHARES OUTSTANDING-DILUTED | 542.5 | 540.2 | 540.4 | 540.9 | 541.2 | 541.5 | 542.2 | 542.0 |

* 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 in other income (expense), 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 4Q15 | Actual 1Q16 | Actual 2Q16 | Actual 3Q16 | Actual 4Q16 |
|--|----------------|----------------|----------------|----------------|----------------|
| (Reduction) increase in operating income | (7) | (6) | (3) | (2) | 13 |
| Increase (decrease) in other income (expense), net | 7 | 6 | 3 | 2 | (13) |

*** During the second quarter of 2017, we determined that certain of our legacy services, specifically our dark fiber network leasing, are more closely aligned with our strategic services than with our legacy services. As a result, we now reflect these operating revenues as strategic services, and we have reclassified certain prior period amounts to conform to this change. The revision resulted in an increase of revenue from strategic services and a corresponding decrease in revenue from legacy services. For additional information related to this re-alignment, please see page 11, Segment Revenues.

**** See description on page 12.

CenturyLink, Inc.

CONDENSED CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

(Dollars in millions)

| | <u>September 30, 2016</u> | <u>December 31, 2016</u> | <u>March 31, 2017</u> | <u>June 30, 2017</u> | <u>September 30, 2017</u> |
|---|-------------------------------|------------------------------|---------------------------|--------------------------|-------------------------------|
| ASSETS | | | | | |
| CURRENT ASSETS | | | | | |
| Cash and cash equivalents | \$ 140 | 222 | 214 | 342 | 160 |
| Other current assets | 2,588 | 4,940 | 4,754 | 2,566 | 2,534 |
| Total current assets | <u>2,728</u> | <u>5,162</u> | <u>4,968</u> | <u>2,908</u> | <u>2,694</u> |
| NET PROPERTY, PLANT AND EQUIPMENT | | | | | |
| Property, plant and equipment | 40,304 | 39,194 | 39,642 | 40,744 | 41,352 |
| Accumulated depreciation | (22,464) | (22,155) | (22,626) | (23,161) | (23,718) |
| Net property, plant and equipment | <u>17,840</u> | <u>17,039</u> | <u>17,016</u> | <u>17,583</u> | <u>17,634</u> |
| GOODWILL AND OTHER ASSETS | | | | | |
| Goodwill | 20,766 | 19,650 | 19,650 | 19,639 | 19,638 |
| Restricted cash | 2 | 2 | 2 | 6,015 | 6,004 |
| Other, net | 5,460 | 5,164 | 4,966 | 4,780 | 4,566 |
| Total goodwill and other assets | <u>26,228</u> | <u>24,816</u> | <u>24,618</u> | <u>30,434</u> | <u>30,208</u> |
| TOTAL ASSETS | \$ <u>46,796</u> | <u>47,017</u> | <u>46,602</u> | <u>50,925</u> | <u>50,536</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | | | |
| CURRENT LIABILITIES | | | | | |
| Current maturities of long-term debt | \$ 1,534 | 1,503 | 1,499 | 196 | 124 |
| Other current liabilities | 3,199 | 3,846 | 3,597 | 3,047 | 3,142 |
| Total current liabilities | <u>4,733</u> | <u>5,349</u> | <u>5,096</u> | <u>3,243</u> | <u>3,266</u> |
| LONG-TERM DEBT | 18,184 | 18,185 | 18,180 | 24,881 | 24,854 |
| DEFERRED CREDITS AND OTHER LIABILITIES | 9,987 | 10,084 | 10,020 | 9,715 | 9,456 |
| STOCKHOLDERS' EQUITY | <u>13,892</u> | <u>13,399</u> | <u>13,306</u> | <u>13,086</u> | <u>12,960</u> |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$ <u>46,796</u> | <u>47,017</u> | <u>46,602</u> | <u>50,925</u> | <u>50,536</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>Q4 2015</u> | <u>Q1 2016</u> | <u>Q2 2016</u> | <u>Q3 2016</u> | <u>Q4 2016</u> | <u>Q1 2017</u> | <u>Q2 2017</u> | <u>Q3 2017</u> |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| OPERATING ACTIVITIES | | | | | | | | |
| Net income | \$ 338 | 236 | 196 | 152 | 42 | 163 | 17 | 92 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | | | | | | |
| Depreciation and amortization | 1,053 | 976 | 987 | 995 | 958 | 880 | 949 | 910 |
| Deferred income taxes | 257 | 11 | 10 | 11 | (21) | (37) | (89) | (117) |
| Loss on the sale of data centers and colocation business | — | — | — | — | — | 11 | 108 | (37) |
| Impairment of assets held for sale | — | — | 1 | — | 12 | — | 11 | — |
| Provision for uncollectible accounts | 49 | 46 | 50 | 48 | 48 | 47 | 31 | 49 |
| Net loss on early retirement of debt | — | — | — | 27 | — | — | 5 | — |
| Share based compensation | 16 | 18 | 22 | 20 | 20 | 21 | 22 | 21 |
| Changes in current assets and current liabilities, net | (519) | 192 | (99) | (222) | 21 | (25) | (293) | 109 |
| Retirement benefits | (7) | (21) | (7) | (115) | (9) | (25) | (31) | (125) |
| * Changes in other noncurrent assets and liabilities, net | (24) | (35) | — | (6) | 18 | 12 | (104) | 38 |
| Other, net | 33 | — | 18 | 1 | 7 | 10 | 59 | 18 |
| Net cash provided by operating activities | <u>1,196</u> | <u>1,423</u> | <u>1,178</u> | <u>911</u> | <u>1,096</u> | <u>1,057</u> | <u>685</u> | <u>958</u> |
| INVESTING ACTIVITIES | | | | | | | | |
| Payments for property, plant and equipment and capitalized software | (833) | (611) | (653) | (746) | (971) | (780) | (830) | (753) |
| Cash paid for acquisitions, net | (4) | (1) | (23) | — | (15) | — | (5) | — |
| Proceeds from the sale of data centers and colocation business, less cash sold | — | — | — | — | — | — | 1,473 | (6) |
| Proceeds from sale of property or intangible assets | 2 | 7 | 4 | 11 | 8 | 45 | 3 | 3 |
| Other, net | 4 | — | (2) | 2 | (4) | 3 | (3) | — |
| Net cash (used in) provided by investing activities | <u>(831)</u> | <u>(605)</u> | <u>(674)</u> | <u>(733)</u> | <u>(982)</u> | <u>(732)</u> | <u>638</u> | <u>(756)</u> |
| FINANCING ACTIVITIES | | | | | | | | |
| Net proceeds from issuance of long-term debt | (1) | 227 | 988 | 946 | — | — | 6,608 | — |
| Proceeds from financing obligation | — | — | — | — | — | — | 378 | (22) |
| Payments of financing obligations | — | — | — | — | — | — | (4) | 4 |
| Payments of long-term debt | (431) | (25) | (1,439) | (972) | (26) | (31) | (1,495) | (86) |
| Net (payments) borrowings on 2012 credit facility and revolving line of credit | 410 | (410) | — | 85 | 285 | 5 | (375) | — |
| Early retirement of debt costs | (1) | — | — | — | — | — | — | — |
| Dividends paid | (293) | (290) | (296) | (290) | (291) | (296) | (294) | (291) |
| Proceeds from issuance of common stock | — | 4 | (1) | 2 | 1 | 3 | 1 | 1 |
| Repurchase of common stock and shares withheld to satisfy tax withholdings | (278) | (12) | (3) | — | (1) | (14) | (1) | (1) |
| Net cash (used in) provided by financing activities | <u>(594)</u> | <u>(506)</u> | <u>(751)</u> | <u>(229)</u> | <u>(32)</u> | <u>(333)</u> | <u>4,818</u> | <u>(395)</u> |
| Net (decrease) increase in cash, cash equivalents and restricted cash | (229) | 312 | (247) | (51) | 82 | (8) | 6,141 | (193) |
| * Cash, cash equivalents and restricted cash at beginning of period | <u>357</u> | <u>128</u> | <u>440</u> | <u>193</u> | <u>142</u> | <u>224</u> | <u>216</u> | <u>6,357</u> |
| * Cash, cash equivalents and restricted cash at end of period | <u>\$ 128</u> | <u>440</u> | <u>193</u> | <u>142</u> | <u>224</u> | <u>216</u> | <u>6,357</u> | <u>6,164</u> |

* In the second quarter of 2017, we adopted Accounting Standards Update ("ASU") 2016-18, "Restricted Cash (a consensus of the FASB Emerging Issues Task Force)" ("ASU 2016-18"), which requires that a statement of cash flows explain the change in the total of cash, cash equivalents and amounts generally described as restricted cash and restricted cash equivalents as compared to the current presentation, which explains only the change in cash and cash equivalents. ASU 2016-18 is effective January 1, 2018, but early adoption is permitted and requires retrospective application of the requirements to all previous periods presented. This change was applied on a retrospective basis to all previous periods to match the current period presentation with immaterial impact.

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 ⁽¹⁾

(UNAUDITED)

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

| | Actual 4Q15 | Actual 1Q16 | Actual 2Q16 | Actual 3Q16 | Actual 4Q16 | Actual 1Q17 | Actual 2Q17 | Actual 3Q17 |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

OPERATING REVENUES

| | | | | | | | | | |
|--------------------------|---------|----------|-------|-------|-------|-------|-------|-------|-------|
| Strategic services | (2) (3) | \$ 2,004 | 2,001 | 2,042 | 2,027 | 2,028 | 2,013 | 1,915 | 1,892 |
| Legacy services | (2) (3) | 2,024 | 1,976 | 1,926 | 1,888 | 1,834 | 1,790 | 1,740 | 1,705 |
| Data integration | | 140 | 116 | 123 | 163 | 131 | 118 | 133 | 134 |
| Other | | 308 | 308 | 307 | 304 | 296 | 288 | 302 | 303 |
| Total operating revenues | | 4,476 | 4,401 | 4,398 | 4,382 | 4,289 | 4,209 | 4,090 | 4,034 |

OPERATING EXPENSES

| | | | | | | | | | |
|-------------------------------|-----|-------|-------|-------|-------|-------|-------|-------|-------|
| Cash expenses | (4) | 2,664 | 2,717 | 2,750 | 2,786 | 2,704 | 2,677 | 2,648 | 2,637 |
| Depreciation and amortization | | 1,053 | 976 | 987 | 995 | 994 | 930 | 905 | 910 |
| Total operating expenses | | 3,717 | 3,693 | 3,737 | 3,781 | 3,698 | 3,607 | 3,553 | 3,547 |

OPERATING INCOME

| | | | | | | | | | |
|--|--|-----|-----|-----|-----|-----|-----|-----|-----|
| | | 759 | 708 | 661 | 601 | 591 | 602 | 537 | 487 |
|--|--|-----|-----|-----|-----|-----|-----|-----|-----|

ADJUSTED EBITDA

(5)

| | | | | | | | | | |
|--|--|-------|-------|-------|-------|-------|-------|-------|-------|
| | | 1,812 | 1,684 | 1,648 | 1,596 | 1,585 | 1,532 | 1,442 | 1,397 |
|--|--|-------|-------|-------|-------|-------|-------|-------|-------|

Adjusted EBITDA margin (Adjusted EBITDA divided by revenues)

| | | | | | | | | | |
|--|--|-------|-------|-------|-------|-------|-------|-------|-------|
| | | 40.5% | 38.3% | 37.5% | 36.4% | 37.0% | 36.4% | 35.3% | 34.6% |
|--|--|-------|-------|-------|-------|-------|-------|-------|-------|

OTHER (EXPENSE) INCOME

| | | | | | | | | | |
|-----------------------------|-----|-------|-------|-------|-------|-------|-------|-------|-------|
| Interest expense | | (328) | (331) | (340) | (327) | (320) | (318) | (320) | (318) |
| Other income (expense), net | (4) | 14 | 23 | 10 | 10 | 5 | (6) | (7) | 1 |
| Income tax expense | | (152) | (152) | (126) | (110) | (109) | (114) | (79) | (56) |

NET INCOME

| | | | | | | | | | |
|--|--|--------|-----|-----|-----|-----|-----|-----|-----|
| | | \$ 293 | 248 | 205 | 174 | 167 | 164 | 131 | 114 |
|--|--|--------|-----|-----|-----|-----|-----|-----|-----|

EARNINGS PER COMMON SHARE-DILUTED

| | | | | | | | | | |
|--|--|---------|------|------|------|------|------|------|------|
| | | \$ 0.54 | 0.46 | 0.38 | 0.32 | 0.31 | 0.30 | 0.24 | 0.21 |
|--|--|---------|------|------|------|------|------|------|------|

WEIGHTED AVERAGE COMMON SHARES
OUTSTANDING-DILUTED

| | | | | | | | | | |
|--|--|-------|-------|-------|-------|-------|-------|-------|-------|
| | | 542.5 | 540.2 | 540.4 | 540.9 | 541.2 | 541.5 | 542.2 | 542.0 |
|--|--|-------|-------|-------|-------|-------|-------|-------|-------|

(1) 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.

(2) During the second quarter of 2017, we determined that certain of our legacy services, specifically our dark fiber network leasing, are more closely aligned with our strategic services than with our legacy services. As a result, we now reflect these operating revenues as strategic services, and we have reclassified certain prior period amounts to conform to this change. The revision resulted in an increase of revenue from strategic services and a corresponding decrease in revenue from legacy services. For additional information related to this re-alignment, please see page 11, Segment Revenues.

(3) 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.

(4) 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 in other income (expense), 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 4Q15 | Actual 1Q16 | Actual 2Q16 | Actual 3Q16 | Actual 4Q16 |
|---|----------------|----------------|----------------|----------------|----------------|
| Reduction in operating income | (7) | (6) | (3) | (2) | (3) |
| Increase in other income (expense), net | 7 | 6 | 3 | 2 | 3 |

(5) See description on page 12.

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

(UNAUDITED)

(Dollars in millions)

| | <u>Actual 4Q15</u> | <u>Actual 1Q16</u> | <u>Actual 2Q16</u> | <u>Actual 3Q16</u> | <u>Actual 4Q16</u> | <u>Actual 1Q17</u> | <u>Actual 2Q17</u> | <u>Actual 3Q17</u> |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| ADJUSTMENTS TO OPERATING EXPENSES | | | | | | | | |
| Cash expenses | \$ (15) (A) | (20) (B) | (14) (C) | (8) (D) | (222) (F) | (21) (I) | (126) (K) | — (M) |
| Depreciation and amortization | — | — | — | — | 36 (G) | 50 (J) | (44) (L) | — |
| Impairment of goodwill | — | — | — | — | — | — | — | — |
| Total operating expenses | <u>(15)</u> | <u>(20)</u> | <u>(14)</u> | <u>(8)</u> | <u>(186)</u> | <u>29</u> | <u>(170)</u> | <u>—</u> |
| ADJUSTMENTS TO OPERATING INCOME | | | | | | | | |
| | 15 | 20 | 14 | 8 | 186 | (29) | 170 | — |
| ADJUSTMENTS TO OTHER INCOME OR EXPENSE | | | | | | | | |
| Interest expense | — | — | — | — | — | — | — | (44) (N) |
| Other income or expense | — | — | — | (27) (E) | (16) (H) | — | — | 13 (O) |
| Income tax expense or benefit | (60) (P) | (8) (P) | (5) (P) | (13) (P) | (77) (P) | 30 (P) | (56) (P) | (9) (P) |
| ADJUSTMENTS TO NET INCOME | <u>\$ (45)</u> | <u>12</u> | <u>9</u> | <u>22</u> | <u>125</u> | <u>1</u> | <u>114</u> | <u>22</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 12.

Summary description of special items:

- (A) Includes severance costs associated with headcount reductions (\$9 million) and integration costs associated with our acquisition of Qwest (\$6 million).
- (B) Includes severance costs associated with headcount reductions (\$14 million), integration costs associated with our acquisition of Qwest (\$4 million) and costs associated with a large billing system integration project (\$2 million).
- (C) 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).
- (D) 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.
- (E) Net loss associated with early retirement of debt (\$27 million).
- (F) 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).
- (G) Termination of depreciation and amortization expense related to our sale of the colocation business (\$36 million).
- (H) Includes Pension/OPEB related reduction in force initiative (\$16 million).
- (I) Costs related to our pending acquisition of Level 3 (\$10 million) and a loss associated with the sale of our data centers and colocation business (\$11 million).
- (J) Termination of depreciation and amortization expense related to our sale of the data centers and colocation business \$50 million.
- (K) Costs related to our pending acquisition of Level 3 (\$18 million) and a loss associated with the sale of our data centers and colocation business (\$108 million).
- (L) Additional depreciation expense adjustment recorded on real estate assets we were required to be reflected on our balance sheet as a result of not meeting the requirement of sale leaseback accounting (\$44 million).
- (M) Costs related to CenturyLink's acquisition of Level 3 (\$37 million) offset by a favorable adjustment to the loss associated with the sale of CenturyLink's data centers and colocation business \$37 million.
- (N) Interest expense (\$44 million) related to CenturyLink's \$6 billion term loan secured financing for the acquisition of Level 3.
- (O) Interest income \$13 million earned from the pre-funded escrow established with the term loan proceeds.
- (P) 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 and second quarter 2017 includes a tax expense related to the sale of our data centers and colocation business of (\$15 million) and (\$23 million), respectively.

CenturyLink, Inc.

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

(UNAUDITED)

(Dollars in millions)

| | Actual 4Q15 | Actual 1Q16 | Actual 2Q16 | Actual 3Q16 | Actual 4Q16 | Actual 1Q17 | Actual 2Q17 | Actual 3Q17 |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Adjusted EBITDA and Adjusted EBITDA Margin | | | | | | | | |
| Operating income, excluding special items* | \$ 759 | 708 | 661 | 601 | 591 | 602 | 537 | 487 |
| Add: Depreciation and amortization | 1,053 | 976 | 987 | 995 | 994 | 930 | 905 | 910 |
| Adjusted EBITDA | \$ 1,812 | 1,684 | 1,648 | 1,596 | 1,585 | 1,532 | 1,442 | 1,397 |
| Operating revenues | \$ 4,476 | 4,401 | 4,398 | 4,382 | 4,289 | 4,209 | 4,090 | 4,034 |
| Adjusted EBITDA margin (adjusted EBITDA divided by revenues) | 40.5% | 38.3% | 37.5% | 36.4% | 37.0% | 36.4% | 35.3% | 34.6% |
| Adjusted Free Cash Flow | | | | | | | | |
| Adjusted EBITDA | \$ 1,812 | 1,684 | 1,648 | 1,596 | 1,585 | 1,532 | 1,442 | 1,397 |
| Less: Capital expenditures, excluding expenditures related to integration efforts related to integration efforts | (830) | (607) | (648) | (740) | (963) | (780) | (829) | (749) |
| Less: Cash paid for interest, net of amounts capitalized | (396) | (262) | (398) | (262) | (379) | (255) | (369) | (293) |
| Pension and postretirement impacts: | | | | | | | | |
| Less: Net periodic pension benefit income | (19) | (20) | (18) | (18) | (18) | 1 | 2 | 1 ** |
| Less: Contributions to our qualified pension plan trust | — | — | — | (100) | — | — | — | (100) |
| Less: Benefits paid to participants of our non-qualified pension plans | (1) | (2) | (1) | (2) | (2) | (2) | (1) | (1) |
| Less: Postretirement benefits paid by company | (42) | (51) | (38) | (47) | (55) | (75) | (82) | (74) |
| Add: Net periodic postretirement benefit expense | 39 | 36 | 35 | 36 | 35 | 34 | 34 | 34 ** |
| Add: Postretirement participant contribution | 14 | 15 | 14 | 14 | 14 | 14 | 14 | 13 |
| Add: Postretirement direct subsidy receipts | 3 | 1 | 1 | 2 | 1 | 3 | 2 | 2 |
| Net pension and postretirement impacts | (6) | (21) | (7) | (115) | (25) | (25) | (31) | (125) |
| Less: Cash (paid) refunded for income taxes | (9) | (11) | (10) | (323) | (53) | 5 | (265) | (118) |
| Less: Ongoing EBITDA impacts of ASC 840-40 on sale of data centers | — | — | — | — | — | — | (15) | (25) |
| Add: Share-based compensation | 16 | 18 | 22 | 20 | 20 | 21 | 22 | 21 |
| Add: Other income (expense), net | 14 | 23 | 10 | 10 | 5 | (6) | (7) | 1 |
| Adjusted free cash flow | \$ 601 | 824 | 617 | 186 | 190 | 492 | (52) | 109 |

* For additional information regarding special items, please see page 6, Impacts of Non-GAAP Special Items. See also the description of Special items, Adjusted EBITDA and Adjusted free cash flow on page 12.

** 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 in other income (expense), 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 4Q15 | Actual 1Q16 | Actual 2Q16 | Actual 3Q16 | Actual 4Q16 | Actual 1Q17 | Actual 2Q17 | Actual 3Q17 |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Net Income | \$ 338 | 236 | 196 | 152 | 42 | 163 | 17 | 92 |
| Less Special Items: ** | | | | | | | | |
| Special items (excluding tax items) | (15) | (20) | (14) | (35) | (202) | 29 | (170) | (31) |
| Special income tax items and income tax effect of other special items | 60 | 8 | 5 | 13 | 77 | (30) | 56 | 9 |
| Total impact of special items | 45 | (12) | (9) | (22) | (125) | (1) | (114) | (22) |
| Net income, excluding special items | 293 | 248 | 205 | 174 | 167 | 164 | 131 | 114 |
| Add back certain items arising from purchase accounting: | | | | | | | | |
| Amortization of customer base intangibles: | | | | | | | | |
| Qwest | 195 | 191 | 187 | 183 | 179 | 175 | 171 | 167 |
| Embarq | 20 | 20 | 20 | 15 | 15 | 15 | 15 | 10 |
| Savvis | 16 | 15 | 16 | 15 | 10 | 7 | 8 | 7 |
| Amortization of fair value adjustment of long- term debt: | | | | | | | | |
| Embarq | 2 | 2 | 1 | — | — | — | 1 | — |
| Qwest | (6) | (5) | (4) | (3) | (3) | (3) | (2) | — |
| Subtotal | 227 | 223 | 220 | 210 | 201 | 194 | 193 | 184 |
| Tax effect of items arising from purchasing accounting | (86) | (85) | (83) | (79) | (76) | (74) | (73) | (70) |
| Net adjustment, after taxes | 141 | 138 | 137 | 131 | 125 | 120 | 120 | 114 |
| Net income, as adjusted for above items | \$ 434 | 386 | 342 | 305 | 292 | 284 | 251 | 228 |
| Weighted average common shares outstanding- diluted | 542.5 | 540.2 | 540.4 | 540.9 | 541.2 | 541.5 | 542.2 | 542.0 |
| Diluted EPS (excluding special items) | \$ 0.54 | 0.46 | 0.38 | 0.32 | 0.31 | 0.30 | 0.24 | 0.21 |
| Adjusted diluted EPS as adjusted for purchase accounting intangible and interest amortizations (excluding special items) | \$ 0.80 | 0.71 | 0.63 | 0.56 | 0.54 | 0.52 | 0.46 | 0.42 |

* 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 12.

** 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 4Q15 | Actual 1Q16 | Actual 2Q16 | Actual 3Q16 | Actual 4Q16 | Actual 1Q17 | Actual 2Q17 | Actual 3Q17 |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Enterprise | | | | | | | | |
| Revenues * | | | | | | | | |
| Strategic services ** | \$ 1,058 | 1,065 | 1,081 | 1,078 | 1,086 | 1,097 | 985 | 949 |
| Legacy services ** | 1,283 | 1,262 | 1,232 | 1,205 | 1,170 | 1,142 | 1,107 | 1,092 |
| Data integration | 140 | 115 | 122 | 161 | 130 | 117 | 123 | 130 |
| Total revenues | 2,481 | 2,442 | 2,435 | 2,444 | 2,386 | 2,356 | 2,215 | 2,171 |
| Expenses * | | | | | | | | |
| Total expenses | 1,348 | 1,319 | 1,372 | 1,425 | 1,354 | 1,330 | 1,285 | 1,292 |
| Segment income | \$ 1,133 | 1,123 | 1,063 | 1,019 | 1,032 | 1,026 | 930 | 879 |
| Segment income margin | 45.7% | 46.0% | 43.7% | 41.7% | 43.3% | 43.5% | 42.0% | 40.5% |
| Consumer | | | | | | | | |
| Revenues * | | | | | | | | |
| Strategic services | \$ 773 | 774 | 800 | 789 | 784 | 764 | 768 | 774 |
| Legacy services | 741 | 714 | 694 | 683 | 664 | 648 | 633 | 613 |
| Data integration | — | 1 | — | — | 1 | — | 1 | — |
| Total revenues | 1,514 | 1,489 | 1,494 | 1,472 | 1,449 | 1,412 | 1,402 | 1,387 |
| Expenses * | | | | | | | | |
| Total expenses | 602 | 611 | 639 | 643 | 617 | 600 | 592 | 621 |
| Segment income | \$ 912 | 878 | 855 | 829 | 832 | 812 | 810 | 766 |
| Segment income margin | 60.2% | 59.0% | 57.2% | 56.3% | 57.4% | 57.5% | 57.8% | 55.2% |
| Total reportable segment revenues | \$ 3,995 | 3,931 | 3,929 | 3,916 | 3,835 | 3,768 | 3,617 | 3,558 |
| Total reportable segment expenses | 1,950 | 1,930 | 2,011 | 2,068 | 1,971 | 1,930 | 1,877 | 1,913 |
| Total reportable segment income | \$ 2,045 | 2,001 | 1,918 | 1,848 | 1,864 | 1,838 | 1,740 | 1,645 |
| Total reportable segment income margin (segment reportable income divided by segment reportable revenues) | 51.2% | 50.9% | 48.8% | 47.2% | 48.6% | 48.8% | 48.1% | 46.2% |

* 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 4Q15 |
|---------------------------------|----------------|
| Decrease in Enterprise Expenses | \$ (12) |
| Increase in Consumer Expenses | 16 |

** During the second quarter of 2017, we determined that certain of our legacy services, specifically our dark fiber network leasing, are more closely aligned with our strategic services than with our legacy services. As a result, we now reflect these operating revenues as strategic services, and we have reclassified certain prior period amounts to conform to this change. The revision resulted in an increase of revenue from strategic services and a corresponding decrease in revenue from legacy services. For additional information related to this re-alignment, please see page 11, Segment Revenues.

See our SEC reports for further information.

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

(UNAUDITED)

(Dollars in millions)

| | | Actual 4Q15 | Actual 1Q16 | Actual 2Q16 | Actual 3Q16 | Actual 4Q16 | Actual 1Q17 | Actual 2Q17 | Actual 3Q17 |
|---|----|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Total reportable segment revenues | \$ | 3,995 | 3,931 | 3,929 | 3,916 | 3,835 | 3,768 | 3,617 | 3,558 |
| Total reportable segment expenses | | 1,950 | 1,930 | 2,011 | 2,068 | 1,971 | 1,930 | 1,877 | 1,913 |
| Total reportable segment income | \$ | 2,045 | 2,001 | 1,918 | 1,848 | 1,864 | 1,838 | 1,740 | 1,645 |
| Total reportable segment income margin (segment reportable income divided by reportable segment revenues) | | 51.2% | 50.9% | 48.8% | 47.2% | 48.6% | 48.8% | 48.1% | 46.2% |

**Reconciliation of reportable segment income
to net income:**

| | | | | | | | | | |
|---------------------------------|----|---------|-------|-------|-------|-------|-------|-------|-------|
| Total reportable segment income | \$ | 2,045 | 2,001 | 1,918 | 1,848 | 1,864 | 1,838 | 1,740 | 1,645 |
| Non-reportable segment revenues | | 173 | 162 | 162 | 162 | 158 | 153 | 171 | 173 |
| Other revenue | | 308 | 308 | 307 | 304 | 296 | 288 | 302 | 303 |
| Unassigned expenses | | (714) | (787) | (739) | (718) | (733) | (747) | (771) | (724) |
| Adjusted EBITDA | \$ | 1,812 | 1,684 | 1,648 | 1,596 | 1,585 | 1,532 | 1,442 | 1,397 |
| Depreciation and amortization | | (1,053) | (976) | (987) | (995) | (994) | (930) | (905) | (910) |
| Total other expense | | (314) | (308) | (330) | (317) | (315) | (324) | (327) | (317) |
| Income tax expense | | (152) | (152) | (126) | (110) | (109) | (114) | (79) | (56) |
| Net Income | \$ | 293 | 248 | 205 | 174 | 167 | 164 | 131 | 114 |

* 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 12.

CenturyLink, Inc.

SUPPLEMENTAL SEGMENT DATA, SEGMENT REVENUES

(UNAUDITED)

(Dollars in millions)

| | Actual 4Q15 | Actual 1Q16 | Actual 2Q16 | Actual 3Q16 | Actual 4Q16 | Actual 1Q17 | Actual 2Q17 | Actual 3Q17 |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Strategic services | | | | | | | | |
| Enterprise high-bandwidth data services (1) \$ | 733 | 738 | 753 | 744 | 755 | 769 | 760 | 767 |
| Other enterprise strategic services (2) | 325 | 327 | 328 | 334 | 331 | 328 | 225 | 182 |
| IT and managed services (3) | 173 | 162 | 161 | 160 | 158 | 152 | 162 | 169 |
| Consumer broadband services (4) | 666 | 667 | 682 | 674 | 666 | 661 | 661 | 673 |
| Other consumer strategic services (5) | 107 | 107 | 118 | 115 | 118 | 103 | 107 | 101 |
| Total strategic services revenues | 2,004 | 2,001 | 2,042 | 2,027 | 2,028 | 2,013 | 1,915 | 1,892 |
| Legacy services | | | | | | | | |
| Enterprise voice services (6) | 631 | 622 | 611 | 601 | 579 | 573 | 558 | 551 |
| Enterprise low-bandwidth data services (7) | 381 | 365 | 352 | 339 | 325 | 314 | 302 | 289 |
| Other enterprise legacy services (8) | 271 | 275 | 269 | 265 | 266 | 255 | 247 | 252 |
| Consumer voice services (6) | 649 | 634 | 615 | 605 | 589 | 575 | 562 | 541 |
| Other consumer legacy services (9) | 92 | 80 | 79 | 78 | 75 | 73 | 71 | 72 |
| Total legacy services revenues | 2,024 | 1,976 | 1,926 | 1,888 | 1,834 | 1,790 | 1,740 | 1,705 |
| Data integration | | | | | | | | |
| Enterprise data integration | 140 | 115 | 122 | 161 | 130 | 117 | 123 | 130 |
| IT and managed services data integration | — | — | 1 | 2 | — | 1 | 9 | 4 |
| Consumer data integration | — | 1 | — | — | 1 | — | 1 | — |
| Total data integration revenues | 140 | 116 | 123 | 163 | 131 | 118 | 133 | 134 |
| Other revenues | | | | | | | | |
| High-cost support revenue (10) | 182 | 174 | 173 | 171 | 170 | 168 | 168 | 165 |
| Other revenue (11) | 126 | 134 | 134 | 133 | 126 | 120 | 134 | 138 |
| Total other revenues | 308 | 308 | 307 | 304 | 296 | 288 | 302 | 303 |
| Total revenues | \$ 4,476 | 4,401 | 4,398 | 4,382 | 4,289 | 4,209 | 4,090 | 4,034 |

- (1) Includes MPLS, Ethernet and wavelength revenue
- (2) Includes primarily colocation, broadband, VOIP, video and fiber lease 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 4Q15 | Actual 1Q16 |
|--|----------------|----------------|
| Strategic services | | |
| Enterprise low-bandwidth data services | (496) | (481) |
| Other enterprise strategic services | 117 | 116 |
| | (379) | (365) |
| Legacy services | | |
| Enterprise low-bandwidth data services | 381 | 366 |
| Other enterprise legacy services | (2) | (1) |
| | 379 | 365 |

During the second quarter of 2017, we determined that certain of our legacy services, specifically our dark fiber network leasing, are more closely aligned with our strategic services than with our legacy services. As a result, we now reflect these operating revenues as strategic services, and we have reclassified certain prior period amounts to conform to this change. The revision resulted in the following increase of other enterprise strategic services and a corresponding decrease in other enterprise legacy services:

| | Actual 4Q15 | Actual 1Q16 | Actual 2Q16 | Actual 3Q16 | Actual 4Q16 | Actual 1Q17 |
|---|----------------|----------------|----------------|----------------|----------------|----------------|
| Increase in other enterprise strategic services | 12 | 12 | 12 | 12 | 12 | 13 |
| Decrease in other enterprise legacy services | (12) | (12) | (12) | (12) | (12) | (13) |

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 Adjusted Earnings before interest, taxes, depreciation and amortization or the term *Adjusted EBITDA* 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). Adjusted EBITDA is an accrual based measure that has the effect of excluding quarter-to-quarter variances that are caused by changes in working capital. *Adjusted EBITDA* 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 free cash flows* 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. *Adjusted free cash flows* 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.