CenturyLink, Inc.

CONSOLIDATED STATEMENTS OF INCOME

THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016

(UNAUDITED)

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

	Three months ended September 30,		Increase / (decrease)	Nine months ended September 30,		Increase / (decrease)
	2017	2016		2017	2016	
OPERATING REVENUES *						
Strategic	$ 1,892	2,027	(7)%	5,820	6,070	(4)%
Legacy	1,705	1,888	(10)%	5,235	5,790	(10)%
Data integration	134	163	(18)%	385	402	(4)%
Other	303	304	— %	893	919	(3)%
Total operating revenues	4,034	4,382	(8)%	12,333	13,181	(6)%
OPERATING EXPENSES						
Cost of services and products	1,927	1,996	(3)%	5,705	5,845	(2)%
Selling, general and administrative **	710	798	(11)%	2,404	2,450	(2)%
Depreciation and amortization	910	995	(9)%	2,739	2,958	(7)%
Total operating expenses	3,547	3,789	(6)%	10,848	11,253	(4)%
OPERATING INCOME	487	593	(18)%	1,485	1,928	(23)%
OTHER (EXPENSE) INCOME						
Interest expense	(362)	(327)	11 %	(1,000)	(998)	— %
Other income (expense), net **	14	(17)	(182)%	1	16	(94)%
Income tax expense	(47)	(97)	(52)%	(214)	(362)	(41)%
NET INCOME	$ 92	152	(39)%	272	584	(53)%
BASIC EARNINGS PER SHARE	$ 0.17	0.28	(39)%	0.50	1.08	(54)%
DILUTED EARNINGS PER SHARE	$ 0.17	0.28	(39)%	0.50	1.08	(54)%
AVERAGE SHARES OUTSTANDING						
Basic	541,521	539,806	— %	541,113	539,411	— %
Diluted	541,963	540,917	— %	541,879	540,493	— %
DIVIDENDS PER COMMON SHARE	$ 0.54	0.54	— %	1.62	1.62	— %

* During the second quarter of 2017, CenturyLink determined that certain of its legacy services, specifically its dark fiber network leasing, are more closely aligned with CenturyLink's strategic services than with its legacy services. As a result, CenturyLink now reflects these operating revenues as strategic services, and CenturyLink has 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 of $12 million and $36 million for the three and nine months ended September 30, 2016, respectively.

** In the first quarter of 2017, CenturyLink 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 (expense) income, net in CenturyLink's 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 a $2 million and $11 million reduction in operating income and a corresponding decrease in other (expense) income, net for the three and nine months ended September 30, 2016, respectively.

CenturyLink, Inc.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

(UNAUDITED)

(Dollars in millions)

	Three months ended September 30, 2017			Three months ended September 30, 2016		
	As reported	Less special items	As adjusted excluding special items	As reported	Less special items	As adjusted excluding special items
Adjusted EBITDA and adjusted EBITDA margin						
Operating income *	$ 487	— (1)	487	593	(8) (2)	601
Add: Depreciation and amortization	910	—	910	995	—	995
Adjusted EBITDA	$ 1,397	—	1,397	1,588	(8)	1,596
Revenues	$ 4,034	—	4,034	4,382	—	4,382
Operating income margin (operating income divided by revenues)	12.1%		12.1%	13.5%		13.7%
Adjusted EBITDA margin (adjusted EBITDA divided by revenues)	34.6%		34.6%	36.2%		36.4%
Adjusted free cash flow						
Adjusted EBITDA			$ 1,397			1,596
Less: Capital expenditures (3)			(749)			(740)
Less: Cash paid for interest, net of amounts capitalized			(293)			(262)
Less: Pension and postretirement impacts (4)			(125)			(115)
Less: Cash paid for income taxes, net			(118)			(323)
Less: Ongoing EBITDA impacts of ASC 840-40 on sale of data centers			(25)			—
Add: Share-based compensation			21			20
Add: Other (expense) income, net *			1			10
Adjusted free cash flow (5)			$ 109			186

SPECIAL ITEMS

(1) - 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.

(2) - Includes severance costs associated with reduction in force initiatives ($4 million), integration costs associated with CenturyLink's acquisition of Qwest ($1 million), costs associated with a large billing system integration project ($7 million), less an offsetting gain on the sale of a building $4 million.

ADJUSTED FREE CASH FLOW

(3) - Excludes $4 million in third quarter 2017 and $6 million in third quarter 2016 of capital expenditures related to the integration of Qwest and Savvis.

(4) - 2017 includes net periodic pension benefit expense of $1 million, net periodic postretirement benefit expense of $34 million, contributions to our qualified pension plan trust of ($100 million) and ($1 million) of benefits paid to participants of CenturyLink's non-qualified pension plans. Postretirement contributions included benefits paid by company ($74 million) offset by participant contributions $13 million and direct subsidy receipts $2 million.

- 2016 includes net periodic pension benefit income of ($18 million), net periodic postretirement benefit expense of $36 million, contributions to our qualified pension plan trust of ($100 million) and ($2 million) of benefits paid to participants of CenturyLink's non-qualified pension plans. Postretirement contributions included benefits paid by company ($47 million) offset by participant contributions $14 million and direct subsidy receipts $2 million.

(5) - Excludes special items identified in items (1) and (2).

* In the first quarter of 2017, CenturyLink 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 CenturyLink's 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 a $2 million reduction in operating income and a corresponding decrease in total other expense, net for the three months ended September 30, 2016.

CenturyLink, Inc.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

(UNAUDITED)

(Dollars in millions)

	Nine months ended September 30, 2017				Nine months ended September 30, 2016			
	As reported	Less special items		As adjusted excluding special items	As reported	Less special items		As adjusted excluding special items
Adjusted EBITDA and adjusted EBITDA margin								
Operating income *	$ 1,485	(141)	(1)	1,626	1,928	(42)	(3)	1,970
Add: Depreciation and amortization	2,739	(6)	(2)	2,745	2,958	—		2,958
Adjusted EBITDA	$ 4,224	(147)		4,371	4,886	(42)		4,928
Revenues	$ 12,333	—		12,333	13,181	—		13,181
Operating income margin (operating income divided by revenues)	12.0%			13.2%	14.6%			14.9%
Adjusted EBITDA margin (adjusted EBITDA divided by revenues)	34.2%			35.4%	37.1%			37.4%
Adjusted free cash flow								
Adjusted EBITDA				$ 4,371				4,928
Less: Capital expenditures (4)				(2,358)				(1,995)
Less: Cash paid for interest, net of amounts capitalized				(917)				(922)
Less: Pension and postretirement impacts (5)				(181)				(143)
Less: Cash paid for income taxes, net				(378)				(344)
Less: Ongoing EBITDA impacts of ASC 840-40 on sale of data centers				(40)				—
Add: Share-based compensation				64				60
Add: Other (expense) income, net *				(12)				43
Adjusted free cash flow (6)				$ 549				1,627

SPECIAL ITEMS

(1) - Costs related to CenturyLink's acquisition of Level 3 ($65 million), a loss associated with the sale of CenturyLink's data centers and colocation business ($82 million), partially offset by the termination of depreciation and amortization expense related to CenturyLink's sale of the data centers and colocation business $50 million, which were substantially offset by additional depreciation expense adjustment recorded on real estate assets CenturyLink was required to reflect on its balance sheet as a result of not meeting the requirement of sale leaseback accounting ($44 million).

(2) - Termination of depreciation and amortization expense related to CenturyLink's sale of the data centers and colocation business ($50 million), which were substantially offset by additional depreciation expense adjustment recorded of $44 million on real estate assets CenturyLink was required to reflect on its balance sheet as a result of not meeting the requirement of sale leaseback accounting.

(3) - Includes severance costs associated with reduction in force initiatives ($25 million), integration costs associated with CenturyLink's acquisition of Qwest ($8 million) and costs associated with a large billing system integration project ($13 million), less an offsetting gain on the sale of a building $4 million.

ADJUSTED FREE CASH FLOW

(4) - Excludes $5 million in 2017 and $15 million in 2016 of capital expenditures related to the integration of Qwest and Savvis.

(5) - 2017 includes net periodic pension benefit expense of $4 million, net periodic postretirement benefit expense of $102 million, contributions to our pension plan trust of ($100 million) and ($4 million) of benefits paid to participants of CenturyLink's non-qualified pension plans. Postretirement contributions included benefits paid by company ($231 million) offset by participant contributions $41 million and direct subsidy receipts $7 million.

- 2016 includes net periodic pension benefit income of ($56 million), net periodic postretirement benefit expense of $107 million, contributions to our pension plan trust of ($100 million) and ($5 million) of benefits paid to participants of CenturyLink's non-qualified pension plans. Postretirement contributions included benefits paid by company ($136 million) offset by participant contributions $43 million and direct subsidy receipts $4 million.

(6) - Excludes special items identified in items (1), (2) and (3).

* In the first quarter of 2017, CenturyLink 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 (expense) income, net in CenturyLink's 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 a $11 million reduction in operating income and a corresponding decrease in total other expense, net for the nine months ended September 30, 2016.

CenturyLink, Inc.

SUPPLEMENTAL NON-GAAP INFORMATION - ADJUSTED DILUTED EPS

THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016

(UNAUDITED)

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

	Three months ended				Nine months ended			
	September 30, 2017		**September 30, 2016**		**September 30, 2017**		**September 30, 2016**	
Net Income	$ 92		152		272		584	
Less Special Items:								
Special items (excluding tax items)	(31)	(1)	(35)	(3)	(172)	(5)	(69)	(7)
Special income tax items and income tax effect of other special items	9	(2)	13	(4)	35	(6)	26	(8)
Total impact of special items	(22)		(22)		(137)		(43)	
Net income, excluding special items	114		174		409		627	
Add back certain items arising from purchase accounting:								
Amortization of customer base intangibles:								
Qwest	167		183		513		561	
Embarq	10		15		40		55	
Savvis	7		15		22		46	
Amortization of fair value adjustment of long-term debt:								
Embarq	—		—		1		3	
Qwest	—		(3)		(5)		(12)	
Subtotal	184		210		571		653	
Tax effect of items arising from purchasing accounting	(70)		(79)		(217)		(247)	
Net adjustment, after taxes	114		131		354		406	
Net income, as adjusted for above items	$ 228		305		763		1,033	
Weighted average diluted shares outstanding	542.0		540.9		541.9		540.5	
Diluted EPS (excluding special items)	$ 0.21		0.32		0.75		1.16	
Adjusted diluted EPS as adjusted for the above-listed purchase accounting intangible and interest amortizations (excluding special items)	$ 0.42		0.56		1.41		1.91	

The above non-GAAP schedule presents adjusted net income and adjusted diluted earnings per share (both excluding special items) by adding back to net income and diluted earnings per share certain non-cash expense items that arise as a result of the application of business combination accounting rules to CenturyLink's major acquisitions since mid-2009. Such presentation is not in accordance with generally accepted accounting principles but CenturyLink's management believes the presentation is useful to analysts and investors to understand the impacts of growing CenturyLink's business through acquisitions.

(1) Costs related to CenturyLink's acquisition of Level 3 ($37million) offset by a favorable adjustment to the loss associated with the sale of CenturyLink's data centers and colocation business $37 million, interest expense ($44 million) related to CenturyLink's $6 billion term loan secured financing for the acquisition of Level 3 and interest income $13 million earned from the pre-funded escrow established with the term loan proceeds.

(2) Income tax benefit of Items (1).

(3) Includes severance costs associated with reduction in force initiatives ($4 million), integration costs associated with CenturyLink's acquisition of Qwest ($1 million), costs associated with a large billing system integration project ($7 million) and a net loss associated with early retirement of debt ($27 million), less an offsetting gain on the sale of a building $4 million.

(4) Income tax benefit of Item (3).

(5) Costs related to CenturyLink's acquisition of Level 3 ($65 million), interest expense ($44 million) related to CenturyLink's $6 billion term loan secured financing for the acquisition of Level 3 and interest income $13 million earned from the pre-funded escrow, a loss associated with the sale of CenturyLink's data centers and colocation business ($82 million), partially offset by the termination of depreciation and amortization expense related to CenturyLink's sale of the data centers and colocation business $50 million, which were substantially offset by additional depreciation expense adjustment recorded on real estate assets CenturyLink was required to reflect on its balance sheet as a result of not meeting the requirement of sale leaseback accounting ($44 million).

(6) Income tax benefit of Item (5) $73 million, net of a tax benefit related to the sale of CenturyLink's data centers and colocation business ($38 million).

(7) Includes severance costs associated with reduction in force initiatives ($25 million), integration costs associated with CenturyLink's acquisition of Qwest ($8 million) and costs associated with a large billing system integration project ($13 million) and a net loss associated with early retirement of debt ($27 million), less an offsetting gain on the sale of a building $4 million.

(8) Income tax benefit of Item (7).

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.