TEXAS DEPARTMENT OF CRIMINAL JUSTICE

REQUEST FOR OFFENDER TELEPHONE SYTEM

SOLICITATION NUMBER 696-IT-18-P014

VOLUME THREE

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VOLUME THREE, SECTION 1- PRICING SCHEDULES

~~A. In this section, the Proposer shall provide its detailed price proposal, including a budget narrative, and a complete breakdown of how the price was derived (material, direct labor, overhead, general and administrative expenses , other direct costs, profit, etc.) to provide the Services specified in Section C.~~

~~B. The Proposer shall further disclose the following costs:~~

~~1. Indirect Costs: A detail of the various cost components used to justify the percentage of indirect costs that will be required. The Department has the authority to deem the proposal non-responsive if detail justification in a line item format is not provided.~~

~~2. Insurance Costs: Proposer shall indicate the costs to maintain the insurance required by the Department, state law or the related financing documents for the Facility.~~

~~3. Other Operating Costs: Proposer shall outline and provide costs related to any additional line items that would qualify as an Additional Service that would enhance the operation of the program. Proposer shall detail and explain any other costs associated with this proposal.~~

~~C. The Proposer shall also disclose its profit margin in providing the Services requested by the Department in this proposal.~~

Per Amendment No. 4 issued May 9, 2018, this requirement has been deleted from Bid No. 696-IT-18-P014.

D. The following Contract Sections shall be completed and included in this Section:

Section B.2, Pricing Schedule; and

Proposer should submit pricing for the base period and all option years in the format used in Section B.2.

B.2.1 Standard Configuration

Base Period (9/1/2018 through 8/31/2025)

Collect Call Rates		
	Rate/Minute	Commission %
Local	**$0.060**	**40.0%**
Intrastate	**$0.060**	**40.0%**
Interstate	**$0.060**	**40.0%**

Base Period (9/1/2018 through 8/31/2025)

Prepaid Collect Call Rates		
	Rate/Minute	Commission %
Local	**$0.060**	**40.0%**
Intrastate	**$0.060**	**40.0%**
Interstate	**$0.060**	**40.0%**

Base Period (9/1/2018 through 8/31/2025)

Prepaid Call Rates		
	Rate/Minute	Commission %
Local	**$0.060**	**40.0%**
Intrastate	**$0.060**	**40.0%**
Interstate	**$0.060**	**40.0%**

Option Period 1 (9/1/2025 through 8/31/2027)

Collect Call Rates		
	Rate/Minute	Commission %
Local	**$0.060**	**40.0%**
Intrastate	**$0.060**	**40.0%**
Interstate	**$0.060**	**40.0%**

Option Period 1 (9/1/2025 through 8/31/2027)

Prepaid Collect Call Rates		
	Rate/Minute	Commission %
Local	**$0.060**	**40.0%**
Intrastate	**$0.060**	**40.0%**
Interstate	**$0.060**	**40.0%**

Option Period 1 (9/1/2025 through 8/31/2027)

Prepaid Call Rates		
	Rate/Minute	Commission %
Local	**$0.060**	**40.0%**
Intrastate	**$0.060**	**40.0%**
Interstate	**$0.060**	**40.0%**

Option Period 2 (9/1/2027 through 8/31/2029)

Collect Call Rates		
	Rate/Minute	Commission %
Local	**$0.060**	**40.0%**
Intrastate	**$0.060**	**40.0%**
Interstate	**$0.060**	**40.0%**

Option Period 2 (9/1/2027 through 8/31/2029)

Prepaid Collect Call Rates		
	Rate/Minute	Commission %
Local	**$0.060**	**40.0%**
Intrastate	**$0.060**	**40.0%**
Interstate	**$0.060**	**40.0%**

Option Period 2 (9/1/2027 through 8/31/2029)

Prepaid Call Rates		
	Rate/Minute	Commission %
Local	**$0.060**	**40.0%**
Intrastate	**$0.060**	**40.0%**
Interstate	**$0.060**	**40.0%**

Option Period 3 (9/1/2015 through 8/31/2027)

Collect Call Rates		
	Rate/Minute	Commission %
Local	**$0.060**	**40.0%**
Intrastate	**$0.060**	**40.0%**
Interstate	**$0.060**	**40.0%**

Option Period 3 (9/1/2015 through 8/31/2027)

Prepaid Collect Call Rates		
	Rate/Minute	Commission %
Local	**$0.060**	**40.0%**
Intrastate	**$0.060**	**40.0%**
Interstate	**$0.060**	**40.0%**

Option Period 3 (9/1/2015 through 8/31/2027)

Prepaid Call Rates		
	Rate/Minute	Commission %
Local	**$0.060**	**40.0%**
Intrastate	**$0.060**	**40.0%**
Interstate	**$0.060**	**40.0%**

CenturyLink is pleased to present these "base rates" to the Department. They are CenturyLink's best attempt to balance low rates for family members, OTS-related security and value-added services to the Department, and funding for the Texas Victims of Crime Fund. If the Department seeks additional options we would look forward to discussing them during presentations and/or negotiations. All pricing includes payment of a 40% commission in compliance with Texas statute.

Our response to Volume 2, Section 1, Question #49 lists a number of value-added services available to the Department. The majority of those value-added services are included in the base rate; however, optional services with impacts to base calling rates are summarized below:

- CellSense portable contraband detection (per 100 units) $0.006 per minute
- Video Visitation expansion (per 200 stations) $0.005 per minute
- PEP video conferencing (full 10-Unit implementation) $0.005 per minute
- Visitation phone monitoring (per 100 visitation sets) $0.002 per minute
- Jobview (software @ no cost, kiosk deployment optional) kiosk # negotiated
- Mobile contraband assessments (per 60 assessments) $0.003 per minute
- Stationary contraband assessments (per Unit deployed) $0.005 per minute
- Televisit telemedicine deployment $0.004 per minute
- Tetrus PREATrac $0.003 per minute
- WCS – One Additional Unit deployment $0.012 per minute

One notation regarding the pricing above is that each is presented individually. Because usage declines to varying degrees as rates reach certain levels, our ability to support multiple value-adds could be diminished at higher rates. As a result we simply request that the Department review our pricing offer and determine the package of value-added services that best suit its needs, so that we may present them as a holistic bundle.

We emphasize that these rates are offered with low fees and generous billing policies. FCC regulatory jurisdiction over fees and policies for in-state calls has been rejected by the Federal Courts, and enforcement of interstate regulations has not occurred to date. Although stated rates can easily be reduced through add-on fees and "fee churning" policies, we have not done so and respectfully request the Department's consideration of this during evaluation.

E. A copy of the Proposer's financial statement with all sub-schedules and footnotes to include a balance sheet, profit and loss statement, and a change in financial position for each of the last two (2) audited fiscal years.

CENTURYLINK HAS READ, UNDERSTANDS, AND WILL COMPLY WITH THIS REQUIREMENT.

Please see Attachment I and J for a copy of CenturyLink's 2016 and 2017 financial statements.

VOLUME THREE, SECTION 2 – HUB SUBCONTRACTING PLAN

Exhibit J.2

Rev. 2/17

HUB Subcontracting Plan (HSP)

In accordance with Texas Gov't Code §2161.252, the contracting agency has determined that subcontracting opportunities are probable under this contract. Therefore, all respondents, including State of Texas certified Historically Underutilized Businesses (HUBs) must complete and submit this State of Texas HUB Subcontracting Plan (HSP) with their response to the bid requisition (solicitation).

NOTE: Responses that do not include a completed HSP shall be rejected pursuant to Texas Gov't Code §2161.252(b).

The HUB Program promotes equal business opportunities for economically disadvantaged persons to contract with the State of Texas in accordance with the goals specified in the 2009 State of Texas Disparity Study. The statewide HUB goals defined in 34 Texas Administrative Code (TAC) §20.284 are:

- ***11.2 percent for heavy construction other than building contracts,***
- ***21.1 percent for all building construction, including general contractors and operative builders' contracts,***
- ***32.9 percent for all special trade construction contracts,***
- ***23.7 percent for professional services contracts,***
- ***26.0 percent for all other services contracts, and***
- ***21.1 percent for commodities contracts.***

- - Agency Special Instructions/Additional Requirements - -

In accordance with 34 TAC §20.285(d)(1)(D)(iii), a respondent (prime contractor) may demonstrate good faith effort to utilize Texas certified HUBs for its subcontracting opportunities if the total value of the respondent's subcontracts with Texas certified HUBs meets or exceeds the statewide HUB goal or the agency specific HUB goal, whichever is higher. When a respondent uses this method to demonstrate good faith effort, the respondent must identify the HUBs with which it will subcontract. If using existing contracts with Texas certified HUBs to satisfy this requirement, only the aggregate percentage of the contracts expected to be subcontracted to HUBs with which the respondent does not have a continuous contract* in place for more than five (5) years shall qualify for meeting the HUB goal. This limitation is designed to encourage vendor rotation as recommended by the 2009 Texas Disparity Study.

The TDCJ HUB goals are defined as:

- **17.5 percent for heavy construction other than building contracts,**
- **36.9 percent for all building construction, including general contractors and operative builders' contracts,**
- **32.7 percent for all special trade construction contracts,**
- **23.6 percent for professional services contracts,**
- **24.6 percent for all other services contracts, and**
- **21.0 percent for commodities contracts.**

The TDCJ has determined that the HUB Category for this contract falls under the

All Other Services Contracts Category

The HUB Goal for this category is therefore identified as **26.0%**

For assistance in completing the HSP contact:
Sharon Schultz @ 936-437-7026
sharon.schultz@tdcj.texas.gov

SECTION 1: RESPONDENT AND REQUISITION INFORMATION

a. Respondent (Company) Name: CenturyLink Public Communications, Inc. State of Texas VID #: 1593268090100

Point of Contact: Paul Cooper Phone #: (913) 353-7388

E-mail Address: paul.n.cooper@centurylink.com Fax #: (720) 264-8121

b. Is your company a State of Texas certified HUB? ◯ - Yes ☒ - No

c. Requisition #: 696-IT18-P014 Bid Open Date: 05/21/2018 (mm/dd/yyyy)

Enter your company's name here: CenturyLink Requisition #: 696-IT-18-P014

SECTION 2 RESPONDENT's SUBCONTRACTING INTENTIONS

After dividing the contract work into reasonable lots or portions to the extent consistent with prudent industry practices, and taking into consideration the scope of work to be performed under the proposed contract, including all potential subcontracting opportunities, the respondent must determine what portions of work, including **contracted staffing, goods, services will be subcontracted.** Note: In accordance with 34 TAC §20.282, a "Subcontractor" means a person who contracts with a prime contractor to work, to supply commodities, or to contribute toward completing work for a governmental entity.

a. Check the appropriate box (Yes or No) that identifies your subcontracting intentions:

- ☐ - *Yes*, I will be subcontracting portions of the contract. (If *Yes*, complete Item b of this SECTION and continue to Item c of this SECTION.)
- ☒ - *No*, I will not be subcontracting any portion of the contract, and I will be fulfilling the entire contract with my own resources, including employees, goods, services, transportation and delivery. (If *No*, continue to SECTION 3 and SECTION 4.)

b. List all the portions of work (subcontracting opportunities) you will subcontract. Also, based on the total value of the contract, identify the percentages of the contract you expect to award to Texas certified HUBs, and the percentage of the contract you expect to award to vendors that are not a Texas certified HUB (i.e., Non-HUB).

Item #	Subcontracting Opportunity Description	HUBs		Non-HUBs
		Percentage of the contract expected to be subcontracted to HUBs with which you do not have a continuous contract* in place for more than five (5) years.	Percentage of the contract expected to be subcontracted to HUBs with which you have a continuous contract* in place for more than five (5) years.	Percentage of the contract expected to be subcontracted to non-HUBs.
1		%	%	%
2		%	%	%
3		%	%	%
4		%	%	%
5		%	%	%
6		%	%	%
7		%	%	%
8		%	%	%
9		%	%	%
10		%	%	%
11		%	%	%
12		%	%	%
13		%	%	%
14		%	%	%
15		%	%	%
Aggregate percentages of the contract expected to be subcontracted:		%	%	%

(Note: If you have more than fifteen subcontracting opportunities, a continuation sheet is available online at http://comptroller.texas.gov/purchasing/vendor/hub/forms.php).

c. Check the appropriate box (Yes or No) that indicates whether you will be using only Texas certified HUBs to perform all of the subcontracting opportunities you listed in SECTION 2, Item b.

- ☐ - *Yes* (If *Yes*, continue to SECTION 4 and complete an "HSP Good Faith Effort - Method A (Attachment A)" for each of the subcontracting opportunities you listed.)
- ☐ - *No* (If *No*, continue to Item d, of this SECTION.)

d. Check the appropriate box (Yes or No) that indicates whether the aggregate expected percentage of the contract you will subcontract with Texas certified HUBs with which you do not have a continuous contract* in place with for more than five (5) years, meets or exceeds the HUB goal the contracting agency identified on page 1 in the "Agency Special Instructions/Additional Requirements."

- ☐ - *Yes* (If *Yes*, continue to SECTION 4 and complete an "HSP Good Faith Effort - Method A (Attachment A)" for each of the subcontracting opportunities you listed.
- ☐ - *No* (If *No*, continue to SECTION 4 and complete an "HSP Good Faith Effort - Method B (Attachment B)" for each of the subcontracting opportunities you listed.

**Continuous Contract: Any existing written agreement (including any renewals that are exercised) between a prime contractor and a HUB vendor, where the HUB vendor provides the prime contractor with goods or service, to include transportation and delivery under the same contract for a specified period of time. The frequency the HUB vendor is utilized or paid during the term of the contract is not relevant to whether the contract is considered continuous. Two or more contracts that run concurrently or overlap one another for different periods of time are considered by CPA to be individual contracts rather than renewals or extensions to the original contract. In such situations the prime contractor and HUB vendor are entering (have entered) into "new" contracts.*

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Enter your company's name here: CenturyLink

Requisition #: 696-IT-18-P014

SECTION-3 SELF PERFORMING JUSTIFICATION (If you responded "No" to SECTION 2, Item a, you must complete this SECTION and continue to SECTION

If you responded "No" to SECTION 2, Item a, in the space provided below **explain** how your company will perform the entire contract with its own employees, supplies, materials and/or equipment, to include transportation and delivery.

At this time there are no subcontracting opportunities for this bid.

SECTION-4 AFFIRMATION

As evidenced by my signature below, I affirm that I am an authorized representative of the respondent listed in SECTION 1, and that the information and supporting documentation submitted with the HSP is true and correct. Respondent understands and agrees that, if awarded any portion of the requisition:

- The respondent will provide notice as soon as practical to all the subcontractors (HUBs and Non-HUBs) of their selection as a subcontractor for the awarded contract. The notice must specify at a minimum the contracting agency's name and its point of contact for the contract, the contract award number, the subcontracting opportunity they (the subcontractor) will perform, the approximate dollar value of the subcontracting opportunity and the expected percentage of the total contract that the subcontracting opportunity represents. A copy of the notice required by this section must also be provided to the contracting agency's point of contact for the contract no later than ten (10) working days after the contract is awarded.
- The respondent must submit monthly compliance reports (Prime Contractor Progress Assessment Report – PAR) to the contracting agency, verifying its compliance with the HSP, including the use of and expenditures made to its subcontractors (HUBs and Non-HUBs). (The PAR is available at http://www.comptroller.texas.gov/purchasing/docs/hub-forms/ProgressAssessmentReportForm.xls).
- The respondent must seek approval from the contracting agency prior to making any modifications to its HSP, including the hiring of additional or different subcontractors and the termination of a subcontractor the respondent identified in its HSP. If the HSP is modified without the contracting agency's prior approval, respondent may be subject to any and all enforcement remedies available under the contract or otherwise available by law, up to and including debarment from all state contracting.
- The respondent must, upon request, allow the contracting agency to perform on-site reviews of the company's headquarters and/or work-site where services are being performed and must provide documentation regarding staffing and other resources.

[signature]	Paul Cooper	VP/GM	5/21/2018
Signature	Printed Name	Title	Date (mm/dd/yyyy)

Reminder:

- If you responded "Yes" to **SECTION 2, Items c or d**, you must complete an "HSP Good Faith Effort - Method A (Attachment A)" for **each** of the subcontracting opportunities you listed in SECTION 2, Item b.
- If you responded "No" **SECTION 2, Items c and d**, you must complete an "HSP Good Faith Effort - Method B (Attachment B)" for **each** of the subcontracting opportunities you listed in SECTION 2, Item b.

ATTACHMENTS

Attachment I:

CenturyLink 2016 Financial Statements

Attachment J:

CenturyLink 2017 Financial Statements

ATTACHMENT I: CENTURYLINK 2016 FINANCIAL STATEMENTS

NEWSRELEASE

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FOR IMMEDIATE RELEASE:
February 8, 2017

FOR MORE INFORMATION CONTACT:
Kristina Waugh 318-340-5627
kristina.r.waugh@centurylink.com

CENTURYLINK REPORTS FOURTH QUARTER AND FULL-YEAR 2016 RESULTS

- Achieved fourth quarter operating revenues of approximately $4.3 billion; full-year 2016 operating revenues of $17.5 billion
- Generated operating income of $392 million in fourth quarter; full-year 2016 operating income of $2.3 billion; reflects over $200 million of expense incurred during fourth quarter 2016 due to severance costs related to a reduction in force and expenses associated with the pending Level 3 acquisition.
- Generated operating cash flow[1] of $1.59 billion and free cash flow[1,2] of $190 million in fourth quarter, both excluding special items[1]; full-year 2016 operating cash flow of $6.5 billion and free cash flow of $1.8 billion, both excluding special items
- Achieved net income of $42 million and diluted EPS of $0.08 in fourth quarter; full-year 2016 net income of $626 million and diluted EPS of $1.16; reflects over $200 million of expense incurred during fourth quarter 2016 as noted above.
- Generated adjusted net income[1] of $292 million and adjusted diluted EPS[1] of $0.54, excluding special items, in fourth quarter; full-year 2016 adjusted net income of $1.3 billion and adjusted diluted EPS of $2.45, excluding special items
- Increased the percentage of addressable units capable of receiving 100Mbps and 1Gig broadband speeds year-over-year by 31% and 53%, respectively, ending the year with more than 3.3 million addressable units capable of 100Mbps or higher and approximately 1.3 million addressable units capable of 1Gig or higher
- Sustained improving broadband customer trends
- Completed state and federal regulatory filings related to Level 3 Communications (Level 3) acquisition; integration planning underway; continue to anticipate closing the transaction by end of third quarter 2017

MONROE, La. — CenturyLink, Inc. (NYSE: CTL) today reported results for fourth quarter and full-year 2016.

"CenturyLink achieved significant progress on our operational initiatives in 2016; however, full-year 2016 operating revenues and cash flows were below our expectations, primarily due to lower strategic revenue growth," said Glen F. Post, III, CenturyLink chief executive officer and president. "We are not satisfied with these results and are making progress in a number of areas focused on continuing to improve our customer experience and further positioning CenturyLink for long-term growth."

"We saw continued improvement in our broadband customer trend during the second half of 2016 and achieved modest Consumer broadband customer growth in the fourth quarter. We also continued to enhance the broadband speeds across our network and achieved nearly 5% year-over-year growth in Business high-bandwidth data services revenue in the second half of 2016. Additionally, we recently realigned our organization into primary customer-facing units enabling faster decision making and market responsiveness, increased accountability and an enhanced customer experience. Finally, our pending acquisition of Level 3 and pending sale of our data centers and associated colocation business align with our network-first focus while enhancing our opportunities to deliver complementary hosting, cloud and managed services. As we look to the future, we believe we are well positioned to drive profitable growth and shareholder value," concluded Post.

Fourth Quarter 2016 Consolidated Financial Results

Operating revenues for fourth quarter 2016 were $4.29 billion compared to $4.48 billion in fourth quarter 2015 as the declines in legacy[3,4] voice and low-bandwidth data services revenues were partially offset by growth in strategic revenues[3,4].

Operating expenses increased to $3.90 billion from $3.73 billion in fourth quarter 2015, primarily driven by Level 3 acquisition costs and an increase in severance costs, which were partially offset by lower depreciation and amortization expenses. Excluding special items (primarily severance and Level 3 acquisition costs), operating expenses were $3.70 billion compared to $3.71 billion in fourth quarter 2015.

Operating income decreased to $392 million from $751 million in fourth quarter 2015 primarily due to the revenue and expense items described above.

Operating cash flow (as defined in our attached supplemental schedules), excluding special items, decreased to $1.59 billion from $1.82 billion in fourth quarter 2015 due to the decline in operating revenues outlined above.

Net income and diluted earnings per share (EPS) were $42 million and $0.08, respectively, for fourth quarter 2016, compared to $338 million and $0.62, respectively, for fourth quarter 2015. The decrease in net income and diluted EPS was due to the decline in operating income.

Adjusted net income and adjusted diluted EPS (as reflected in our attached supplemental schedule) exclude the after-tax impact of special items, the non-cash after-tax impact of the amortization of certain intangible assets related to major acquisitions since mid-2009, and the non-cash after-tax impact to interest expense relating to the assignment of fair value to the outstanding debt assumed in connection with those acquisitions. Excluding these items, CenturyLink's adjusted net income for fourth quarter 2016 was $292 million compared to adjusted net income of $434 million in fourth quarter 2015. Fourth quarter 2016 adjusted diluted EPS was $0.54 compared to $0.80 in the year-ago period due to lower adjusted net income.

Full-Year 2016 Consolidated Financial Results

Operating revenues decreased to $17.5 billion from $17.9 billion in 2015. The decline in operating revenues was driven by lower voice, low-bandwidth data services and data integration revenues. These revenue declines were partially offset by increases in strategic revenues resulting primarily from increased business customer demand for high-bandwidth data services, along with growth in broadband and CenturyLink® Prism™ TV revenues.

Operating expenses decreased to $15.1 billion from $15.3 billion in 2015 primarily driven by lower depreciation and amortization expenses partially offset by Level 3 acquisition costs and an increase in severance costs. Excluding special items (primarily severance and Level 3 acquisition costs), operating expenses declined to $14.9 billion in 2016 from $15.1 billion in 2015.

Operating income decreased to $2.3 billion from $2.6 billion in 2015 primarily due to the revenue and expense items described above.

Operating cash flow, excluding special items, was $6.5 billion in 2016 compared to $7.0 billion in 2015. The operating cash flow decline was driven by the decline in operating revenues outlined above.

Net income and diluted earnings per share (EPS) were $626 million and $1.16, respectively, for 2016, compared to $878 million and $1.58, respectively, for 2015. The decrease in net income and diluted EPS was due to the decline in operating income.

Adjusted net income and adjusted diluted EPS, (as reflected in our attached supplemental schedule) exclude the after-tax impact of special items, the non-cash after-tax impact of the amortization of certain intangible assets related to major acquisitions since mid-2009, and the non-cash after-tax impact to interest expense relating to the assignment of fair value to the outstanding debt assumed in connection with those acquisitions. Excluding these items, CenturyLink's adjusted net income decreased to $1.3 billion in 2016 from $1.5 billion in 2015. Adjusted diluted EPS for 2016 was $2.45 compared to $2.71 in 2015 primarily due to lower 2016 adjusted net income.

The accompanying financial schedules provide additional details regarding the company's special items and reconciliations of non-GAAP financial measures for the three months and twelve months ended December 31, 2016 and 2015.

Fourth Quarter 2016 Segment Financial Results[5]

Business segment revenues were $2.55 billion, a decrease of 4.1% from fourth quarter 2015, primarily due to a decline in legacy revenues, which was partially offset by 3.0% growth in high-bandwidth data revenues. Strategic revenues were $1.23 billion in the quarter, an increase of 1.1% from fourth quarter 2015.

Consumer segment revenues were $1.45 billion, a decrease of 4.3% from fourth quarter 2015, primarily due to a decline in legacy voice revenues, which was partially offset by growth in Prism™ TV revenues. Strategic revenues were $784 million in the quarter, a 1.4% increase over fourth quarter 2015.

Realignment into Customer-Facing Organizations

In January 2017, CenturyLink implemented an organization change designed to better align its customer-facing organizations into three business units: Consumer; Enterprise; and IT and Managed Services. These organizations are fully integrated with Sales, Marketing and Service Delivery support teams to enable faster decision-making, market responsiveness and deeper accountability. This organization change is expected to create greater focus on the customer experience in each business unit and accelerate strategic revenue growth. CenturyLink also expanded its Product Development and Technology function to include Network Operations, Planning, Design and Construction to better support this new organizational structure.

Guidance - First Quarter and Full-Year 2017

CenturyLink expects growth in strategic revenues and data integration revenues in first quarter 2017 to be offset by anticipated declines in legacy revenues, resulting in lower operating revenues and core revenues compared to fourth quarter 2016. The company expects first quarter 2017 operating cash flow to be lower than fourth quarter 2016 due to the anticipated decline in revenues and higher operating expenses primarily related to employee benefits and marketing costs, as well as approximately $40 million of fourth quarter 2016 favorable expense adjustments that are not expected to reoccur in first quarter 2017.

First Quarter 2017 (excluding special items)

Operating Revenues	$4.23 to $4.29 billion
Core Revenues	$3.80 to $3.86 billion
Operating Cash Flow	$1.49 to $1.55 billion
Adjusted Diluted EPS	$0.51 to $0.57

CenturyLink anticipates lower operating revenues and core revenues in full-year 2017 compared to full-year 2016 due to expected legacy revenue declines more than offsetting anticipated increases in strategic revenue. Operating cash flow is expected to decline from full-year 2016 primarily driven by the continued decline in legacy voice and low-bandwidth data services revenues. The company also anticipates lower depreciation and amortization expense for full-year 2017 compared to full-year 2016. Free cash flow in full-year 2017 is expected to decline from full-year 2016 due to the lower level of operating cash flow and an increase in cash income taxes for the year, partially offset by lower capital expenditures.

Full-Year 2017 (excluding special items)

Operating Revenues	$17.05 to $17.3 billion
Core Revenues	$15.25 to $15.5 billion
Operating Cash Flow	$6.15 to $6.35 billion
Adjusted Diluted EPS	$2.10 to $2.30
Free Cash Flow	$1.55 to $1.75 billion
Capital Expenditures	~ $2.6 billion

All 2017 guidance figures and 2017 outlook statements included in this release (i) speak as of February 8, 2017 only, (ii) exclude the financial impact of acquiring Level 3 and the colocation business sale during 2017, (iii) exclude the impact of any share repurchases made after December 31, 2016 and (iv) exclude the effects of special items, future impairment charges, future changes in regulation, future changes in tax laws, accounting rules or our accounting policies, unforeseen litigation or contingencies, integration expenses associated with major acquisitions, any changes in our expected pension fundings, any changes in operating or capital plans or other unforeseen events or circumstances that impact our financial performance, and any future mergers, acquisitions, divestitures, joint ventures or other similar business transactions. We are not able, without unreasonable efforts, to reconcile our non-GAAP guidance figures appearing above under "Guidance - First Quarter and Full-Year 2017" to their most directly comparable GAAP guidance financial measures, principally due to the time and expense associated with predicting with a reasonable degree of certainty information on special items, future impairment charges, integration expenses or the impact of pending acquisitions or dispositions. Although we cannot at this time assess the magnitude of these adjustments, they could be material. See "Forward Looking Statements" below. For additional information on how we define certain of the terms used above, see "Reconciliation to GAAP" below and the attached schedules.

Investor Call

As previously announced, CenturyLink's management will host a conference call at 3:30 p.m. Central Time today, February 8, 2017. Interested parties can access the call by dialing 866-531-7958 and entering the Conference ID 45027021. The call will be accessible for replay through February 16, 2017, by dialing 855-859-2056. Investors can also listen to CenturyLink's earnings conference call and webcast replay by accessing the Investor Relations portion of the company's website at www.centurylink.com through March 2, 2017. Financial, statistical and other information related to the call will also be posted to our website.

Reconciliation to GAAP

This release includes certain non-GAAP historical and forward-looking financial measures, including but not limited to operating cash flow, free cash flow, core revenues, adjusted net income, adjusted diluted EPS and adjustments to GAAP measures to exclude the effect of special items. In addition to providing key metrics for management to evaluate the company's performance, we believe these measurements assist investors in their understanding of period-to-period operating performance and in identifying historical and prospective trends.

Reconciliations of non-GAAP financial measures to the most comparable GAAP measures are included in the attached financial schedules. Reconciliation of additional non-GAAP historical financial measures that may be discussed during the call described above, along with further descriptions of non-GAAP financial measures, will be available in the Investor Relations portion of the company's website at www.centurylink.com and in the current report on form 8-K that we intend to file later today. Non-GAAP measures are not presented to be replacements or alternatives to the GAAP measures, and investors are urged to consider these non-GAAP measures in addition to, and not in substitution for, measures prepared in accordance with GAAP. CenturyLink may determine or calculate its non-GAAP measures differently from other companies.

About CenturyLink

CenturyLink (NYSE: CTL) is a global communications, hosting, cloud and IT services company enabling millions of customers to transform their businesses and their lives through innovative technology solutions. CenturyLink offers network and data systems management, Big Data analytics and IT consulting, and operates more than 55 data centers in North America, Europe and Asia. The company provides broadband, voice, video, data and managed services over a robust 250,000-route-mile U.S. fiber network and a 300,000-route-mile international transport network. Visit www.centurylink.com for more information.

Forward Looking Statements

Except for historical and factual information, the matters set forth in this release and other of our oral or written statements identified by words such as "estimates," "expects," "anticipates," "believes," "plans," "intends," and similar expressions are forward-looking statements as defined by the federal securities laws, and are subject to the "safe harbor" protections thereunder. These forward-looking statements are not guarantees of future results and are based on current expectations only, are inherently speculative, and are subject to a number of assumptions, risks and uncertainties, many of which are beyond our control. Actual events and results may differ materially from those anticipated, estimated, projected, or implied by us if one or more of these risks or uncertainties materialize, or if our underlying assumptions prove incorrect. Factors that could affect actual results include but are not limited to: the effects of competition from a wide variety of competitive providers, including decreased demand for our legacy offerings and increased pricing pressures; the effects of new, emerging or competing technologies, including those that could make our products less desirable or obsolete; the effects of ongoing changes in the regulation of the communications industry, including the outcome of regulatory or judicial proceedings relating to intercarrier compensation, interconnection obligations, access charges, universal service, broadband deployment, data protection and net neutrality; our ability to successfully complete our pending acquisition of Level 3, including the timely receipt of all requisite financing and all shareholder and regulatory approvals free of any detrimental conditions, and to timely realize the anticipated benefits of the transaction, including our ability to attain anticipated cost savings, to use Level 3's net operating losses in the amounts projected, to retain key personnel and to avoid unanticipated integration disruptions; our ability to effectively adjust to changes in the communications industry and changes in the composition of our markets and product mix; possible changes in the demand for our products and services, including our ability to effectively respond to increased demand for high-speed broadband service; our ability to successfully maintain the quality and profitability of our existing product and service offerings, to provision them efficiently to our customers, and to introduce new offerings on a timely and cost-effective basis; the adverse impact on our business and network from possible equipment failures, service outages, security breaches or similar events impacting our network; our ability to generate cash flows sufficient to fund our financial commitments and objectives, including our capital expenditures, operating costs, periodic share repurchases, dividends, pension contributions and other benefits payments, and debt repayments; changes in our operating plans, corporate strategies, dividend payment plans or other capital allocation plans, whether based upon changes in our cash flows, cash requirements, financial performance, financial position, market conditions or otherwise; our ability to effectively retain and hire key personnel and to successfully negotiate collective bargaining agreements on reasonable terms without work stoppages; increases in the costs of our pension, health, post-employment or other benefits, including those caused by changes in markets, interest rates, mortality rates, demographics or regulations; adverse changes in our access to credit markets on favorable terms, whether caused by changes in our financial position, lower debt credit ratings, unstable markets or otherwise; our ability to maintain favorable relations with our key business partners, suppliers, vendors, landlords and financial institutions; our ability to effectively manage our network buildout project and our other expansion opportunities; our ability to collect our receivables from financially troubled customers; any adverse developments in legal or regulatory *proceedings involving us; changes in tax, communications, pension, healthcare or other laws or regulations, in governmental support programs, or in general government funding levels; the effects of changes in accounting policies or practices, including potential future impairment charges; the effects of terrorism, adverse weather or other natural or man-made disasters; the effects of more general factors such as changes in interest rates, in operating costs, in general market, labor, economic or geo-political conditions, or in public policy; and other risks referenced from time to time in our filings with the U.S. Securities and Exchange Commission (the "SEC"). For all the reasons set forth above and in our SEC filings, you are cautioned not to place undue reliance upon any of our forward-looking statements, which speak only as of the date made. We undertake no obligation to publicly update or revise any of our forward-looking statements for any reason, whether as a result of new information, future events or developments, changed circumstances, or otherwise. Furthermore, any information about our intentions contained in any of our forward-looking statements reflects our intentions as of the date of such forward-looking statement, and is based upon, among other things, existing regulatory, technological, industry, competitive, economic and market conditions, and our assumptions as of such date. We may change our intentions, strategies or plans without notice at any time and for any reason.*

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(1) See attachments for reconciliations of non-GAAP figures to comparable GAAP figures.

(2) Beginning first quarter 2016, CenturyLink revised its free cash flow calculation. See attachments for non-GAAP reconciliations.

(3) Core revenues is a non-GAAP measure defined as strategic revenues plus legacy revenues (excludes data integration and other revenues) as described further in the attached schedules. Strategic revenues primarily include broadband, Multiprotocol Label Switching (MPLS), Ethernet, Optical Wavelength, colocation, hosting, cloud, video, VoIP and IT services. Legacy revenues primarily include voice, private line (including special access), switched access and Integrated Services Digital Network ("ISDN") and other ancillary services.

(4) Beginning second quarter 2016, private line (including special access) revenues were reclassified from strategic services to legacy services. All historical periods have been restated to reflect this change.

(5) All references to segment data herein reflect certain adjustments described in the attached schedules.

CenturyLink, Inc.

CONSOLIDATED STATEMENTS OF INCOME

THREE MONTHS ENDED DECEMBER 31, 2016 AND 2015

(UNAUDITED)

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

	Three months ended December 31, 2016			Three months ended December 31, 2015				
	As reported	Less special items	As adjusted excluding special items (Non-GAAP)	As reported	Less special items	As adjusted excluding special items (Non-GAAP)	Increase (decrease) as reported	Increase (decrease) excluding special items
OPERATING REVENUES *								
Strategic	$ 2,016	—	2,016	1,992	—	1,992	1.2 %	1.2 %
Legacy	1,846	—	1,846	2,036	—	2,036	(9.3)%	(9.3)%
Data integration	131	—	131	140	—	140	(6.4)%	(6.4)%
Other	296	—	296	308	—	308	(3.9)%	(3.9)%
Total operating revenues	4,289	—	4,289	4,476	—	4,476	(4.2)%	(4.2)%
OPERATING EXPENSES								
Cost of services and products	1,929	2 (1)	1,927	1,915	3 (4)	1,912	0.7 %	0.8 %
Selling, general and administrative	1,010	236 (1)	774	757	12 (4)	745	33.4 %	3.9 %
Depreciation and amortization	958	(36) (2)	994	1,053	—	1,053	(9.0)%	(5.6)%
Total operating expenses	3,897	202	3,695	3,725	15	3,710	4.6 %	(0.4)%
OPERATING INCOME	392	(202)	594	751	(15)	766	(47.8)%	(22.5)%
OTHER (EXPENSE) INCOME								
Interest expense	(320)	—	(320)	(328)	—	(328)	(2.4)%	(2.4)%
Other (expense) income, net	2	—	2	7	—	7	(71.4)%	(71.4)%
Income tax expense	(32)	77 (3)	(109)	(92)	60 (5)	(152)	(65.2)%	(28.3)%
NET INCOME	$ 42	(125)	167	338	45	293	(87.6)%	(43.0)%
BASIC EARNINGS PER SHARE	$ 0.08	(0.23)	0.31	0.62	0.08	0.54	(87.1)%	(42.6)%
DILUTED EARNINGS PER SHARE	$ 0.08	(0.23)	0.31	0.62	0.08	0.54	(87.1)%	(42.6)%
AVERAGE SHARES OUTSTANDING								
Basic	539,965		539,965	541,605		541,605	(0.3)%	(0.3)%
Diluted	541,235		541,235	542,493		542,493	(0.2)%	(0.2)%
DIVIDENDS PER COMMON SHARE	$ 0.54		0.54	0.54		0.54	— %	— %

SPECIAL ITEMS

(1) - Includes severance costs associated with recent headcount reductions ($164 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).

(2) - Termination of depreciation expense related to our pending sale of the colocation business ($36 million).

(3) - Income tax benefit of Items (1) and (2).

(4) - Includes severance costs associated with reduction in force initiatives ($9 million) and integration costs associated with our acquisition of Qwest ($6 million).

(5) - Income tax benefit of Item (4).

* 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 business low-bandwidth data services, specifically our private line (including special access) services in our business 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 of $379 million for the three months ended December 31, 2015.

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CenturyLink, Inc.

CONSOLIDATED STATEMENTS OF INCOME

TWELVE MONTHS ENDED DECEMBER 31, 2016 AND 2015

(UNAUDITED)

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

	Twelve months ended December 31, 2016				Twelve months ended December 31, 2015					
	As reported	Less special items		As adjusted excluding special items (Non-GAAP)	As reported	Less special items		As adjusted excluding special items (Non-GAAP)	Increase (decrease) as reported	Increase (decrease) excluding special items
OPERATING REVENUES *										
Strategic	$ 8,050	—		8,050	7,753	—		7,753	3.8 %	3.8 %
Legacy	7,672	—		7,672	8,338	—		8,338	(8.0)%	(8.0)%
Data integration	533	—		533	577	—		577	(7.6)%	(7.6)%
Other	1,215	—		1,215	1,232	—		1,232	(1.4)%	(1.4)%
Total operating revenues	17,470	—		17,470	17,900	—		17,900	(2.4)%	(2.4)%
OPERATING EXPENSES										
Cost of services and products	7,774	7	(1)	7,767	7,778	14	(5)	7,764	(0.1)%	— %
Selling, general and administrative	3,449	273	(1)	3,176	3,328	152	(5)	3,176	3.6 %	— %
Depreciation and amortization	3,916	(36)	(2)	3,952	4,189	—		4,189	(6.5)%	(5.7)%
Total operating expenses	15,139	244		14,895	15,295	166		15,129	(1.0)%	(1.5)%
OPERATING INCOME	2,331	(244)		2,575	2,605	(166)		2,771	(10.5)%	(7.1)%
OTHER (EXPENSE) INCOME										
Interest expense	(1,318)	—		(1,318)	(1,312)	—		(1,312)	0.5 %	0.5 %
Other income (expense), net	7	(27)	(3)	34	23	—		23	(69.6)%	47.8 %
Income tax expense	(394)	103	(4)	(497)	(438)	115	(6)	(553)	(10.1)%	(10.1)%
NET INCOME	$ 626	(168)		794	878	(51)		929	(28.7)%	(14.5)%
BASIC EARNINGS PER SHARE	$ 1.16	(0.31)		1.47	1.58	(0.09)		1.68	(26.6)%	(12.5)%
DILUTED EARNINGS PER SHARE	$ 1.16	(0.31)		1.47	1.58	(0.09)		1.67	(26.6)%	(12.0)%
AVERAGE SHARES OUTSTANDING										
Basic	539,549			539,549	554,278			554,278	(2.7)%	(2.7)%
Diluted	540,679			540,679	555,093			555,093	(2.6)%	(2.6)%
DIVIDENDS PER COMMON SHARE	$ 2.16			2.16	2.16			2.16	— %	— %

SPECIAL ITEMS

(1) - Includes severance costs associated with recent headcount reductions ($189 million), integration costs associated with our acquisition of Qwest ($10 million), costs associated with a large billing system integration project ($15 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), less an offsetting gain on the sale of a building $4 million.

(2) - Termination of depreciation expense related to our pending sale of the colocation business ($36 million).

(3) - Net loss associated with early retirement of debt ($27 million).

(4) - Income tax benefit of Items (1), (2) and (3)

(5) - Includes severance costs associated with reduction in force initiatives ($99 million), integration costs associated with our acquisition of Qwest ($32 million), the impairment of office buildings ($8 million), regulatory fines associated with a 911 system outage ($15 million) and litigation and other adjustments associated with pre-acquisition activities of Qwest and Embarq ($12 million).

(6) - Income tax benefit of Item (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 business low-bandwidth data services, specifically our private line (including special access) services in our business 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 of $1.586 billion for the twelve months ended December 31, 2015.

CenturyLink, Inc.

CONDENSED CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2016 AND DECEMBER 31, 2015

(UNAUDITED)

(Dollars in millions)

	December 31, 2016	December 31, 2015
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 222	126
Other current assets	4,940	2,524
Total current assets	5,162	2,650
NET PROPERTY, PLANT AND EQUIPMENT		
Property, plant and equipment	39,194	38,785
Accumulated depreciation	(22,155)	(20,716)
Net property, plant and equipment	17,039	18,069
GOODWILL AND OTHER ASSETS		
Goodwill	19,650	20,742
Other, net	5,166	6,143
Total goodwill and other assets	24,816	26,885
TOTAL ASSETS	$ 47,017	47,604
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Current maturities of long-term debt	$ 1,503	1,503
Other current liabilities	3,846	3,101
Total current liabilities	5,349	4,604
LONG-TERM DEBT	18,185	18,722
DEFERRED CREDITS AND OTHER LIABILITIES	10,084	10,218
STOCKHOLDERS' EQUITY	13,399	14,060
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 47,017	47,604

CenturyLink, Inc.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

TWELVE MONTHS ENDED DECEMBER 31, 2016 AND 2015

(UNAUDITED)

(Dollars in millions)

	Twelve months ended December 31, 2016	Twelve months ended December 31, 2015
OPERATING ACTIVITIES		
Net income	$ 626	878
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,916	4,189
Impairment of assets	13	9
Deferred income taxes	11	350
Provision for uncollectible accounts	192	177
Net loss on early retirement of debt	27	—
Share-based compensation	80	73
Changes in current assets and liabilities, net	(108)	(321)
Retirement benefits	(152)	(141)
Changes in other noncurrent assets and liabilities, net	(23)	(78)
Other, net	26	16
Net cash provided by operating activities	4,608	5,152
INVESTING ACTIVITIES		
Payments for property, plant and equipment and capitalized software	(2,981)	(2,872)
Cash paid for acquisitions	(39)	(4)
Proceeds from sale of property and intangible assets	30	31
Other, net	(4)	(8)
Net cash used in investing activities	(2,994)	(2,853)
FINANCING ACTIVITIES		
Net proceeds from issuance of long-term debt	2,161	989
Payments of long-term debt	(2,462)	(966)
Net payments on credit facility and revolving line of credit	(40)	(315)
Early retirement of debt costs	—	(1)
Dividends paid	(1,167)	(1,198)
Proceeds from issuance of common stock	6	11
Repurchase of common stock and shares withheld to satisfy tax withholdings	(16)	(819)
Other, net	—	(2)
Net cash used in financing activities	(1,518)	(2,301)
Net increase (decrease) in cash and cash equivalents	96	(2)
Cash and cash equivalents at beginning of period	126	128
Cash and cash equivalents at end of period	$ 222	126

CenturyLink, Inc.

SELECTED SEGMENT FINANCIAL INFORMATION

THREE MONTHS AND TWELVE MONTHS ENDED DECEMBER 31, 2016 AND 2015

(UNAUDITED)

(Dollars in millions)

	Three months ended December 31,		Twelve months ended December 31,	
	2016	2015	2016	2015
Total segment revenues	$ 3,993	4,168	16,255	16,668
Total segment expenses	2,100	2,085	8,492	8,461
Total segment income	$ 1,893	2,083	7,763	8,207
Total segment income margin (segment income divided by segment revenues)	47.4%	50.0%	47.8%	49.2%
Business				
Revenues				
Strategic services *	$ 1,232	1,219	4,903	4,721
Legacy services *	1,183	1,296	4,918	5,350
Data integration	130	140	531	575
Total revenues	2,545	2,655	10,352	10,646
Expenses **				
Total expenses	1,472	1,472	5,930	5,967
Segment income	$ 1,073	1,183	4,422	4,679
Segment income margin	42.2%	44.6%	42.7%	44.0%
Consumer				
Revenues				
Strategic services	$ 784	773	3,147	3,032
Legacy services	663	740	2,754	2,988
Data integration	1	—	2	2
Total revenues	1,448	1,513	5,903	6,022
Expenses **				
Total expenses	628	613	2,562	2,494
Segment income	$ 820	900	3,341	3,528
Segment income margin	56.6%	59.5%	56.6%	58.6%

* 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 business low-bandwidth data services, specifically our private line (including special access) services in our business 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 of $379 million and $1.586 billion (net of $3 million and $9 million of deferred revenue included in other business legacy services) for the three and twelve months ended December 31, 2015, respectively.

** 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 for the three and twelve months ended December 31, 2015, to conform to the current presentation. For the three months ended December 31, 2015, the segment expense recast resulted in an increase in consumer expenses of $16 million and a decrease in business expenses of $12 million. For the twelve months ended December 31, 2015, the segment expense recast resulted in an increase in consumer expenses of $69 million and a decrease in business expenses of $67 million.

CenturyLink, Inc.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

(UNAUDITED)

(Dollars in millions)

	Three months ended December 31, 2016			Three months ended December 31, 2015		
	As reported	Less special items	As adjusted excluding special items	As reported	Less special items	As adjusted excluding special items
Operating cash flow and cash flow margin						
Operating income	$ 392	(202) (1)	594	751	(15) (3)	766
Add: Depreciation and amortization	958	(36) (2)	994	1,053	—	1,053
Operating cash flow	$ 1,350	(238)	1,588	1,804	(15)	1,819
Revenues	$ 4,289	—	4,289	4,476	—	4,476
Operating income margin (operating income divided by revenues)	9.1%		13.8%	16.8%		17.1%
Operating cash flow margin (operating cash flow divided by revenues)	31.5%		37.0%	40.3%		40.6%
Free cash flow						
Operating cash flow			$ 1,588			1,819
Less: Capital expenditures (4)			(963)			(830)
Less: Cash paid for interest, net of amounts capitalized			(379)			(396)
Less: Pension and post-retirement impacts (5)			(25)			(6)
Less: Cash paid for income taxes, net of refunds			(53)			(9)
Add: Share-based compensation			20			16
Add: Other income			2			7
Free cash flow (6)			$ 190			601

SPECIAL ITEMS

(1) - Includes severance costs associated with recent headcount reductions ($164 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); offset by the termination of depreciation expense related to our pending sale of the colocation business $36 million.

(2) - Termination of depreciation expense related to our pending sale of the colocation business ($36 million).

(3) - Includes severance costs associated with reduction in force initiatives ($9 million) and integration costs associated with our acquisition of Qwest ($6 million).

FREE CASH FLOW

(4) - Excludes $8 million in fourth quarter 2016 and $3 million in fourth quarter 2015 of capital expenditures related to the integration of Qwest and Savvis.

(5) - 2016 includes net periodic pension benefit income of ($18 million), net periodic post-retirement benefit expense of $35 million and ($2 million) of benefits paid to participants of our non-qualified pension plans. Post-retirement contributions included benefits paid by company ($55 million) offset by participant contributions $14 million and direct subsidy receipts $1 million. Does not include $13 million of pension expense and $3 million of post-retirement benefit expense that have been treated as special items, as these expenses reflect enhanced pension and post-retirement benefits offered to certain employees that were severed during the three months ended December 31, 2016.

- 2015 includes net periodic pension benefit income of ($19 million), net periodic post-retirement benefit expense of $39 million and ($1 million) of benefits paid to participants of our non-qualified pension plans. Post-retirement contributions included benefits paid by company ($42 million) offset by participant contributions $14 million and direct subsidy receipts $3 million.

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

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CenturyLink, Inc.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

(UNAUDITED)

(Dollars in millions)

	Twelve months ended December 31, 2016			Twelve months ended December 31, 2015		
	As reported	Less special items	As adjusted excluding special items	As reported	Less special items	As adjusted excluding special items
Operating cash flow and cash flow margin						
Operating income	$ 2,331	(244) (1)	2,575	2,605	(166) (3)	2,771
Add: Depreciation and amortization	3,916	(36) (2)	3,952	4,189	—	4,189
Operating cash flow	$ 6,247	(280)	6,527	6,794	(166)	6,960
Revenues	$17,470	—	17,470	17,900	—	17,900
Operating income margin (operating income divided by revenues)	13.3%		14.7%	14.6%		15.5%
Operating cash flow margin (operating cash flow divided by revenues)	35.8%		37.4%	38.0%		38.9%
Free cash flow						
Operating cash flow			$ 6,527			6,960
Less: Capital expenditures (4)			(2,958)			(2,861)
Less: Cash paid for interest, net of amounts capitalized			(1,301)			(1,310)
Less: Pension and post-retirement impacts (5)			(168)			(141)
Less: Cash paid for income taxes, net of refunds			(397)			(63)
Add: Share-based compensation			80			73
Add: Other income			34			23
Free cash flow (6)			$ 1,817			2,681

SPECIAL ITEMS

(1) - Includes severance costs associated with recent headcount reductions ($189 million), integration costs associated with our acquisition of Qwest ($10 million), costs associated with a large billing system integration project ($15 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), less an offsetting gain on the sale of a building $4 million and the termination of depreciation expense related to our pending sale of the colocation business $36 million.

(2) - Termination of depreciation expense related to our pending sale of the colocation business ($36 million).

(3) - Includes severance costs associated with reduction in force initiatives ($99 million), integration costs associated with our acquisition of Qwest ($32 million), the impairment of office buildings ($8 million), regulatory fines associated with a 911 system outage ($15 million) and litigation and other adjustments associated with pre-acquisition activities of Qwest and Embarq ($12 million).

FREE CASH FLOW

(4) - Excludes $23 million in 2016 and $11 million in 2015 of capital expenditures related to the integration of Qwest and Savvis.

(5) - 2016 includes net periodic pension benefit income of ($74 million), net periodic post-retirement benefit expense of $142 million, contributions to our pension plan trust of ($100 million) and ($7 million) of benefits paid to participants of our non-qualified pension plans. Post-retirement contributions included benefits paid by company ($191 million) offset by participant contributions $57 million and direct subsidy receipts $5 million. Does not include $13 million of pension expense and $3 million of post-retirement benefit expense that have been treated as special items, as these expenses reflect enhanced pension and post-retirement benefits offered to certain employees that were severed during the three months ended December 31, 2016.

- 2015 includes net periodic pension benefit income of ($81 million), net periodic post-retirement benefit expense of $162 million, contributions to our pension plan trust of ($100 million) and ($6 million) of benefits paid to participants of our non-qualified pension plans. Post-retirement contributions included benefits paid by company ($181 million) offset by participant contributions $57 million and direct subsidy receipts $8 million.

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

CenturyLink, Inc.
REVENUES
(UNAUDITED)
(Dollars in millions)

	Three months ended		Twelve months ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Strategic services *				
Business high-bandwidth data services (1)	$ 755	733	2,990	2,816
Business hosting services (2)	295	320	1,210	1,281
Other business strategic services (3)	182	166	703	624
Consumer broadband services (4)	666	666	2,689	2,611
Other consumer strategic services (5)	118	107	458	421
Total strategic services revenues	2,016	1,992	8,050	7,753
Legacy services *				
Business voice services (6)	579	632	2,413	2,588
Business low-bandwidth data services (7)	325	381	1,382	1,594
Other business legacy services (8)	279	283	1,123	1,168
Consumer voice services (6)	588	649	2,442	2,676
Other consumer legacy services (9)	75	91	312	312
Total legacy services revenues	1,846	2,036	7,672	8,338
Data integration				
Business data integration	130	140	531	575
Consumer data integration	1	—	2	2
Total data integration revenues	131	140	533	577
Other revenues				
High-cost support revenue (10)	170	182	688	732
Other revenue (11)	126	126	527	500
Total other revenues	296	308	1,215	1,232
Total revenues	$ 4,289	4,476	17,470	17,900

(1) Includes MPLS and Ethernet revenue
(2) Includes colocation, hosting (including cloud hosting and managed hosting) and hosting area network revenue
(3) Includes primarily broadband, VoIP, video and IT services 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 business low-bandwidth data services, specifically our private line (including special access) services in our business 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 of $379 million and $1.586 billion (net of $3 million and $9 million of deferred revenue included in other business legacy services) for the three and twelve months ended December 31, 2015, respectively. In addition, our business broadband services remain a strategic service and are included in our other business strategic services.

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CenturyLink, Inc.

HOSTING REVENUES AND OPERATING METRICS

(UNAUDITED)

		Three months ended		Twelve months ended	
		December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Hosting Revenue Detail			*(In millions)*		
Colocation (1)	$	154	163	622	626
Managed Hosting / Cloud		120	136	504	570
Hosting Area Network		21	21	84	85
Total Hosting Revenue		295	320	1,210	1,281

	As of December 31, 2016	As of September 30, 2016	As of December 31, 2015
Hosting Data Center Metrics (1)			
Number of data centers (2)	58	58	59
Sellable square feet, million sq ft	1.54	1.54	1.58
Billed square feet, million sq ft	1.04	1.03	0.99
Utilization	67%	67%	63%

(1) Relates to our data centers, which are currently held for sale.

(2) We define a data center as any facility where we market, sell and deliver either colocation services, multi-tenant managed services, or both.

	As of December 31, 2016	As of September 30, 2016	As of December 31, 2015
Operating Metrics		*(In thousands)*	
Broadband subscribers	5,945	5,950	6,048
Access lines	11,090	11,231	11,748
Prism TV subscribers	325	318	285

Our methodology for counting broadband subscribers, access lines and Prism TV subscribers may not be comparable to those of other companies.

CenturyLink, Inc.

SUPPLEMENTAL NON-GAAP INFORMATION - ADJUSTED DILUTED EPS

THREE MONTHS ENDED DECEMBER 31, 2016 AND 2015 AND TWELVE MONTHS ENDED DECEMBER 31, 2016 AND 2015

(UNAUDITED)

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

	Three months ended		Twelve months ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Net Income	$ 42	338	626	878
Less Special Items:				
Special items (excluding tax items)	(202) (1)	(15) (3)	(271) (5)	(166) (7)
Special income tax items and income tax effect of other special items	77 (2)	60 (4)	103 (6)	115 (8)
Total impact of special items	(125)	45	(168)	(51)
Net income, excluding special items	167	293	794	929
Add back certain items arising from purchase accounting:				
Amortization of customer base intangibles:				
Qwest	179	195	740	799
Embarq	15	20	70	89
Savvis	10	16	56	62
Amortization of trademark intangibles	—	—	—	1
Amortization of fair value adjustment of long-term debt:				
Embarq	—	2	3	6
Qwest	(3)	(6)	(15)	(23)
Subtotal	201	227	854	934
Tax effect of items arising from purchasing accounting	(76)	(86)	(323)	(356)
Net adjustment, after taxes	125	141	531	578
Net income, as adjusted for above items	$ 292	434	1,325	1,507
Weighted average diluted shares outstanding	541.2	542.5	540.7	555.1
Diluted EPS (excluding special items)	$ 0.31	0.54	1.47	1.67
Adjusted diluted EPS as adjusted for the above-listed purchase accounting intangible and interest amortizations (excluding special items)	$ 0.54	0.80	2.45	2.71

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 our major acquisitions since mid-2009. Such presentation is not in accordance with generally accepted accounting principles but management believes the presentation is useful to analysts and investors to understand the impacts of growing our business through acquisitions.

(1) Includes severance costs associated with recent headcount reductions ($164 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) offset by the termination of depreciation expense related to our pending sale of the colocation business $36 million.

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

(3) Includes severance costs associated with reduction in force initiatives ($9 million) and integration costs associated with our acquisition of Qwest ($6 million).

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

(5) Includes severance costs associated with recent headcount reductions ($189 million), integration costs associated with our acquisition of Qwest ($10 million), costs associated with a large billing system integration project ($15 million), costs related to our pending acquisition of Level 3 ($52 million), costs associated with our pending sale of the colocation business ($7 million), the impairment of a building ($11 million) less a offsetting gain on the sale of a building $4 million, the termination of depreciation expense related to our pending sale of the colocation business $36 million and the net loss associated with early retirement of debt ($27 million),

(6) Income tax benefit of Item (5).

(7) Includes severance costs associated with reduction in force initiatives ($99 million), integration costs associated with our acquisition of Qwest ($32 million), the impairment of office buildings ($8 million), regulatory fines associated with a 911 system outage ($15 million) and litigation and other adjustments associated with pre-acquisition activities of Qwest and Embarq ($12 million).

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

ATTACHMENT J: CENTURYLINK 2017 FINANCIAL STATEMENTS

On February 23, 2018, CenturyLink filed a Form 8-K/A announcing that we were correcting the February 14, 2018 press release that had announced our operating results for the fourth quarter of 2017. In one of the supporting schedules, we inadvertently reported an amount for Pro Forma Adjusted EBITDA Excluding Acquisition-Related Expenses that was immaterially inconsistent with the accurate amount for Pro Forma Adjusted EBITDA Excluding Acquisition-Related Expenses reflected in other tables and schedules in the press release. The following pages show the revised press release where this inconsistency as well as other immaterial items have been corrected.

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CenturyLink®

CenturyLink reports fourth quarter and full year 2017 results

Fourth Quarter and Full Year 2017 Highlights

- Completed acquisition of Level 3 Communications (Level 3), positioning CenturyLink as the second largest domestic communications provider serving global enterprise customers, with 2017 pro forma annual revenue of more than $24 billion
- Increased network scale and enhanced product and services portfolio enables CenturyLink to better meet the connectivity and managed services needs of customers
- Expect 2018 Adjusted EBITDA to be higher than 2017 pro forma Adjusted EBITDA
- Anticipate 2018 Free Cash Flow after Dividends of $850 million to $1.05 billion

MONROE, La., February 14, 2018 — CenturyLink, Inc. (NYSE: CTL) today reported results for fourth quarter and full year ended December 31, 2017.

CenturyLink Reported Results

The reported results on a consolidated basis include two months of Level 3's financial performance, as CenturyLink closed the Level 3 acquisition[1] on Nov. 1, 2017.

Consolidated total revenue was $5.323 billion for fourth quarter 2017, compared to $4.289 billion for fourth quarter 2016 and $17.66 billion for full year 2017 compared to $17.47 billion for full year 2016.

Consolidated diluted earnings per share was $1.26 for fourth quarter 2017, compared to diluted earnings per share of $0.08 for fourth quarter 2016. Excluding special items[2] in fourth quarter 2017, the diluted earnings per share was $0.18. Fourth quarter special items included a recognized tax benefit of $1.1 billion from the enactment of the Tax Cuts and Jobs Act, along with $222 million of acquisition and integration-related expenses. For more information on consolidated operating results, see the attachments to this release.

"2017 was a year of significant transformation for CenturyLink. The sale of our data centers and colocation business followed by the acquisition of Level 3 Communications positions CenturyLink as a leading global networking company," said Glen F. Post, III, CenturyLink chief executive officer. "This strategic combination brings significant scale, enhances our products and services portfolio, and improves our long-term financial flexibility."

"We are focused on the successful integration of our businesses and improving our customer experience through simplification and automation while achieving our targeted $975 million in annualized run rate cash savings," Post concluded.

"With this combination, CenturyLink is now better positioned to meet the needs of our customers and drive long-term shareholder return," said Jeff Storey, CenturyLink president and chief operating officer. "We have organized and integrated our sales, operations and service teams to meet the specific needs of our customers - from consumers to small businesses to the largest global enterprises in the world. We are continuing to invest to meet the needs of our customers and to provide them with an improved digital experience."

CenturyLink Standalone Results

The following tables provide CenturyLink results on a standalone unaudited basis and exclude special items (including integration-related expenses), intercompany eliminations and acquisition accounting adjustments associated with the acquisition of Level 3 effective Nov. 1, 2017.

Metrics *($ in millions)*	**Fourth Quarter 2017**	**Fourth Quarter 2016**	**Full Year 2017**	**Full Year 2016**
Strategic Revenue[3,4]	$ 1,905	2,028	7,725	8,098
Legacy Revenue[3,4]	1,633	1,834	6,868	7,624
Core Revenue[3]	3,538	3,862	14,593	15,722
Data Integration Revenue	113	131	498	533
Other Revenue	313	296	1,206	1,215
Total Operating Revenue	$ 3,964	4,289	16,297	17,470
Adjusted EBITDA[2]	1,471	1,585	5,842	6,513
Adjusted EBITDA[2] Margin	37.1%	37.0%	35.8%	37.3%
Capital Expenditures[5]	528	963	2,886	2,958

Core revenues were $3.538 billion for fourth quarter 2017, declining 8.4% compared to fourth quarter 2016, primarily due to the decline in legacy revenues, as well as the approximate $150 million revenue reduction due to the May 1, 2017 sale of the legacy CenturyLink data centers and colocation business (Colocation Sale).

Adjusted EBITDA, excluding special items, decreased to $1.471 billion from $1.585 billion in fourth quarter 2016 primarily due to the decline in higher margin legacy revenues, along with the margin impact related to the Colocation Sale.

Level 3 Standalone Results

To enable investors to track the former Level 3's results through the end of 2017, CenturyLink is providing selected, unaudited standalone Level 3 financial and operating metrics for fourth quarter 2017 and full year 2017. These results in the following tables are based on the former Level 3 definitions for these metrics and exclude integration-related expenses, intercompany eliminations and acquisition accounting adjustments associated with the acquisition of Level 3 by CenturyLink effective Nov. 1, 2017.

Metrics *($ in millions)*	**Fourth Quarter 2017**	**Fourth Quarter 2016[6]**	**Full Year 2017**	**Full Year 2016[6]**
Core Network Services Revenue	$ 2,017	1,933	7,891	7,764
Wholesale Voice Services and Other Revenue	93	99	387	408
Total Revenue	$ 2,110	2,032	8,278	8,172
Adjusted EBITDA[2]	758	724	2,979	2,865
Capital Expenditures	301	306	1,309	1,334
Unlevered Cash Flow[2]	451	401	1,640	1,528
Free Cash Flow[2]	353	266	1,141	1,024
Network Access Margin	65.7%	66.5%	66.6%	66.7%
Adjusted EBITDA[2] Margin	35.9%	35.6%	36.0%	35.1%

Total revenue was $2.110 billion for fourth quarter 2017, compared to $2.032 billion for the fourth quarter 2016. Total Core Network Services (CNS) revenue was $2.017 billion in fourth quarter 2017, increasing 4.3% year-over-year on a reported basis, and 3.8% year-over-year on a constant currency basis.

For fourth quarter 2017, total Enterprise CNS revenue, excluding UK Government revenue, was $1.515 billion, which grew 6.5% year-over-year on a reported basis, and 6.0% year-over-year on a constant currency basis.

The accompanying financial schedules provide additional details regarding CenturyLink's and Level 3's standalone performance and special items and reconciliations of non-GAAP financial measures for the three and twelve months ended December 31, 2017 and 2016.

<u>Pro Forma Combined Company Results</u> [7]

The following tables provide selected financial metrics on an unaudited pro forma basis for the combined company as if the Level 3 acquisition and the sale of the data centers and colocation business had been completed on January 1, 2016.

Metrics *($ in millions)*		**Fourth Quarter 2017**	**Fourth Quarter 2016**	**Full Year 2017**	**Full Year 2016**
Total Adjusted Pro Forma Revenue [7]	$	6,005	6,112	24,127	24,784
Adjusted EBITDA [7,8] excluding integration-related expenses		2,211	2,235	8,698	9,079
Adjusted EBITDA[7,8] including integration-related expenses		1,994	1,998	8,260	8,800
Adjusted EBITDA Margin excluding integration-related expenses		36.8%	36.6%	36.1%	36.6%
Adjusted EBITDA Margin including integration-related expenses		33.2%	32.7%	34.2%	35.5%
Capital Expenditures		829	1,248	4,181	4,234
Capital Expenditures as percent of Total Revenue		13.8%	20.4%	17.3%	17.1%

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Adjusted Pro Forma Revenue *($ in millions)*		**Fourth Quarter 2017**	**Fourth Quarter 2016**	**Full Year 2017**	**Full Year 2016**
Business	$	4,415	4,451	17,690	18,019
Consumer		1,401	1,485	5,704	6,061
Regulatory[9]		189	176	733	704
Total Adjusted Pro Forma Revenue	$	6,005	6,112	24,127	24,784
By Business Unit					
Medium & Small Business	$	874	918	3,565	3,730
Enterprise		1,324	1,263	5,223	5,049
International & Global Accounts		941	905	3,660	3,603
Wholesale & Indirect		1,276	1,365	5,242	5,637
Consumer		1,401	1,485	5,704	6,061
Regulatory		189	176	733	704
Total Adjusted Pro Forma Revenue	$	6,005	6,112	24,127	24,784
By Service Type					
IP & Data Services	$	1,839	1,802	7,276	7,148
Transport & Infrastructure		2,092	2,128	8,411	8,675
Voice & Collaboration		1,716	1,848	7,055	7,617
IT & Managed Services		169	158	652	640
Regulatory		189	176	733	704
Total Adjusted Pro Forma Revenue	$	6,005	6,112	24,127	24,784

Liquidity

As of December 31, 2017, CenturyLink had cash, cash equivalents and marketable securities of $551 million.

Integration Update

During fourth quarter 2017, CenturyLink achieved approximately $75 million of annualized Adjusted EBITDA synergies. Integration-related expenses for fourth quarter 2017 were $62 million. In total, CenturyLink has incurred approximately $170 million in integration-related expenses.

2018 Business Outlook

"We are confident in our 2018 financial outlook with Adjusted EBITDA growth and strong Free Cash Flow, both before and after dividends," said Sunit Patel, CenturyLink executive vice president and chief financial officer. "For the full year 2018, we expect Adjusted EBITDA[2] of $8.75 to $8.95 billion and Free Cash Flow[2] of $3.15 to $3.35 billion, excluding Level 3 integration-related expenses."

Metrics [10]	2018 Outlook
Adjusted EBITDA	$8.75 to $8.95 billion
Free Cash Flow [11]	$3.15 to $3.35 billion
Dividends[12]	$2.30 billion
Free Cash Flow after Dividends	$850 million to $1.05 billion
GAAP Interest Expense	$2.25 billion
Cash Interest	$2.10 billion
Capital Expenditures	~16% of Revenue
Depreciation and Amortization	$5.40 to $5.50 billion
Non-cash Compensation Expense	$200 million
Cash Income Taxes	$100 million
Full Year Effective Income Tax Rate	~25%

Investor Call

As previously announced, CenturyLink's management will host a conference call at 4:00 p.m. Central Time today, February 14, 2018. The conference call will be streamed live over CenturyLink's website at ir.centurylink.com. Additional information regarding fourth quarter 2017 results, including the presentation management will review during the conference call, will be available on the Investor Relations website prior to the call. If you are unable to join the call via the Web, the call can be accessed live at +1 877-666-4225 (U.S. Domestic) or +1 312-546-6650 (International).

A telephone replay of the call will be available beginning at 6:00 p.m. CST on February 14, 2018, and ending May 8, 2018, at 11:59 p.m. CST. The replay can be accessed by dialing +1 800-633-8284 (U.S. Domestic) or +1 402-977-9140 (International), reservation code 21880624. A webcast replay of the call will also be available on our website beginning at 11:00 a.m. CST on February 15, 2018, and ending May 8, 2018 at 11:59 p.m. CST.

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Reconciliation to GAAP

This release includes certain non-GAAP historical and forward-looking financial measures, including but not limited to adjusted EBITDA, free cash flow, adjusted free cash flow, unlevered cash flow, core revenues, adjusted net income, adjusted diluted EPS and adjustments to GAAP measures to exclude the effect of special items or currency fluctuations. In addition to providing key metrics for management to evaluate the company's performance, we believe these measurements assist investors in their understanding of period-to-period operating performance and in identifying historical and prospective trends.

Reconciliations of non-GAAP financial measures to the most comparable GAAP measures are included in the attached financial schedules. Reconciliation of additional non-GAAP historical financial measures that may be discussed during the call described above, along with further descriptions of non-GAAP financial measures, will be available in the Investor Relations portion of the company's website at www.centurylink.com and in the current report on form 8-K that we intend to file later today. Non-GAAP measures are not presented to be replacements or alternatives to the GAAP measures, and investors are urged to consider these non-GAAP measures in addition to, and not in substitution for, measures prepared in accordance with GAAP. CenturyLink may present or calculate its non-GAAP measures differently from other companies and, as referenced in Note 2 below, calculates certain of its non-GAAP measures differently from Level 3.

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About CenturyLink

CenturyLink (NYSE: CTL) is the second largest U.S. communications provider to global enterprise customers. With customers in more than 60 countries and an intense focus on the customer experience, CenturyLink strives to be the world's best networking company by solving customers' increased demand for reliable and secure connections. The company also serves as its customers' trusted partner, helping them manage increased network and IT complexity and providing managed network and cyber security solutions that help protect their business.

Forward Looking Statements

Except for historical and factual information, the matters set forth in this release and other of our oral or written statements identified by words such as "estimates," "expects," "anticipates," "believes," "plans," "intends," and similar expressions are forward-looking statements as defined by the federal securities laws, and are subject to the "safe harbor" protections thereunder. These forward-looking statements are not guarantees of future results and are based on current expectations only, are inherently speculative, and are subject to a number of assumptions, risks and uncertainties, many of which are beyond our control. Actual events and results may differ materially from those anticipated, estimated, projected or implied by us in those statements if one or more of these risks or uncertainties materialize, or if underlying assumptions prove incorrect. Factors that could affect actual results include but are not limited to: the effects of competition from a wide variety of competitive providers, including decreased demand for our legacy offerings and increased pricing pressures; the effects of new, emerging or competing technologies, including those that could make our products less desirable or obsolete; the effects of ongoing changes in the regulation of the communications industry, including the outcome of regulatory or judicial proceedings relating to intercarrier compensation, interconnection obligations, universal service, broadband deployment, data protection and net neutrality; our ability to timely realize the anticipated benefits of our recently-completed combination with Level 3, including our ability to attain anticipated cost savings, to use Level 3's net operating losses in the amounts projected, to retain key personnel and to avoid unanticipated integration disruptions; our ability to safeguard our network, and to avoid the adverse impact on our business from possible security breaches, service outages, system failures, equipment breakages or similar events impacting our network or the availability and quality of our services; our ability to effectively adjust to changes in the communications industry and changes in the composition of our markets and product mix; possible changes in the demand for our products and services, including our ability to effectively respond to increased demand for high-speed broadband service; our ability to successfully maintain the quality and profitability of our existing product and service offerings, to provision them efficiently to our customers, and to introduce profitable new offerings on a timely and cost-effective basis; our ability to generate cash flows sufficient to fund our financial commitments and objectives, including our capital expenditures, operating costs, debt repayments, periodic share repurchases, dividends, pension contributions and other benefits payments; changes in our operating plans, corporate strategies, dividend payment plans or other capital allocation plans, whether based upon changes in our cash flows, cash requirements, financial performance, financial position, market conditions or otherwise; our ability to effectively retain and hire key personnel and to successfully negotiate collective bargaining agreements on reasonable terms without work stoppages; increases in the costs of our pension, health, post-employment or other benefits, including those caused by changes in markets, interest rates, mortality rates, demographics or regulations; adverse changes in our access to credit markets on favorable terms, whether caused by changes in our financial position, lower debt credit ratings, unstable markets or otherwise; our ability to meet the terms and conditions of our debt obligations; our ability to maintain favorable relations with our key business partners, customers, suppliers, vendors, landlords and financial institutions; our ability to effectively manage our network buildout projects and our other expansion opportunities; our ability to collect our receivables from financially troubled customers; any adverse developments in legal or regulatory proceedings involving us; changes in tax, communications, pension, healthcare or other laws or regulations, in governmental support programs, or in general government funding levels; the effects of changes in accounting policies or practices, including potential future impairment charges; the effects of adverse weather, terrorism or other natural or man-made disasters; the effects of more general factors such as changes in interest rates, in exchange rates, in operating costs, in general market, labor, economic or geo-political conditions, or in public policy; and other risks referenced from time to time in our filings with the U.S. Securities and Exchange

Commission ("SEC"). For all the reasons set forth above and in our SEC filings, you are cautioned not to unduly rely upon our forward-looking statements, which speak only as of the date made. We undertake no obligation to publicly update or revise any forward-looking statements for any reason, whether as a result of new information, future events or developments, changed circumstances, or otherwise. Furthermore, any information about our intentions contained in any of our forward-looking statements reflects our intentions as of the date of such forward-looking statement, and is based upon, among other things, existing regulatory, technological, industry, competitive, economic and market conditions, and our assumptions as of such date. We may change our intentions, strategies or plans without notice at any time and for any reason.

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(1) On November 1, 2017, CenturyLink acquired Level 3 Communications, Inc. through successive merger transactions, including a merger of Level 3 into its successor-in-interest, Level 3 Parent, LLC.

(2) See attachments for reconciliations of non-GAAP figures used by CenturyLink and Level 3 to comparable GAAP figures. As illustrated in these attached reconciliation statements, CenturyLink and Level 3 have historically defined their respective non-GAAP measures differently.

(3) Core revenues is a non-GAAP measure defined as strategic revenues plus legacy revenues (excludes data integration and other revenues) as described further in the attached schedules. Strategic revenues primarily include broadband, Multiprotocol Label Switching (MPLS), Ethernet, colocation, hosting, cloud, video, VoIP and IT services. Legacy revenues primarily include voice, private line (including special access), switched access and other ancillary services. The filed SEC reports and accompanying schedules explain these terms in greater detail.

(4) Beginning second quarter 2017, certain legacy services, specifically dark fiber network leasing, were reclassified from legacy services to strategic services. Beginning second quarter 2016, private line (including special access) revenues were reclassified from strategic services to legacy services. All historical periods have been restated to reflect these changes.

(5) Capital Expenditures reflects payments for property, plant and equipment and capitalized software, excluding amounts capitalized for integration related projects.

(6) The reported fourth quarter 2016 and full year 2016 results have been adjusted to reflect changes made to customers assignments between the wholesale and enterprise channels as of the beginning of 2017.

(7) Excludes CenturyLink Colocation revenue and Level 3 amortized revenue from pre-acquisition deferred installation charges. For a description of adjustments made in connection with preparing there pro forma figures, see the pro forma information filed with the SEC in a current Report on Form 8-K/A on January 16, 2018.

(8) Adjusted EBITDA is defined as operating income (loss) from the Pro Forma Combined Company Results plus depreciation and amortization expense, non-cash impairment charges and non-cash stock compensation expense, adjusted for special items and CenturyLink colocation revenue and related estimated costs.

(9) Regulatory includes CAF Phase 1, CAF Phase 2 and federal and state USF support revenue.

(10) All outlook measures in this release and the accompanying schedules exclude integration-related expenses and other special items, and are as of February 14, 2018.

(11) Free Cash Flow is defined as net cash provided by (used in) operating activities less capital expenditures as disclosed in the Consolidated Statements of Cash Flows.

(12) Dividends is defined as dividends paid as disclosed in the Consolidated Statements of Cash Flows. Payments of all dividends are at the discretion of the board of directors.

CenturyLink, Inc.

CONSOLIDATED STATEMENTS OF INCOME

THREE MONTHS AND TWELVE MONTHS ENDED DECEMBER 31, 2017 AND 2016

(UNAUDITED)

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

	Three months ended December 31,		Increase / (decrease)	Twelve months ended December 31,		Increase / (decrease)
	2017	2016		2017	2016	
OPERATING REVENUES	$ 5,323	4,289	24 %	17,656	17,470	1 %
OPERATING EXPENSES						
Cost of services and products	2,498	1,929	30 %	8,203	7,774	6 %
Selling, general and administrative *	1,104	997	11 %	3,508	3,447	2 %
Depreciation and amortization	1,197	958	25 %	3,936	3,916	1 %
Total operating expenses	4,799	3,884	24 %	15,647	15,137	3 %
OPERATING INCOME	524	405	29 %	2,009	2,333	(14)%
OTHER (EXPENSE) INCOME						
Interest expense	(481)	(320)	50 %	(1,481)	(1,318)	12 %
Other income (expense), net *	11	(11)	(200)%	12	5	140 %
Income tax benefit (expense)	1,063	(32)	(3,422)%	849	(394)	(315)%
NET INCOME	$ 1,117	42	2,560 %	1,389	626	122 %
BASIC EARNINGS PER SHARE	$ 1.26	0.08	1,475 %	2.21	1.16	91 %
DILUTED EARNINGS PER SHARE	$ 1.26	0.08	1,475 %	2.21	1.16	91 %
WEIGHTED AVERAGE SHARES OUTSTANDING						
Basic	887,890	539,965	64 %	627,808	539,549	16 %
Diluted	889,135	541,235	64 %	628,693	540,679	16 %
DIVIDENDS PER COMMON SHARE	$ 0.54	0.54	— %	2.16	2.16	— %

* 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 $13 million and $2 million increase in operating income and a corresponding increase in other (expense) income, net for the three and twelve months ended December 31, 2016, respectively.

CenturyLink, Inc.

CONDENSED CONSOLIDATED BALANCE SHEETS

AS OF DECEMBER 31, 2017 AND DECEMBER 31, 2016

(UNAUDITED)

(Dollars in millions)

	As of December 31, 2017	As of December 31, 2016
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 551	222
Restricted cash	5	—
Other current assets	3,638	4,940
Total current assets	4,194	5,162
NET PROPERTY, PLANT AND EQUIPMENT		
Property, plant and equipment	51,204	39,194
Accumulated depreciation	(24,352)	(22,155)
Net property, plant and equipment	26,852	17,039
GOODWILL AND OTHER ASSETS		
Goodwill	30,409	19,650
Restricted cash	31	2
Other, net	14,065	5,164
Total goodwill and other assets	44,505	24,816
TOTAL ASSETS	$ 75,551	47,017
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Current maturities of long-term debt	$ 443	1,503
Other current liabilities	4,411	3,846
Total current liabilities	4,854	5,349
LONG-TERM DEBT	37,283	18,185
DEFERRED CREDITS AND OTHER LIABILITIES	9,985	10,084
STOCKHOLDERS' EQUITY	23,429	13,399
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 75,551	47,017

CenturyLink, Inc.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
TWELVE MONTHS ENDED DECEMBER 31, 2017 AND 2016
(UNAUDITED)
(Dollars in millions)

		Twelve months ended	
		December 31, 2017 *	December 31, 2016 *
OPERATING ACTIVITIES			
Net income	$	1,389	626
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization		3,936	3,916
Deferred income taxes		(1,193)	6
Loss on the sale of data centers and colocation business		82	—
Impairment of assets held for sale		—	13
Provision for uncollectible accounts		173	192
Net loss on early retirement of debt		5	27
Share-based compensation		111	80
Changes in current assets and liabilities, net		(302)	(108)
Retirement benefits		(202)	(152)
Changes in other noncurrent assets and liabilities, net		(197)	(18)
Other, net		75	26
Net cash provided by operating activities		3,877	4,608
INVESTING ACTIVITIES			
Payments for property, plant and equipment and capitalized software		(3,106)	(2,981)
Cash paid for Level 3 acquisition, net of $2.3 billion cash acquired		(7,289)	—
Cash paid for other acquisitions		(5)	(39)
Proceeds from the sale of data centers and colocation business, less cash sold		1,467	—
Proceeds from sale of property and intangible assets		62	30
Other, net		—	(4)
Net cash used in investing activities		(8,871)	(2,994)
FINANCING ACTIVITIES			
Net proceeds from issuance of long-term debt		8,398	2,161
Proceeds from financing obligation		356	—
Payment of contingent consideration		(3)	—
Payments of long-term debt		(1,963)	(2,462)
Net payments on 2012 credit facility and revolving line of credit		35	(40)
Dividends paid		(1,453)	(1,167)
Proceeds from issuance of common stock		5	6
Shares withheld to satisfy tax withholdings		(17)	(16)
Net cash provided by (used in) financing activities		5,358	(1,518)
Effect of exchange rate changes on cash and cash equivalents		(1)	—
Net increase in cash, cash equivalents and restricted cash		363	96
* Cash, cash equivalents and restricted cash at beginning of period		224	128
* Cash, cash equivalents and restricted cash at end of period	$	587	224

* In the second quarter of 2017, CenturyLink 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 prior presentation, which explained 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.

CenturyLink, Inc.

SELECTED SEGMENT FINANCIAL INFORMATION

THREE MONTHS AND TWELVE MONTHS ENDED DECEMBER 31, 2017 AND 2016

(UNAUDITED)

(Dollars in millions)

	Three months ended December 31,		Twelve months ended December 31,	
	2017	**2016**	**2017**	**2016**
Total segment revenues	$ 5,135	4,115	16,924	16,766
Total segment expenses	2,818	2,248	9,390	9,081
Total segment income	$ 2,317	1,867	7,534	7,685
Total segment income margin (segment income divided by segment revenues)	45.1%	45.4%	44.5%	45.8%
Business				
Revenues	$ 3,734	2,630	11,220	10,704
Expenses	2,206	1,588	6,847	6,391
Segment income	$ 1,528	1,042	4,373	4,313
Segment income margin	40.9%	39.6%	39.0%	40.3%
Consumer				
Revenues	$ 1,401	1,485	5,704	6,062
Expenses	612	660	2,543	2,690
Segment income	$ 789	825	3,161	3,372
Segment income margin	56.3%	55.6%	55.4%	55.6%

In January 2017, CenturyLink implemented a new organization structure designed to further strengthen its ability to attain our operational, strategic and financial goals. Prior to this reorganization, CenturyLink operated and reported as two segments, business and consumer. As a result of this reorganization, CenturyLink changed the name of the predecessor business segment to "enterprise" segment. Additionally, CenturyLink also reassigned its information technology, managed hosting, cloud hosting and hosting area network services from its former business segment to a new non-reportable operating segment. CenturyLink reported two segments, enterprise and consumer, from January 2017 through October 2017.

In connection with CenturyLink's acquisition of Level 3, CenturyLink implemented a new organization structure and began managing its operations in two segments: business and consumer. CenturyLink's consumer segment remains substantially unchanged under this reorganization, and CenturyLink's newly reorganized business segment includes the legacy CenturyLink enterprise segment operations and the legacy Level 3 operations. In addition, it reassigned it's information technology, managed hosting, cloud hosting and hosting area network operations into the business segment from the former non-reportable operating segment.

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CenturyLink, Inc.
NET DEBT TO LTM PRO FORMA ADJUSTED EBITDA RATIO
AS OF DECEMBER 31, 2017
(UNAUDITED)
(Dollars in millions)

Net Debt to LTM Pro Forma Adjusted EBITDA Ratio		
Gross Debt	$	38,053
Cash and Cash Equivalents		(551)
Net Debt	$	37,502
LTM Pro Forma Adjusted EBITDA Excluding Acquisition-Related Expenses	$	8,698
Net Debt to LTM Adjusted EBITDA Ratio		4.31

Gross Debt is defined as total long-term debt, less unamortized discounts, premiums and other, net $23 million and unamortized debt issuance costs of ($350 million).

Net Debt to Last Twelve Months (LTM) Pro Forma Adjusted EBITDA Ratio is defined as Gross Debt, reduced by cash and cash equivalents and divided by LTM Pro Forma Adjusted EBITDA Excluding Acquisition-Related Expenses.

Adjusted EBITDA is defined as operating income (loss) from the Pro Forma Combined Company Results less depreciation and amortization expense, non-cash impairment charges, non-cash stock compensation expense and special items, excluding CenturyLink colocation revenue and related estimated costs.

CenturyLink, Inc.
RECONCILIATION OF NON-GAAP FINANCIAL MEASURES
(UNAUDITED)
(Dollars in millions, except per share amounts and shares in thousands)

	Fourth Quarter 2017		
	As Reported	**Less Special Items**	**As Adjusted excluding Special Items**
Net Income as reported in Consolidated Statement of Income	$ 1,117	(956)	161
Weighted Average Shares Outstanding - Diluted	889,135		889,135
Diluted Earnings Per Share	$ 1.26		0.18
Special items include:			
Integration costs related to CenturyLink's acquisition of Level 3		$ 206	
Interest income related to Term Loan B Escrow account for pre-acquisition		(4)	
Interest expense associated with Term Loan B for pre-acquisition colocation business		20	
Income tax effect of special items		(46)	
Impact of Tax Reform		(1,132)	
		$ (956)	

Outlook

To enhance the information in our outlook with respect to non-GAAP metrics, we are providing a range for certain GAAP measures that are components of the reconciliation of the non-GAAP metrics. The provision of these ranges is in no way meant to indicate that CenturyLink is explicitly or implicitly providing an outlook on those GAAP components of the reconciliation. In order to reconcile the non-GAAP financial metric to GAAP, CenturyLink has to use ranges for the GAAP components that arithmetically add up to the non-GAAP financial metric. While CenturyLink feels reasonably comfortable about the outlook for its non-GAAP financial metrics, it fully expects that the ranges used for the GAAP components will vary from actual results. We will consider our outlook of non-GAAP financial metrics to be accurate if the specific non-GAAP metric is met or exceeded, even if the GAAP components of the reconciliation are different from those provided in an earlier reconciliation.

CenturyLink, Inc.
2018 OUTLOOK
(UNAUDITED)
(Dollars in millions)

Adjusted EBITDA Outlook			
Twelve Months Ended December 31, 2018			
		Range	
		Low	**High**
Net Income	$	320	720
Income Tax Expense		120	240
Total Other Expense		2,300	2,200
Depreciation and Amortization Expense		5,500	5,400
Non-Cash Compensation Expense		210	190
Integration-related expenses		300	200
Adjusted EBITDA	**$**	**8,750**	**8,950**

Free Cash Flow Outlook			
Twelve Months Ended December 31, 2018			
		Range	
		Low	**High**
Net Cash Provided by Operating Activities excluding integration costs	$	7,050	7,150
Capital Expenditures, excluding: integration projects		(3,900)	(3,800)
Free Cash Flow	**$**	**3,150**	**3,350**

CENTURYLINK STANDALONE
DESCRIPTION OF NON-GAAP FINANCIAL MEASURES

To enable investors to track CenturyLink's results through the end of 2017 on a basis that assumes CenturyLink did not acquire Level 3, we are providing selected unaudited results in the format previously used.

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.

CenturyLink Standalone

REVENUES

(UNAUDITED)

(Dollars in millions)

	Three months ended		Twelve months ended	
	December 31, 2017	**December 31, 2016**	**December 31, 2017**	**December 31, 2016**
Strategic services *				
Enterprise high-bandwidth data services (1)	$ 773	755	3,069	2,990
Other enterprise strategic services (2)	181	331	916	1,320
IT and managed services (3)	169	158	652	641
Consumer broadband services (4)	688	666	2,683	2,689
Other consumer strategic services (5)	94	118	405	458
Total strategic services revenues	1,905	2,028	7,725	8,098
Legacy services *				
Enterprise voice services (6)	533	579	2,215	2,413
Enterprise low-bandwidth data services (7)	274	325	1,179	1,381
Other enterprise legacy services (8)	241	266	995	1,075
Consumer voice services (6)	513	589	2,191	2,443
Other consumer legacy services (9)	72	75	288	312
Total legacy services revenues	1,633	1,834	6,868	7,624
Data integration				
Enterprise data integration	109	130	479	528
IT and managed services data integration	4	—	18	3
Consumer data integration	—	1	1	2
Total data integration revenues	113	131	498	533
Other revenues				
High-cost support revenue (10)	166	170	667	688
Other revenue (11)	147	126	539	527
Total other revenues	313	296	1,206	1,215
Total revenues	$ 3,964	4,289	16,297	17,470

(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 and failed-sale-leaseback rental income

* 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 $48 million for the three and twelve months ended December 31, 2016, respectively.

CenturyLink Standalone

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

(UNAUDITED)

(Dollars in millions)

	Three months ended December 31, 2017				Three months ended December 31, 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 *	$ 524	(206)	(1)	730	405	(186)	(3)	591
Add: Depreciation and amortization	1,197	—		1,197	958	(36)	(4)	994
Less: Operating revenues from Level 3	(1,406)	—		(1,406)	—	—		—
Add: Operating expenses less depreciation and amortization from Level 3	943	28	(2)	915	—	—		—
Add: Affiliate eliminations	47	—		47	—	—		—
Less: CenturyLink expenses billed from Level 3	(12)	—		(12)	—	—		—
Adjusted EBITDA	$ 1,293	(178)		1,471	1,363	(222)		1,585
Revenues	$ 5,323	—		5,323	4,289	—		4,289
Less: Revenues from Level 3	(1,406)	—		(1,406)	—	—		—
Add: Affiliate eliminations	47	—		47	—	—		—
Revenues less Level 3	$ 3,964	—		3,964	4,289	—		4,289
Adjusted EBITDA margin (adjusted EBITDA divided by revenues)	32.6%			37.1%	31.8%			37.0%

SPECIAL ITEMS

(1) - Acquisition and integration costs associated with CenturyLink's acquisition of Level 3 ($178 million) incurred by CenturyLink and ($28 million) in transaction costs incurred by Level 3.

(2) - Transaction costs incurred by Level 3 of $28 million.

(3) - Includes severance costs associated with reduction in force initiatives ($148 million), integration costs associated with CenturyLink's 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), offset by the termination of depreciation expense related to CenturyLink's pending sale of the colocation business $36 million.

(4) - Termination of depreciation and amortization expense related to our sale of the colocation business ($36 million).

* 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 $13 million increase in operating income and a corresponding increase in total other expense, net for the three months ended December 31, 2016.

CenturyLink Standalone

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

(UNAUDITED)

(Dollars in millions)

	Twelve months ended December 31, 2017				Twelve months ended December 31, 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 *	$ 2,009	(347)	(1)	2,356	2,333	(228) (4)	2,561
Add: Depreciation and amortization	3,936	(6)	(2)	3,942	3,916	(36) (5)	3,952
Less: Operating revenues from Level 3	(1,406)	—		(1,406)	—	—	—
Add: Operating expenses less depreciation and amortization from Level 3	943	28	(3)	915	—	—	—
Add: Affiliate eliminations	47	—		47	—	—	—
Less: CenturyLink expenses billed from Level 3	(12)	—		(12)	—	—	—
Adjusted EBITDA	$ 5,517	(325)		5,842	6,249	(264)	6,513
Revenues	$17,656	—		17,656	17,470	—	17,470
Less: Revenues from Level 3	(1,406)	—		(1,406)	—	—	—
Add: Affiliate eliminations	47	—		47	—	—	—
Revenues less Level 3	$16,297	—		16,297	17,470	—	17,470
Adjusted EBITDA margin (adjusted EBITDA divided by revenues)	33.9%			35.8%	35.8%		37.3%

SPECIAL ITEMS

(1) - Acquisition and integration costs associated with CenturyLink's acquisition of Level 3 ($243 million) incurred by CenturyLink and ($28 million) in transaction costs incurred by Level 3, 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) - Transaction costs incurred by Level 3 of $28 million.

(4) - Includes severance costs associated with reduction in force initiatives ($173 million), integration costs associated with CenturyLink's acquisition of Qwest ($10 million) and costs associated with a large billing system integration project ($15 million), less an offsetting gain on the sale of a building $4 million.

(5) - Termination of depreciation and amortization expense related to our sale of the colocation business ($36 million).

* 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 increase in operating income and a corresponding increase in total other expense, net for the twelve months ended December 31, 2016.

CenturyLink Standalone

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

(UNAUDITED)

(Dollars in millions)

	Fourth Quarter 2017	Fourth Quarter 2016	Full Year 2017	Full Year 2016
Consolidated payments for property, plant and equipment and software	$ 743	971	3,106	2,981
Less Two Months Level 3 capital expenditures	(207)	—	(207)	—
Capital Expenditures for CenturyLink Standalone	536	971	2,899	2,981
Less Capital expenditures related to integration of Qwest and Level 3	(8)	(8)	(13)	(23)
Capital expenditures excluding integration of Qwest and Level 3	$ 528	963	2,886	2,958

CenturyLink Standalone

OPERATING METRICS

(UNAUDITED)

	As of December 31, 2017	As of September 30, 2017	As of December 31, 2016
		(In thousands)	
Operating Metrics			
Broadband subscribers	5,662	5,767	5,945
Access lines	10,282	10,506	11,090

CenturyLink's methodology for counting broadband subscribers and access lines may not be comparable to those of other companies.

Level 3 Standalone

Description of Non-GAAP Metrics

To enable investors to track Level 3's results through the end of 2017 on a basis that assumes CenturyLink did not acquire Level 3, we are providing selected unaudited results in the format previously used.

Pursuant to Regulation G, the company is hereby providing definitions of non-GAAP financial metrics and reconciliations to the most directly comparable GAAP measures.

The following describes and reconciles those financial measures as reported under accounting principles generally accepted in the United States (GAAP) with those financial measures as adjusted by the items detailed below and presented in the accompanying news release. These calculations are not prepared in accordance with GAAP and should not be viewed as alternatives to GAAP. In keeping with its historical financial reporting practices, the company believes that the supplemental presentation of these calculations provides meaningful non-GAAP financial measures to help investors understand and compare business trends among different reporting periods on a consistent basis.

In addition, measures referred to in the accompanying news release as being calculated "on a constant currency basis" or "in constant currency terms" are non-GAAP metrics intended to present the relevant information assuming a constant exchange rate between the two periods being compared. Such metrics are calculated by applying the currency exchange rates used in the preparation of the prior period financial results to the subsequent period results.

Core Network Services Revenue includes revenue from colocation and datacenter services, transport and fiber, IP and data services, and voice services (local and enterprise).

Network Access Costs includes leased capacity, right-of-way costs, access charges, satellite transponder lease costs and other third party costs directly attributable to providing access to customer locations from the Level 3 network, but excludes Network Related Expenses, and depreciation and amortization. Network Access Costs do not include any employee expenses or impairment expenses; these expenses are allocated to Network Related Expenses or Selling, General and Administrative Expenses.

Network Related Expenses includes certain expenses associated with the delivery of services to customers and the operation and maintenance of the Level 3 network, such as facility rent, utilities, maintenance and other costs, each related to the operation of its communications network, as well as salaries, wages and related benefits (including non-cash share-based compensation expenses) associated with personnel who are responsible for the delivery of services, operation and maintenance of its communications network, and accretion expense on asset retirement obligations, but excludes depreciation and amortization.

Network Access Margin ($) is defined as total Revenue less Network Access Costs from the Statements of Income, and excludes Network Related Expenses.

Network Access Margin (%) is defined as Network Access Margin ($) divided by total Revenue. Management believes that network access margin is a relevant metric to provide to investors, as it is a metric that management uses to measure the margin available to Level 3 after it pays third party network services costs; in essence, a measure of the efficiency of Level 3's network.

Adjusted EBITDA ($) is defined as net income (loss) from the Statements of Income before income tax (expense) benefit, total other income (expense), non-cash impairment charges, depreciation and amortization and non-cash stock compensation expense.

Adjusted EBITDA Margin (%) is defined as Adjusted EBITDA divided by total revenue.

Management believes that Adjusted EBITDA and Adjusted EBITDA Margin are relevant and useful metrics to provide to investors, as they are an important part of Level 3's internal reporting and are key measures used by Management to evaluate profitability and operating performance of Level 3 and to make resource allocation decisions. Management believes such measures are especially important in a capital-intensive industry such as telecommunications. Management also uses Adjusted EBITDA and Adjusted EBITDA Margin (and similarly uses these terms excluding acquisition-related expenses) to compare Level 3's performance to that of its competitors and to eliminate certain non-cash and non-operating items in order to consistently measure from period to period its ability to fund capital expenditures, fund growth, service debt and determine bonuses. Adjusted EBITDA excludes non-cash impairment charges and non-cash stock compensation expense because of the non-cash nature of these items. Adjusted EBITDA also excludes interest income, interest expense and income taxes because these items are associated with Level 3's capitalization and tax structures. Adjusted EBITDA also excludes depreciation and amortization expense because these non-cash expenses primarily reflect the impact of historical capital investments, as opposed to the cash impacts of capital expenditures made in recent periods, which may be evaluated through cash flow measures. Adjusted EBITDA excludes the gain (or loss) on extinguishment and modification of debt and other, net because these items are not related to the primary operations of Level 3.

There are limitations to using Adjusted EBITDA as a financial measure, including the difficulty associated with comparing companies that use similar performance measures whose calculations may differ from Level 3's calculations. Additionally, this financial measure does not include certain significant items such as interest income, interest expense, income taxes, depreciation and amortization, non-cash impairment charges, non-cash stock compensation expense, the gain (or loss) on extinguishment and modification of debt and net other income (expense). Adjusted EBITDA and Adjusted EBITDA Margin (either with or without acquisition-related expense adjustments) should not be considered a substitute for other measures of financial performance reported in accordance with GAAP.

Unlevered Cash Flow is defined as net cash provided by (used in) operating activities less capital expenditures, plus cash interest paid and less interest income all as disclosed in the Statements of Cash Flows or the Statements of Income. Management believes that Unlevered Cash Flow is a relevant metric to provide to investors, as it is an indicator of the operational strength and performance of Level 3 and, measured over time, provides management and investors with a sense of the underlying business' growth pattern and ability to generate cash. Unlevered Cash Flow excludes cash used for acquisitions and debt service and the impact of exchange rate changes on cash and cash equivalents balances.

There are material limitations to using Unlevered Cash Flow to measure Level 3's cash performance as it excludes certain material items such as payments on and repurchases of long-term debt, interest income, cash interest expense and cash used to fund acquisitions. Comparisons of Level 3's Unlevered Cash Flow to that of some of its competitors may be of limited usefulness since Level 3 does not currently pay a significant amount of income taxes due to net operating loss carryforwards, and therefore, generates higher cash flow than a comparable business that does pay income taxes. Additionally, this financial measure is subject to variability quarter over quarter as a result of the timing of payments related to accounts receivable and accounts payable and capital expenditures. Unlevered Cash Flow should not be used as a substitute for net change in cash and cash equivalents in the Consolidated Statements of Cash Flows.

Free Cash Flow is defined as net cash provided by (used in) operating activities less capital expenditures as disclosed in the Statements of Cash Flows. Management believes that Free Cash Flow is a relevant metric to provide to investors, as it is an indicator of the Level 3's ability to generate cash to service its debt. Free Cash Flow excludes cash used for acquisitions, principal repayments and the impact of exchange rate changes on cash and cash equivalents balances.

There are material limitations to using Free Cash Flow to measure Level 3's performance as it excludes certain material items such as principal payments on and repurchases of long-term debt and cash used to fund acquisitions. Comparisons of Level 3's Free Cash Flow to that of some of its competitors may be of limited usefulness since Level 3 does not currently pay a significant amount of income taxes due to net operating loss carryforwards, and therefore, generates higher cash flow than a comparable business that does pay income taxes. Additionally, this financial measure is subject to variability quarter over quarter as a result of the timing of payments related to interest expense, accounts receivable and accounts payable and capital expenditures. Free Cash Flow should not be used as a substitute for net change in cash and cash equivalents on the Consolidated Statements of Cash Flows.

Level 3 Standalone

FINANCIAL RESULTS

THREE MONTHS ENDED DECEMBER 31, 2017 AND 2016

(UNAUDITED)

(Dollars in millions)

	Three months ended December 31,	
	2017	2016 [(1)]
Core Network Services Revenue	$ 2,017	1,933
Wholesale Voice Services Revenue	93	99
Total Revenue	2,110	2,032
Network Access Costs	724	680
Network Access Margin	65.7%	66.5%
Network Related Expenses (NRE) [(2)(7)]	335	327
Selling, General & Administrative Expenses (SG&A) [(2)]	387	316
Non-cash Compensation Expense	32	35
Adjusted EBITDA [(3)]	664	709
Adjusted EBITDA, excluding acquisition-related expenses [(3) (4)]	758	724
Adjusted EBITDA Margin [(3)]	31.5%	34.9%
Adjusted EBITDA Margin, excluding acquisition-related expenses [(3) (4)]	35.9%	35.6%
Cash Flows from Operating Activities [(5)]	431	557
Capital Expenditures	308	306
Capital Expenditures, excluding acquisition-related capital expenditures [(6)]	301	306
Unlevered Cash Flow [(3)]	221	386
Unlevered Cash Flow, excluding cash acquisition-related expenses [(3) (5) (4)]	451	401
Free Cash Flow [(3)]	123	251
Free Cash Flow, excluding cash acquisition-related expenses [(3) (5)]	353	266
Net Income	74	250

(1) - The reported fourth quarter 2016 results have been adjusted to reflect changes made to customer assignments between the wholesale and enterprise channels as of the beginning of 2017.

(2) - Excludes non-cash compensation expense.

(3) - See schedule of non-GAAP metrics for definitions and reconciliation to GAAP measures.

(4) - In the fourth quarter 2017, acquisition-related expenses were $87 million and $15 million in fourth quarter 2016. In the fourth quarter 2017, 401K matching contributions of $7 million were funded with cash under the CenturyLink plan

(5) - In the fourth quarter 2017, cash paid for acquisition-related expenses was $223 million and $15 million in fourth quarter 2016.

(6) - In the fourth quarter 2017, acquisition-related capital expenditures were $7 million.

(7) - Included in cost of services and products in statements of income to conform to CenturyLink presentation.

Level 3 Standalone

QUARTERLY CONSTANT CURRENCY

(UNAUDITED)

(Dollars in millions)

		4Q16 FX	3Q17 FX				4Q16 FX		3Q17 FX
	4Q17	4Q17 Constant Currency	4Q17 Constant Currency	4Q16[2]	3Q17	4Q17/ 4Q16 % Change	4Q17 Constant Currency/ 4Q16 % Change[3]	4Q17/ 3Q17 % Change	4Q17 Constant Currency/ 3Q17 % Change[3]
North America	$ 1,644	1,644	1,644	1,584	1,597	3.8 %	3.8 %	2.9 %	2.9 %
Wholesale	399	399	399	405	404	(1.5)%	(1.5)%	(1.2)%	(1.2)%
Enterprise	1,245	1,245	1,245	1,179	1,193	5.6 %	5.6 %	4.4 %	4.4 %
EMEA	$ 188	180	187	179	184	5.0 %	0.6 %	2.2 %	1.7 %
Wholesale	57	54	57	55	57	3.6 %	(2.1)%	—%	0.5 %
Enterprise	118	114	117	108	113	9.3 %	5.3 %	4.4 %	3.7 %
UK Govt	13	12	13	16	14	(18.8)%	(22.3)%	(7.1)%	(8.9)%
Latin America	$ 185	184	186	170	182	8.8 %	8.0 %	1.6 %	2.3 %
Wholesale	33	33	34	34	35	(2.9)%	(3.6)%	(5.7)%	(3.4)%
Enterprise	152	151	152	136	147	11.8 %	11.0 %	3.4 %	3.7 %
Total CNS Revenue	$ 2,017	2,008	2,017	1,933	1,963	4.3 %	3.8 %	2.8 %	2.8 %
Wholesale	489	486	490	494	496	(1.0)%	(1.8)%	(1.4)%	(1.1)%
Enterprise [1]	1,528	1,522	1,527	1,439	1,467	6.2 %	5.7 %	4.2 %	4.1 %
Total CNS Revenue	$ 2,017	2,008	2,017	1,933	1,963	4.3 %	3.8 %	2.8 %	2.8 %
Wholesale Voice Services	93	93	93	99	96	(6.1)%	(5.6)%	(3.1)%	(3.6)%
Total Revenues	$ 2,110	2,101	2,110	2,032	2,059	3.8 %	3.3 %	2.5 %	2.5 %
Total Enterprise CNS Revenue, excluding UK Government revenue	$ 1,515	1,510	1,514	1,423	1,453	6.5 %	6.0 %	4.3 %	4.2 %

(1) Includes EMEA UK Government revenue.

(2) The 2016 results have been adjusted to reflect changes made to customer assignments between the wholesale and enterprise channels as of the beginning of 2017.

(3) Percentages are calculated using whole numbers. Minor differences may exist due to rounding.

Level 3 Standalone
Adjusted EBITDA Metric
(UNAUDITED)
(Dollars in millions)

	Actuals				
	Predecessor	Successor			
	One month ended October 31, 2017	Two months ended December 31, 2017	Less Adjustments	Combined Predecess or Successor 4Q17	Actuals 4Q16
Net income (loss)	$ 19	(141)	(196)	74	250
Income tax (benefit) expense	53	234	179	108	(33)
Total other expense	41	65	(10)	116	137
Depreciation and Amortization	104	282	52	334	320
Non-Cash Stock Compensation	12	26	6	32	35
Adjusted EBITDA	229	466	31	664	709
Acquisition-Related Expenses	12	28	(47)	87	15
401(k) cash matching contributions	—	7	—	7	—
Adjusted EBITDA excluding acquisition related expenses	$ 241	501	(16)	758	724
Core Network Service Revenue	$ 669	1,346	(2)	2,017	1,933
Wholesale Voice Services and Other Revenue	32	61	—	93	99
Total Revenue	$ 701	1,407	(2)	2,110	2,032
Adjusted EBITDA Margin	32.7%	33.1%		31.5%	34.9%
Adjusted EBITDA (excluding acquisition related expenses) Margin	34.4%	35.6%		35.9%	35.6%

Level 3 Standalone

Adjusted EBITDA Metric

(UNAUDITED)

(Dollars in millions)

	Actuals				
	Predecessor	**Successor**			
	Ten months ended October 31, 2017	Two months ended December 31, 2017	Less Adjustments	Combined Predecess or Successor FY 2017	Actuals FY 2016
Net income	$ 425	(141)	(196)	480	677
Income tax (benefit) expense	268	234	179	323	165
Total other expense	458	65	(17)	540	602
Depreciation and Amortization	1,030	282	(5)	1,317	1,250
Non-Cash Stock Compensation	132	26	6	152	156
Adjusted EBITDA	2,313	466	(33)	2,812	2,850
Acquisition-Related Expenses	85	28	(47)	160	15
401(k) cash matching contributions	—	7	—	7	—
Adjusted EBITDA excluding acquisition related expenses	$ 2,398	501	(80)	2,979	2,865
Core Network Service Revenue	$ 6,543	1,346	(2)	7,891	7,764
Wholesale Voice Services and Other Revenue	327	61	1	387	408
Total Revenue	$ 6,870	1,407	(1)	8,278	8,172
Adjusted EBITDA Margin	33.7%	33.1%		34.0%	34.9%
Adjusted EBITDA (excluding acquisition related expenses) Margin	34.9%	35.6%		36.0%	35.1%

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Level 3 Standalone

Cash Flows

(UNAUDITED)

(Dollars in millions)

	Actuals				
	Predecessor	**Successor**			
	One month ended October 31, 2017	Two months ended December 31, 2017	Less Adjustments	Combined Predecessor Successor 4Q17	Actuals 4Q16
Net cash used in Investing Activities	$ (101)	(2,032)	—	(2,133)	(303)
Net cash used in Financing Activities	$ —	(251)	—	(251)	(2)
Net cash provided by Operating Activities	$ 123	308	—	431	557
Capital Expenditures	(101)	(207)	—	(308)	(306)
Free Cash Flow	22	101	—	123	251
Cash Interest paid	56	56	—	112	136
Interest Income	(2)	(12)	—	(14)	(1)
Unlevered Cash Flow	$ 76	145	—	221	386
Free Cash Flow	$ 22	101	—	123	251
Add back: Cash Acquisition-Related Expenses	14	162	(47)	223	15
Add back: 401(k) cash funding	—	7	—	7	—
Free Cash Flow Excluding Cash Acquisition-Related Expenses	$ 36	270	(47)	353	266
Unlevered Cash Flow	$ 76	145	—	221	386
Add back: Cash Acquisition-Related Expenses	14	162	(47)	223	15
Add back: 401(k) cash funding	—	7	—	7	—
Unlevered Cash Flow Excluding Cash Acquisition-Related Expenses	$ 90	314	(47)	451	401

Level 3 Standalone

Cash Flows

(UNAUDITED)

(Dollars in millions)

	Actuals				
	Predecessor	Successor			
	Ten months ended October 31, 2017	Two months ended December 31, 2017	Less Adjustments	Combined Predecessor Successor FY 2017	Actuals FY 2016
Net cash used in Investing Activities	$ (1,114)	(2,032)	—	(3,146)	(1,319)
Net cash used in Financing Activities	$ (348)	(251)	—	(599)	(56)
Net cash provided by Operating Activities	$ 1,914	308	—	2,222	2,343
Capital Expenditures	(1,119)	(207)	—	(1,326)	(1,334)
Free Cash Flow	795	101	—	896	1,009
Cash Interest paid	468	56	—	524	508
Interest Income	(13)	(12)	—	(25)	(4)
Unlevered Cash Flow	$ 1,250	145	—	1,395	1,513
Free Cash Flow	$ 795	101	—	896	1,009
Add back: Cash Acquisition-Related Expenses	29	162	(47)	238	15
Add back: 401(k) cash funding	—	7	—	7	—
Free Cash Flow Excluding Cash Acquisition-Related Expenses	$ 824	270	(47)	1,141	1,024
Unlevered Cash Flow	$ 1,250	145	—	1,395	1,513
Add back: Cash Acquisition-Related Expenses	29	162	(47)	238	15
Add back: 401(k) cash funding	—	7	—	7	—
Unlevered Cash Flow Excluding Cash Acquisition-Related Expenses	$ 1,279	314	(47)	1,640	1,528

Level 3 Standalone

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

(UNAUDITED)

(Dollars in millions)

		Fourth Quarter 2017	Full Year 2017
Consolidated Capital Expenditures thru October 31, 2017	$	101	1,119
Add November and December		207	207
Capital expenditures		308	1,326
Less: acquisition-related capital expenditures		(7)	(17)
Capital expenditures less acquisition-related expenditures	$	301	1,309

CenturyLink, Inc. Pro Forma Combined Company Results
RECONCILIATION OF NON-GAAP FINANCIAL MEASURES
(UNAUDITED)
(Dollars in millions)

	Three Months ending December 31, 2017				Twelve Months ending December 31, 2017			
	Reported Consolidated CenturyLink	Add Month of October Level 3	Pro Forma Adjustments	Pro Forma Combined Company	Reported Consolidated CenturyLink	Predecessor Level 3 October YTD	Pro Forma Adjustments	Pro Forma Combined Company
OPERATING REVENUES								
Operating revenues	$ 5,323	701	(21) (a)	6,003	17,656	6,870	(205) (a)	24,321
Less colocation sold to Cyxtera and not retained				2				(194)
				6,005				24,127
OPERATING EXPENSES								
Cost of services and products	2,498	361	(21) (a)	2,838	8,203	3,481	(195) (a)	11,489
Selling, general and administrative	1,104	123	—	1,227	3,508	1,208		4,716
Depreciation and amortization	1,197	104	—	1,301	3,936	1,030	172 (b)	5,138
Less estimated net costs of colocation sold to Cyxtera and not retained								(100)
				5,366				21,243
OPERATING INCOME				639				2,884
Depreciation and amortization				1,301				5,138
Non Cash Compensation				54				238
ADJUSTED EBITDA INCLUDING SPECIAL ITEMS AND				$ 1,994				8,260
ACQUISITION- RELATED EXPENSES								
Level 3 acquisition related expenses				$ 39				113
CenturyLink special items and acquisition-related expenses				178				325
ADJUSTED EBITDA EXCLUDING SPECIAL ITEMS AND				217				438
ACQUISITION- RELATED EXPENSES				$ 2,211				8,698

* Reported in CenturyLink Consolidated Statement of Operations

** Reported in Level 3 Consolidated Statement of Operations

(a) Adjustment reflects the elimination of operating revenues and expenses for existing commercial transactions between CenturyLink and Level 3 ($19 million) for the three months ending December 31, 2017 and ($193 million) for the twelve months ending December 31, 2017 and elimination of Level 3 deferred revenues ($2 million) for the three months ended December 31, 2017 and ($12 million) for the twelve months ending December 31, 2017

(b) Depreciation expense decreased on Level 3's property, plant and equipment resulting from decreased PP&E fair value; ($303 million) for twelve months ending December 31, 2017. Increase in amortization expense resulting from increase intangible asset fair value and $475 million for the twelve months ending December 31, 2017

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CenturyLink, Inc. Pro Forma Combined Company Results

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

(UNAUDITED)

(Dollars in millions)

	Three Months ending December 31, 2016				Twelve Months ending December 31, 2016			
	Reported * CenturyLink	Reported ** Level 3	Pro Forma Adjustments	Pro Forma Combined Company	Reported * CenturyLink	Reported ** Level 3	Pro Forma Adjustments	Pro Forma Combined Company
OPERATING REVENUES								
Operating revenues	$ 4,289	2,032	(62) (a)	6,259	17,470	8,172	(264) (a)	25,378
Less colocation sold to Cyxtera and not retained				(147)				(594)
				6,112				24,784
OPERATING EXPENSES								
Cost of services and products	1,929	1,029	(56) (a)	2,902	7,774	4,128	(236) (a)	11,666
Selling, general and administrative	997	345	—	1,342	3,447	1,407	—	4,854
Depreciation and amortization	958	303	67 (b)	1,328	3,916	1,193	408 (b)	5,517
Less estimated net costs of colocation sold to Cyxtera and not retained				(75)				(300)
				5,497				21,737
OPERATING INCOME				615				3,047
Depreciation and amortization				1,328				5,517
Non Cash Compensation				55				236
ADJUSTED EBITDA INCLUDING SPECIAL ITEMS AND ACQUISITION- RELATED EXPENSES				$ 1,998				8,800
Level 3 acquisition related expenses				$ 15				15
CenturyLink special items and acquisition-related expenses				222				264
				237				279
ADJUSTED EBITDA EXCLUDING SPECIAL ITEMS AND ACQUISITION- RELATED EXPENSES				$ 2,235				9,079

* Reported in CenturyLink Consolidated Statement of Operations

** Reported in Level 3 Consolidated Statement of Operations

(a) Adjustment reflects the elimination of operating revenues and operating expenses for existing commercial transactions between CenturyLink and Level 3 ($56 million) for the three months ending December 31, 2016 and ($236 million) for the twelve months ending December 31, 2016. The operating revenues recognized by Level 3 associated with the existing deferred revenues from prior installation activities that will likely be assigned little or no value in the purchase price allocation process ($6 million) for the three months ending December 31, 2016 and ($28 million) for the twelve months ending December 31, 2016.

(b) Depreciation expense decreased on Level 3's property, plant and equipment resulting from decreased PP&E fair value; ($89 million) for the three months ending December 31, 2016 and ($216 million) for the twelve months ending December 31, 2016. Increase in amortization expense resulting from increase intangible asset fair value; $156 million for the three months ending December 31, 2016 and $624 million for the twelve months ending December 31, 2016.

CenturyLink, Inc. Pro Forma Combined Company Results
RECONCILIATION OF NON-GAAP FINANCIAL MEASURES
(UNAUDITED)
(Dollars in millions)

	Fourth Quarter 2017	Fourth Quarter 2016	Full Year 2017	Full Year 2016
CenturyLink Consolidated Capital Expenditures	$ 743	971	3,106	2,981
Capital Expenditures Predecessor Level 3	101	306	1,119	1,334
Pro Forma Capital Expenditures	844	1,277	4,225	4,315
Less CenturyLink Standalone Capital Expenditures related to integration of Qwest and Level 3	(8)	(8)	(13)	(23)
Less Level 3 Standalone Capital Expenditures related to integration	(7)	—	(17)	—
Less Capital Expenditures related to colocation business	—	(21)	(14)	(58)
Pro Forma Capital Expenditures excluding colocation business and integration of Qwest and Level 3	$ 829	1,248	4,181	4,234

CenturyLink, Inc. Pro Forma Combined Company Results
ADJUSTED PRO FORMA REVENUE BY QUARTER
(UNAUDITED)
(Dollars in millions)

	Fourth Quarter 2017	Third Quarter 2017	Second Quarter 2017	First Quarter 2017	Fourth Quarter 2016
Business	$ 4,415	4,427	4,419	4,429	4,451
Consumer	1,401	1,420	1,436	1,447	1,485
Regulatory	189	186	185	174	176
Total Adjusted Pro Forma Revenue	$ 6,005	6,033	6,040	6,050	6,112
By Business Unit					
Medium & Small Business	$ 874	896	893	901	918
Enterprise	1,324	1,311	1,296	1,292	1,263
International & Global Accounts	941	918	911	891	905
Wholesale & Indirect	1,276	1,302	1,319	1,345	1,365
Consumer	1,401	1,420	1,436	1,447	1,485
Regulatory	189	186	185	174	176
Total Adjusted Pro Forma Revenue	$ 6,005	6,033	6,040	6,050	6,112
By Service Type					
IP & Data Services	$ 1,839	1,811	1,807	1,819	1,802
Transport & Infrastructure	2,092	2,108	2,119	2,092	2,128
Voice & Collaboration	1,716	1,759	1,768	1,812	1,848
IT & Managed Services	169	169	161	153	158
Regulatory	189	186	185	174	176
Total Adjusted Pro Forma Revenue	$ 6,005	6,033	6,040	6,050	6,112