

**CENTURYLINK, INC.**

**CONSOLIDATED STATEMENTS OF OPERATIONS**

	<b>Years Ended December 31,</b>		
	<b>2018</b>	<b>2017</b>	<b>2016</b>
	<b>(Dollars in millions, except per share amounts and shares in thousands)</b>		
OPERATING REVENUE .....	\$ 23,443	17,656	17,470
OPERATING EXPENSES			
Cost of services and products (exclusive of depreciation and amortization) .....	10,862	8,203	7,774
Selling, general and administrative .....	4,165	3,508	3,447
Depreciation and amortization .....	5,120	3,936	3,916
Goodwill impairment .....	2,726	—	—
Total operating expenses .....	22,873	15,647	15,137
OPERATING INCOME .....	570	2,009	2,333
OTHER (EXPENSE) INCOME			
Interest expense .....	(2,177)	(1,481)	(1,318)
Other income, net .....	44	12	5
Total other expense, net .....	(2,133)	(1,469)	(1,313)
INCOME (LOSS) BEFORE INCOME TAX EXPENSE .....	(1,563)	540	1,020
Income tax expense (benefit) .....	170	(849)	394
NET (LOSS) INCOME .....	\$ (1,733)	1,389	626
BASIC AND DILUTED (LOSS) EARNINGS PER COMMON SHARE			
BASIC .....	\$ (1.63)	2.21	1.16
DILUTED .....	\$ (1.63)	2.21	1.16
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING			
BASIC .....	1,065,866	627,808	539,549
DILUTED .....	1,065,866	628,693	540,679

See accompanying notes to consolidated financial statements.

**CENTURYLINK, INC.**

**CONSOLIDATED BALANCE SHEETS**

	As of December 31,	
	2018	2017
	(Dollars in millions and shares in thousands)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 488	551
Restricted cash - current	4	5
Accounts receivable, less allowance of \$142 and \$164	2,398	2,557
Assets held for sale	12	140
Other	918	941
Total current assets	3,820	4,194
NET PROPERTY, PLANT AND EQUIPMENT		
Property, plant and equipment	53,267	51,204
Accumulated depreciation	(26,859)	(24,352)
Net property, plant and equipment	26,408	26,852
GOODWILL AND OTHER ASSETS		
Goodwill	28,031	30,475
Restricted cash	26	31
Customer relationships, net	8,911	10,876
Other intangible assets, net	1,868	1,897
Other, net	1,192	1,286
Total goodwill and other assets	40,028	44,565
TOTAL ASSETS	\$ 70,256	75,611
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 652	443
Accounts payable	1,933	1,555
Accrued expenses and other liabilities		
Salaries and benefits	1,104	890
Income and other taxes	337	370
Interest	316	363
Other	357	344
Advance billings and customer deposits	832	892
Total current liabilities	5,531	4,857
LONG-TERM DEBT	35,409	37,283
DEFERRED CREDITS AND OTHER LIABILITIES		
Deferred income taxes, net	2,527	2,413
Benefit plan obligations, net	4,319	5,178
Other	2,642	2,389
Total deferred credits and other liabilities	9,488	9,980
COMMITMENTS AND CONTINGENCIES (Note 17)		
STOCKHOLDERS' EQUITY		
Preferred stock — non-redeemable, \$25.00 par value, authorized 2,000 and 2,000 shares, issued and outstanding 7 and 7 shares	—	—
Common stock, \$1.00 par value, authorized 1,600,000 and 1,600,000 shares, issued and outstanding 1,080,167 and 1,069,169 shares	1,080	1,069
Additional paid-in capital	22,852	23,314
Accumulated other comprehensive loss	(2,461)	(1,995)
(Accumulated deficit) retained earnings	(1,643)	1,103
Total stockholders' equity	19,828	23,491
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 70,256	75,611

See accompanying notes to consolidated financial statements.

**CENTURYLINK, INC.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Years Ended December 31,		
	2018	2017	2016
	(Dollars in millions)		
OPERATING ACTIVITIES			
Net (loss) income	\$ (1,733)	1,389	626
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Depreciation and amortization	5,120	3,936	3,916
Impairment of goodwill and other assets	2,746	—	13
Deferred income taxes	522	(931)	6
Loss on the sale of data centers and colocation business	—	82	—
Provision for uncollectible accounts	153	176	192
Net long-term debt issuance costs and premium amortization	13	9	2
Net loss on early retirement of debt	7	5	27
Share-based compensation	186	111	80
Changes in current assets and liabilities:			
Accounts receivable	25	31	(266)
Accounts payable	124	(123)	109
Accrued income and other taxes	75	54	(43)
Other current assets and liabilities, net	127	(614)	92
Retirement benefits	(667)	(202)	(152)
Changes in other noncurrent assets and liabilities, net	329	(174)	(18)
Other, net	5	129	24
Net cash provided by operating activities	7,032	3,878	4,608
INVESTING ACTIVITIES			
Payments for property, plant and equipment and capitalized software	(3,175)	(3,106)	(2,981)
Cash paid for Level 3 acquisition, net of \$2.3 billion cash acquired	—	(7,289)	—
Proceeds from sale of property and intangible assets	158	1,529	30
Other, net	(61)	(5)	(43)
Net cash used in investing activities	(3,078)	(8,871)	(2,994)
FINANCING ACTIVITIES			
Net proceeds from issuance of long-term debt	130	8,398	2,161
Proceeds from financing obligation (Note 3)	—	356	—
Payments of long-term debt	(1,936)	(1,963)	(2,462)
Net proceeds (payments) on credit facility and revolving line of credit	145	35	(40)
Dividends paid	(2,312)	(1,453)	(1,167)
Other, net	(50)	(17)	(10)
Net cash (used in) provided by financing activities	(4,023)	5,356	(1,518)
Net (decrease) increase in cash, cash equivalents and restricted cash	(69)	363	96
Cash, cash equivalents and restricted cash at beginning of period	587	224	128
Cash, cash equivalents and restricted cash at end of period	\$ 518	587	224
Supplemental cash flow information:			
Income taxes received (paid), net	\$ 674	(392)	(397)
Interest paid (net of capitalized interest of \$53, \$78 and \$54)	\$ (2,138)	(1,401)	(1,301)
Cash, cash equivalents and restricted cash:			
Cash and cash equivalents	\$ 488	551	222
Restricted cash - current	4	5	—
Restricted cash - noncurrent	26	31	2
Total	\$ 518	587	224

See accompanying notes to consolidated financial statements.