

3rd Quarter Earnings

November 2, 2022



Financial Trending Schedule

Financial Results and Trend Schedules, Debt, Operating Metrics, and Adjusted EBITDA

3rd Quarter Earnings

November 2, 2022



Lumen Technologies, Inc.

Financial Results

(UNAUDITED)

(\$ in millions, except per share data)

Metric	Third Quarter 2022	Third Quarter 2021
International and Global Accounts	\$ 853	1,027
Large Enterprise	844	942
Mid Market Enterprise	618	648
Enterprise Channels	2,315	2,617
Wholesale	902	891
Business Segment Revenue	3,217	3,508
Mass Markets Segment Revenue	1,173	1,379
Total Revenue	\$ 4,390	4,887
Cost of Services and Products	1,999	2,151
Selling, General and Administrative Expenses ⁽¹⁾	199	654
Stock-based Compensation Expense	23	27
Adjusted EBITDA ⁽²⁾	2,215	2,109
Adjusted EBITDA, Excluding Special Items ⁽²⁾⁽³⁾	1,688	2,078
Adjusted EBITDA Margin ⁽²⁾	50.5 %	43.2 %
Adjusted EBITDA Margin, Excluding Special Items ⁽²⁾⁽³⁾	38.5 %	42.5 %
Net Cash Provided by Operating Activities	1,123	1,730
Capital Expenditures	845	690
Unlevered Cash Flow ⁽²⁾	665	1,440
Unlevered Cash Flow, Excluding Cash Special Items ⁽²⁾⁽⁴⁾	1,007	1,472
Free Cash Flow ⁽²⁾	278	1,040
Free Cash Flow, Excluding Cash Special Items ⁽²⁾⁽⁴⁾	620	1,072
Net Income	578	544
Net Income, Excluding Special Items ⁽²⁾⁽⁵⁾	146	521
Net Income per Common Share - Diluted ⁽⁵⁾	0.57	0.51
Net Income per Common Share - Diluted, Excluding Special Items ⁽²⁾⁽⁵⁾	0.14	0.49
Weighted Average Shares Outstanding (in millions) - Diluted	1,017.0	1,069.2

⁽¹⁾ Inclusive of gain on sale of business for Q3 2022.

⁽²⁾ See the attached schedules for definitions of non-GAAP metrics and reconciliations to GAAP figures.

⁽³⁾ Excludes Special Items in the amounts of (i) \$(527) million for the third quarter of 2022 and (ii) \$(31) million for the third quarter of 2021.

⁽⁴⁾ Excludes cash paid for Special Items of (i) \$342 million for the third quarter of 2022 and (ii) \$32 million for the third quarter of 2021.

⁽⁵⁾ Excludes Special Items (net of the income tax effect thereof) in the amounts of (i) \$(432) million for the third quarter of 2022 and (ii) \$(23) million for the third quarter of 2021.

November 2, 2022

⁽⁴⁾ Excludes Special Items in the amounts of (i) \$(527) million, \$47 million, \$52 million, \$19 million, \$(31) million, \$20 million and \$8 million, for periods presented 3Q'22 through 1Q'21, respectively.

⁽⁴⁾ Excludes Special Items in the amounts of (i) \$(527) million, \$47 million, \$52 million, \$19 million, \$(31) million, \$20 million and \$8 million, for periods presented 3Q'22 through 1Q'21, respectively.

3rd Quarter Earnings

November 2, 2022



Lumen Technologies, Inc.
Consolidated Statements of Operations
(UNAUDITED)
(\$ and shares in millions, except per share amounts)

	3Q22	2Q22	1Q22	4Q21	3Q21
OPERATING REVENUE	\$ 4,390	4,612	4,676	4,847	4,887
OPERATING EXPENSES					
Cost of services and products (exclusive of depreciation and amortization)	1,999	2,058	1,985	2,086	2,151
Selling, general and administrative	792	815	800	723	654
Gain on sale of business	(593)	—	—	—	—
Depreciation and amortization	808	827	808	877	951
Total operating expenses	3,006	3,700	3,593	3,686	3,756
OPERATING INCOME	1,384	912	1,083	1,161	1,131
OTHER (EXPENSE) INCOME					
Interest expense	(363)	(337)	(352)	(372)	(377)
Other (expense) income, net	(84)	(122)	70	(110)	(38)
Total other expense, net	(447)	(459)	(282)	(482)	(415)
Income tax expense	359	109	202	171	172
NET INCOME	\$ 578	344	599	508	544
BASIC AND DILUTED EARNINGS PER COMMON SHARE					
Basic	\$ 0.57	0.34	0.59	0.50	0.51
Diluted	0.57	0.34	0.59	0.50	0.51
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING					
Basic	1,013.1	1,012.9	1,008.4	1,006.8	1,062.1
Diluted	1,017.0	1,016.6	1,015.2	1,015.5	1,069.2
DIVIDENDS DECLARED PER COMMON SHARE	0.25	0.25	0.25	0.25	0.25
Exclude: Special Items ⁽¹⁾	(432)	13	37	14	(23)
NET INCOME EXCLUDING SPECIAL ITEMS	\$ 146	357	636	522	521
DILUTED EARNINGS PER SHARE EXCLUDING SPECIAL ITEMS	\$ 0.14	0.35	0.63	0.51	0.49

⁽¹⁾ Excludes the Special Items described in the Non-GAAP Special Items table, net of the income tax effect thereof.


Lumen Technologies, Inc.

Consolidated Balance Sheets

(UNAUDITED)

(\$ in millions)

	3Q22	2Q22	1Q22	4Q21	3Q21
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 252	360	366	354	635
Accounts receivable, less allowance	1,457	1,460	1,419	1,544	1,541
Assets held for sale	6,779	9,089	9,025	8,809	8,682
Other current assets	894	881	962	829	843
Total current assets	9,382	11,790	11,772	11,536	11,701
NET PROPERTY, PLANT AND EQUIPMENT					
Property, plant and equipment	41,104	40,740	40,464	40,166	42,953
Accumulated depreciation	(20,391)	(20,020)	(19,635)	(19,271)	(22,027)
Net property, plant and equipment	20,713	20,720	20,829	20,895	20,926
GOODWILL AND OTHER ASSETS					
Goodwill	15,918	15,947	15,976	15,986	15,987
Other intangible assets, net	6,436	6,628	6,785	6,970	7,160
Other, net	2,368	2,590	2,675	2,606	2,534
Total goodwill and other assets	24,722	25,165	25,436	25,562	25,681
TOTAL ASSETS	\$ 54,817	57,675	58,037	57,993	58,308
LIABILITIES AND STOCKHOLDERS' EQUITY					
CURRENT LIABILITIES					
Current maturities of long-term debt	\$ 3,474	156	156	1,554	2,501
Accounts payable	1,009	1,053	902	758	829
Accrued expenses and other liabilities					
Salaries and benefits	788	705	687	860	873
Income and other taxes	275	233	244	228	280
Current operating lease liabilities	396	400	383	385	389
Interest	184	253	207	278	229
Other	173	107	184	232	284
Liabilities held for sale	1,792	2,249	2,250	2,257	2,291
Current portion of deferred revenue	624	625	642	617	624
Total current liabilities	8,715	5,781	5,655	7,169	8,300
LONG TERM DEBT	21,764	27,965	28,397	27,428	27,260
DEFERRED CREDITS AND OTHER LIABILITIES					
Deferred income taxes, net	4,595	4,254	4,222	4,049	3,732
Benefit plan obligations, net	3,192	3,553	3,634	3,710	3,980
Other	3,974	3,903	3,847	3,797	3,853
Total deferred credits and other liabilities	11,761	11,710	11,703	11,556	11,565
STOCKHOLDERS' EQUITY					
Common stock	1,035	1,032	1,033	1,024	1,031
Additional paid-in capital	18,221	18,459	18,695	18,972	19,235
Accumulated other comprehensive loss	(2,202)	(2,217)	(2,047)	(2,158)	(2,577)
Accumulated deficit	(4,477)	(5,055)	(5,399)	(5,998)	(6,506)
Total stockholders' equity	12,577	12,219	12,282	11,840	11,183
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 54,817	57,675	58,037	57,993	58,308

3rd Quarter Earnings

November 2, 2022

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Lumen Technologies, Inc.

Condensed Consolidated Statements of Cash Flows
(UNAUDITED)
(\$ in millions)

	3Q22	2Q22	1Q22	4Q21	3Q21
OPERATING ACTIVITIES					
Net cash provided by operating activities	\$ 1,123	1,396	1,375	1,607	1,730
INVESTING ACTIVITIES					
Capital expenditures	(845)	(761)	(577)	(848)	(690)
Proceeds from sale of business	2,707	—	—	—	—
Proceeds from sale of property, plant and equipment and intangible assets	2	59	6	45	24
Other, net	—	1	2	40	12
Net cash provided by (used in) investing activities	1,864	(701)	(569)	(763)	(654)
FINANCING ACTIVITIES					
Net proceeds from the issuance of long-term debt	—	—	—	—	—
Payments of long-term debt	(2,367)	(58)	(1,474)	(994)	(140)
Net payments on credit facility and revolving line of credit	(520)	(400)	1,000	200	—
Dividends paid	(255)	(254)	(271)	(253)	(266)
Repurchases of common stock	—	—	—	(91)	(909)
Other, net	(1)	(1)	(31)	(1)	(3)
Net cash used in financing activities	(3,143)	(713)	(776)	(1,139)	(1,318)
Net (decrease) increase in cash, cash equivalents and restricted cash	(156)	(18)	30	(295)	(242)
Cash, cash equivalents and restricted cash at beginning of period	421	439	409	704	946
Cash, cash equivalents and restricted cash at end of period	\$ 265	421	439	409	704
Cash, cash equivalents and restricted cash:					
Cash and cash equivalents	\$ 252	360	366	354	635
Cash and cash equivalents included in assets held for sale	—	48	59	40	39
Restricted cash	13	13	14	15	30
Total	\$ 265	421	439	409	704

3rd Quarter Earnings

November 2, 2022



Lumen Technologies, Inc.

Segment Revenue ⁽¹⁾

(UNAUDITED)

(\$ in millions)

	3Q22	2Q22	1Q22	4Q21	3Q21	2Q21	1Q21	4Q20	3Q20
Business Unit Revenue									
Business Segment Total	\$ 3,217	3,416	3,401	3,494	3,508	3,522	3,595	3,667	3,695
Mass Markets Segment Total	1,173	1,196	1,275	1,353	1,379	1,402	1,434	1,458	1,472
Total	\$ 4,390	4,612	4,676	4,847	4,887	4,924	5,029	5,125	5,167

⁽¹⁾ Certain prior period amounts have been reclassified to conform to the current period presentation. These changes had no impact on total operating revenue, total operating expenses or net income for any period.



Lumen Technologies, Inc.

Revenue by Sales Channel and Product Category⁽¹⁾
(UNAUDITED)
(\$ in millions)

	3Q22	2Q22	1Q22	4Q21	3Q21	2Q21	1Q21	4Q20	3Q20
Business Revenue By Sales Channel									
International and Global Accounts	\$ 853	996	999	1,025	1,027	1,011	1,020	1,041	1,018
Large Enterprise	844	884	877	931	942	945	953	999	1,002
Mid-Market Enterprise	618	626	636	647	648	661	693	698	718
Enterprise Channels	2,315	2,506	2,512	2,603	2,617	2,617	2,666	2,738	2,738
Wholesale	902	910	889	891	891	905	929	929	957
Business Segment Revenue	\$ 3,217	\$ 3,416	3,401	3,494	3,508	3,522	3,595	3,667	3,695
Mass Markets Segment Revenue	1,173	1,196	1,275	1,353	1,379	1,402	1,434	1,458	1,472
Total Revenue	\$ 4,390	\$ 4,612	4,676	4,847	4,887	4,924	5,029	5,125	5,167
Business Revenue by Product Category									
International and Global Accounts									
Compute and Application Services	154	184	183	184	183	181	183	188	184
IP and Data Services	350	417	423	429	431	427	429	433	431
Fiber Infrastructure Services	199	224	219	224	231	217	217	218	213
Voice and Other	150	171	174	188	182	186	191	202	190
Total IGAM Revenue	853	996	999	1,025	1,027	1,011	1,020	1,041	1,018
Large Enterprise									
Compute and Application Services	148	162	163	181	172	174	169	184	168
IP and Data Services	378	385	388	391	394	396	402	401	407
Fiber Infrastructure Services	117	129	113	137	143	130	130	159	164
Voice and Other	201	208	213	222	233	245	252	255	263
Total Large Enterprise Revenue	844	884	877	931	942	945	953	999	1,002
Mid-Market Enterprise									
Compute and Application Services	35	34	33	33	30	32	32	31	30
IP and Data Services	406	408	415	419	421	428	442	447	450
Fiber Infrastructure Services	49	50	49	51	50	50	56	52	51
Voice and Other	128	134	139	144	147	151	163	168	187
Total Mid-Market Enterprise Revenue	618	626	636	647	648	661	693	698	718
Wholesale									
Compute and Application Services	62	73	48	47	46	48	47	45	47
IP and Data Services	283	285	296	298	297	298	305	307	311
Fiber Infrastructure Services	165	161	154	159	154	155	154	156	157
Voice and Other	392	391	391	387	394	404	423	421	442
Total Wholesale Revenue	902	910	889	891	891	905	929	929	957
Business Segment by Product Category									
Compute and Application Services	399	453	427	445	431	435	431	448	429
IP and Data Services	1,417	1,495	1,522	1,537	1,543	1,549	1,578	1,588	1,599
Fiber Infrastructure Services	530	564	535	571	578	552	557	585	585
Voice and Other	871	904	917	941	956	986	1,029	1,046	1,082
Total Business Segment Revenue	3,217	3,416	3,401	3,494	3,508	3,522	3,595	3,667	3,695
Mass Markets Segment by Product Category									
Fiber Broadband	160	151	145	137	135	130	122	116	110
Other Broadband ⁽²⁾	580	596	610	608	619	632	648	654	658
Voice and Other	433	449	520	608	625	640	664	688	704
Total Mass Markets Segment	1,173	1,196	1,275	1,353	1,379	1,402	1,434	1,458	1,472

⁽¹⁾ Certain prior period amounts have been reclassified to conform to the current period presentation. These changes had no impact on total operating revenue, total operating expenses or net income for any period.

⁽²⁾ Other broadband revenue primarily includes revenue from lower speed copper-based broadband services marketed under the CenturyLink brand.



Lumen Technologies, Inc.

Debt Schedule - Excludes all Finance Leases, Unamortized Premiums, Discounts and Other, Net

September 30, 2022

(UNAUDITED)

(\$ in millions)

All information is presented as of September 30, 2022

Entity (Original Issuer)	Coupon Rate	Maturity Date	Total
Qwest Corporation			
Qwest Corporation Senior Notes	7.250 %	9/15/2025	250
Qwest Corporation Term Loan	L + 2.00%	10/23/2027	215
Qwest Corporation Senior Notes	7.750 %	5/1/2030	43
Qwest Corporation Senior Notes	7.375 %	5/1/2030	55
Qwest Corporation Senior Notes (CTBB)	6.500 %	9/1/2056	978
Qwest Corporation Senior Notes (CTDD)	6.750 %	6/15/2057	660
Total Qwest Corporation			\$ 2,201
Qwest Capital Funding, Inc.			
Qwest Capital Funding, Inc. Senior Notes	6.875 %	7/15/2028	112
Qwest Capital Funding, Inc. Senior Notes	7.750 %	2/15/2031	143
Total Qwest Capital Funding, Inc.			\$ 255
Embarq Corporation			
Embarq Corporation Senior Notes ⁽¹⁾	7.995 %	6/1/2036	\$ 1,437
Centel Corporation			
Central Telephone Company (EQ Florida - GG)	7.125 %	7/15/2023	73
Central Telephone Company (EQ Florida - HH)	8.375 %	1/15/2025	64
Total Embarq Corporation and Subsidiaries			\$ 1,574
Level 3 Financing, Inc.			
Level 3 Financing, Inc. Term Loan B	L + 1.75%	3/1/2027	2,411
Level 3 Financing, Inc. Sr. Secured Notes	3.400%	3/1/2027	750
Level 3 Financing, Inc. Senior Notes	4.625 %	9/15/2027	1,000
Level 3 Financing, Inc. Senior Notes	4.250 %	7/1/2028	1,200
Level 3 Financing, Inc. Senior Notes	3.625 %	1/15/2029	840
Level 3 Financing, Inc. Sustainability-Linked Senior Notes	3.750 %	7/15/2029	900
Level 3 Financing, Inc. Sr. Secured Notes	3.875 %	11/15/2029	750
Total Level 3 Parent, LLC and Subsidiaries			\$ 7,851
Lumen Technologies, Inc.			
Lumen Technologies, Inc. Revolving Credit Facility	L + 2.00%	1/31/2025	\$ 280
Lumen Technologies, Inc. Senior Notes - Series W	6.750 %	12/1/2023	750
Lumen Technologies, Inc. Senior Notes - Series Y	7.500 %	4/1/2024	982
Lumen Technologies, Inc. Term Loan A	L + 2.00%	1/31/2025	1,006
Lumen Technologies, Inc. Term Loan A-1	L + 2.00%	1/31/2025	287
Lumen Technologies, Inc. Senior Notes - Series X	5.625 %	4/1/2025	500
Lumen Technologies, Inc. Senior Notes - Series D	7.200 %	12/1/2025	100
Lumen Technologies, Inc. Senior Notes	5.125 %	12/15/2026	1,239
Lumen Technologies, Inc. Senior Secured Notes	4.000%	2/15/2027	1,250
Lumen Technologies, Inc. Term Loan B	L + 2.25%	3/15/2027	4,863
Lumen Technologies, Inc. Senior Notes - Series G	6.875 %	1/15/2028	425
Lumen Technologies, Inc. Senior Notes	4.500 %	1/15/2029	1,000
Lumen Technologies, Inc. Senior Notes	5.375 %	6/15/2029	1,000
Lumen Technologies, Inc. Senior Notes - Series P	7.600 %	9/15/2039	519
Lumen Technologies, Inc. Senior Notes - Series U	7.650 %	3/15/2042	470
Total Lumen Technologies, Inc.			\$ 14,671
Total LUMN Consolidated (excluding Finance Leases, Premium/(Discount)/Other, net)			\$ 26,552

⁽¹⁾ These senior notes have been classified as held for sale on our balance sheet as of September 30, 2022 and were subsequently transferred to the third-party purchaser upon completion of the sale of the ILEC business on October 3, 2022.



Lumen Technologies, Inc.

Assets and Liabilities Held For Sale as of September 30, 2022

(UNAUDITED)

(\$ in millions)

		ILEC
Current Assets held for sale		
Cash and cash equivalents	\$	—
Accounts receivable, less allowance of \$19		195
Other current assets		52
Property, plant and equipment, net accumulated depreciation of \$8,170		3,651
Goodwill ⁽¹⁾		2,581
Customer relationships, net		158
Other non-current assets		38
Total current assets held for sale	\$	6,675
Current Liabilities held for sale		
Accounts payable	\$	56
Salaries and benefits		32
Income and other taxes		30
Interest		38
Current portion of deferred revenue		87
Other current liabilities		47
Long-term debt, net of discounts ⁽²⁾		1,400
Pension and other post-retirement benefits ⁽³⁾		27
Other non-current liabilities		71
Total current liabilities held for sale	\$	1,788

⁽¹⁾ The assignment of goodwill was based on the relative fair value of the disposal group and the portion of the remaining reporting unit.

⁽²⁾ Long-term debt, net of discounts, includes \$1.4 billion of Embarq Senior notes, \$114 million of related unamortized discounts and \$76 million of long-term finance lease obligations.

⁽³⁾ Excludes pension obligation of approximately \$2.5 billion for the ILEC business, which we transferred to the purchaser of the ILEC business upon closing. As of January 1, 2022, we spun off a new pension plan (the "Lumen Pension Plan") in anticipation of this transfer. Along with the transfer of the \$2.5 billion pension benefit obligation, we allocated \$2.2 billion of assets to the new plan in January 2022 and contributed \$319 million of additional cash to the new plan's trust in September 2022.

3rd Quarter Earnings

November 2, 2022



Lumen Technologies, Inc.

Operating Metrics
(UNAUDITED)

	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021
Operating Metrics					
Mass Markets broadband subscribers					
<i>(in thousands)</i>					
Fiber broadband subscribers	889	858	830	803	774
Other broadband subscribers ⁽¹⁾	3,367	3,519	3,637	3,716	3,815
Mass Markets total broadband subscribers ⁽²⁾	4,256	4,377	4,467	4,519	4,589
Mass Markets broadband enabled					
<i>(in millions)</i>					
Fiber broadband enabled	3.3	3.1	2.9	2.8	2.7
Other broadband enabled	26.0	26.1	26.0	25.8	25.8
Mass Markets total broadband enabled	29.3	29.2	28.9	28.6	28.5

⁽¹⁾ Other broadband subscribers are customers that primarily subscribe to lower speed copper-based broadband services marketed under the CenturyLink brand.

⁽²⁾ Mass Markets broadband subscribers are customers that purchase broadband connection service through their existing telephone lines, stand-alone telephone lines, or fiber-optic cables. Our methodology for counting our Mass Markets broadband subscribers includes only those lines that we use to provide services to external customers and excludes lines used solely by us and our affiliates. It also excludes unbundled loops and includes stand-alone Mass Markets broadband subscribers. We count lines when we install the service.

Description of Non-GAAP Metrics

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.

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

Adjusted EBITDA (\$) is defined as net income (loss) from the Statements of Operations before income tax (expense) benefit, total other income (expense), depreciation and amortization, stock-based compensation expense and impairments.

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 our internal reporting and are key measures used by management to evaluate profitability and operating performance of Lumen 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 Special Items) to compare our performance to that of our competitors and to eliminate certain non-cash and non-operating items in order to consistently measure from period to period our ability to fund capital expenditures, fund growth, service debt and determine bonuses. Adjusted EBITDA excludes non-cash stock compensation expense and impairments because of the non-cash nature of these items. Adjusted EBITDA also excludes interest income, interest expense and income taxes, and in our view constitutes an accrual-based measure that has the effect of excluding period-to-period changes in working capital and shows profitability without regard to the effects of capital or tax structure. 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 further excludes the gain (or loss) on extinguishment and modification of debt and other income (expense), net, because these items are not related to the primary business operations of Lumen.

There are material 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 our calculations. Additionally, by excluding the above-listed items, Adjusted EBITDA may exclude items that investors believe are important components of our performance. Adjusted EBITDA and Adjusted EBITDA Margin (either with or without Special Items) 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 Operations. Management believes that Unlevered Cash Flow is a relevant metric to provide to investors, because it reflects the operational performance of Lumen and, measured over time, enables management and investors to monitor 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 our cash performance as it excludes certain material items that investors may believe are important components of our cash flows. Comparisons of our Unlevered Cash Flow to that of some of our competitors may be of limited usefulness since Lumen does not currently pay a significant amount of income taxes due to net operating loss carryforwards, and therefore, currently 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, accounts payable, payroll and capital expenditures. Unlevered Cash Flow should not be used as a substitute for net change in cash, cash equivalents and restricted cash 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 our ability to generate cash to service our 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 our performance as it excludes certain material items that investors may believe are important components of our cash flows. Comparisons of our Free Cash Flow to that of some of its competitors may be of limited usefulness since Lumen 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, accounts payable, payroll and capital expenditures. Free Cash Flow should not be used as a substitute for net change in cash, cash equivalents and restricted cash on the Consolidated Statements of Cash Flows.

3rd Quarter Earnings

November 2, 2022



Lumen Technologies, Inc.

Non-GAAP Special Items
(UNAUDITED)
(\$ in millions)

Special Items Impacting Adjusted EBITDA	3Q22	2Q22	1Q22	4Q21	3Q21
Consumer and other litigation	\$ —	(3)	—	(3)	—
Severance	—	—	2	3	—
Gain on sale of business ⁽¹⁾	(593)	—	—	—	—
Transaction and separation costs ⁽²⁾	66	50	50	19	9
Real estate transactions ⁽³⁾	—	—	—	—	(40)
Total Special Items impacting Adjusted EBITDA	\$ (527)	47	52	19	(31)
Special Items Impacting Net Income	3Q22	2Q22	1Q22	4Q21	3Q21
Consumer and other litigation	\$ —	(3)	—	(3)	—
Severance	—	—	2	3	—
Gain on sale of business ⁽¹⁾	(593)	—	—	—	—
Gain on early retirement of debt ⁽⁴⁾	(9)	—	—	—	—
Transaction and separation costs ⁽²⁾	66	50	50	19	9
Real estate transactions ⁽³⁾	—	—	—	—	(40)
Income from transition and separation services ⁽⁵⁾	(37)	(30)	(3)	—	—
Total Special Items impacting net income	(573)	17	49	19	(31)
Income tax effect of special items ⁽⁶⁾	141	(4)	(12)	(5)	8
Total Special Items impacting net income, net of tax	\$ (432)	13	37	14	(23)

⁽¹⁾ Reflects the pre-tax gain recorded in operating income as a result of completing the sale of our Latin American business for net cash proceeds of \$2.7 billion, subject to certain post-closing adjustments, on August 1, 2022.

⁽²⁾ Transaction and separation costs associated with (i) the recently completed sale of our Latin American business on August 1, 2022 to Stonepeak for \$2.7 billion, (ii) the recently completed sale of our ILEC (incumbent local exchange carrier) business in 20 states on October 3, 2022 for \$7.5 billion, and (iii) our evaluation of other potential transactions.

⁽³⁾ Real estate transactions include the Q3 2021 (gain) on sale of real estate, net of impairment charges or acceleration of costs associated with our real estate rationalization program.

⁽⁴⁾ Reflects a gain as a result of \$2.3 billion in early debt retirement in Q3 2022. There were no comparable gains or losses during Q2 2022, Q1 2022, Q4 2021, or Q3 2021.

⁽⁵⁾ Income from transition and separation services includes charges we billed for transition services and IT professional services provided to the purchasers in connection with our divestitures.

⁽⁶⁾ Tax effect calculated using the annualized effective statutory tax rate, excluding any non-recurring discrete items, which was 24.6% for Q3 2022, Q2 2022 and Q1 2022 and 24.5% for all other periods presented.

3rd Quarter Earnings

November 2, 2022



Lumen Technologies, Inc.

Non-GAAP Cash Flow Reconciliation

(UNAUDITED)

(\$ in millions)

	3Q22	2Q22	1Q22	4Q21	3Q21
Net cash provided by operating activities	\$ 1,123	1,396	1,375	1,607	1,730
Capital expenditures	(845)	(761)	(577)	(848)	(690)
Free cash flow	278	635	798	759	1,040
Cash interest paid	393	313	386	343	400
Interest income	(6)	(1)	(1)	(2)	—
Unlevered cash flow	\$ 665	947	1,183	1,100	1,440
Free cash flow	\$ 278	635	798	759	1,040
Add back: Severance	7	7	16	6	13
Add back: Consumer and other litigation	—	—	—	(3)	11
Add back: Pension contribution ⁽¹⁾	319	—	—	—	—
Add back: Transaction and separation costs ⁽²⁾	60	48	32	11	7
Add back: Real estate transactions ⁽³⁾	—	—	—	3	1
Remove: Income from transition and separation services ⁽⁴⁾	(44)	(22)	—	—	—
Free cash flow excluding Special Items	\$ 620	668	846	776	1,072
Unlevered cash flow	\$ 665	947	1,183	1,100	1,440
Add back: Severance	7	7	16	6	13
Add back: Consumer and other litigation	—	—	—	(3)	11
Add back: Pension contribution ⁽¹⁾	319	—	—	—	—
Add back: Transaction and separation costs ⁽²⁾	60	48	32	11	7
Add back: Real estate transactions ⁽³⁾	—	—	—	3	1
Remove: Income from transition and separation services ⁽⁴⁾	(44)	(22)	—	—	—
Unlevered cash flow excluding Special Items	\$ 1,007	980	1,231	1,117	1,472

⁽¹⁾ Cash pension contribution following a revaluation of the pension obligation and pension assets for the Lumen Pension Plan, in preparation for the closing of the sale of the 20-state ILEC business.

⁽²⁾ Transaction and separation costs associated with (i) the recently completed sale of our Latin American business on August 1, 2022 to Stonepeak for \$2.7 billion announced July 26, 2021, (ii) the recently completed sale of our ILEC (incumbent local exchange carrier) business in 20 states on October 3, 2022 for \$7.5 billion announced August 3, 2021, and (iii) our evaluation of other potential transactions.

⁽³⁾ Real estate transactions include the incremental cash charges associated with our real estate rationalization program.

⁽⁴⁾ Income from transition and separation services includes charges we billed for transition services and IT professional services provided to the purchasers in connection with our divestitures.

3rd Quarter Earnings

November 2, 2022



Lumen Technologies, Inc.

Adjusted EBITDA Non-GAAP Reconciliation
(UNAUDITED)
(\$ in millions)

	3Q22	2Q22	1Q22	4Q21	3Q21
Net income	\$ 578	344	599	508	544
Income tax expense	359	109	202	171	172
Total other expense, net	447	459	282	482	415
Depreciation and amortization expense	808	827	808	877	951
Stock-based compensation expense	23	25	23	31	27
Adjusted EBITDA	\$ 2,215	1,764	1,914	2,069	2,109
Add back: Severance	\$ —	—	2	3	—
Add back: Consumer and other litigation	—	(3)	—	(3)	—
Remove: Gain on sale of business ⁽¹⁾	(593)	—	—	—	—
Add back: Transaction and separation costs ⁽²⁾	66	50	50	19	9
Add back: Real estate transaction costs ⁽³⁾	—	—	—	—	(40)
Adjusted EBITDA excluding Special Items	\$ 1,688	1,811	1,966	2,088	2,078
Total revenue	\$ 4,390	4,612	4,676	4,847	4,887
Adjusted EBITDA margin	50.5 %	38.2 %	40.9 %	42.7 %	43.2 %
Adjusted EBITDA margin, excluding Special Items	38.5 %	39.3 %	42.0 %	43.1 %	42.5 %

⁽¹⁾ Reflects the pre-tax gain recorded in operating income as a result of completing the sale of our Latin American business for net cash proceeds of \$2.7 billion, subject to certain post-closing adjustments, on August 1, 2022.

⁽²⁾ Transaction and separation costs associated with (i) the recently completed sale of our Latin American business on August 1, 2022 to Stonepeak for \$2.7 billion announced July 26, 2021, (ii) the recently completed sale of our ILEC (incumbent local exchange carrier) business in 20 states on October 3, 2022 for \$7.5 billion announced August 3, 2021, and (iii) our evaluation of other potential transactions.

⁽³⁾ Real estate transactions include the Q3 2021 (gain) on sale of real estate, net of impairment charges or acceleration of costs associated with our real estate rationalization program.

3rd Quarter Earnings

November 2, 2022



Lumen Technologies, Inc.

LTM Adjusted EBITDA

(UNAUDITED)

(\$ in millions)

	3Q22	2Q22	1Q22	4Q21	Total LTM Adjusted EBITDA
Total revenue	\$ 4,390	4,612	4,676	4,847	18,525
Cost of services and products	1,999	2,058	1,985	2,086	8,128
Selling, general and administrative expenses ⁽¹⁾	199	815	800	723	2,537
Add back: Stock-based compensation expense	23	25	23	31	102
Adjusted EBITDA	<u>\$ 2,215</u>	<u>1,764</u>	<u>1,914</u>	<u>2,069</u>	<u>7,962</u>
Add back: Severance	\$ —	—	2	3	5
Add back: Consumer and other litigation	—	(3)	—	(3)	(6)
Remove: Gain on sale of business ⁽²⁾	(593)	—	—	—	(593)
Add back: Transaction and separation costs ⁽³⁾	66	50	50	19	185
Adjusted EBITDA excluding Special Items	<u>\$ 1,688</u>	<u>1,811</u>	<u>1,966</u>	<u>2,088</u>	<u>7,553</u>

⁽¹⁾ Inclusive of pre-tax gain on sale of business for Q3 2022.

⁽²⁾ Refelected the pre-tax gain recorded in operating income as a result of completing the sale of our Latin American business for net cash proceeds of \$2.7 billion, subject to certain post-closing adjustments, on August 1, 2022.

⁽³⁾ Transaction and separation costs associated with (i) the recently completed sale of our Latin American business on August 1, 2022 to Stonepeak for \$2.7 billion announced July 26, 2021, (ii) the recently completed sale of our ILEC (incumbent local exchange carrier) business in 20 states on October 3, 2022 for \$7.5 billion announced August 3, 2021, and (iii) our evaluation of other potential transactions.

3rd Quarter Earnings

November 2, 2022

LUMEN[®]

Lumen Technologies, Inc.

Net Debt to LTM Adjusted EBITDA ratio as of September 30, 2022

(UNAUDITED)

(\$ in millions)

Gross debt ⁽¹⁾	\$	26,955
Cash and cash equivalents		(252)
Net debt	\$	26,703
Adjusted EBITDA excluding Special Items ⁽²⁾	\$	7,553
Net debt to LTM adjusted EBITDA ratio		3.5

⁽¹⁾ Gross debt includes \$1.4 billion of senior notes and \$79 million of finance lease obligations that have been classified as held for sale on our balance sheet as of September 30, 2022.

⁽²⁾ Please refer to the computation on Tab LTM Adjusted EBITDA.

3rd Quarter Earnings

November 2, 2022



Lumen Technologies, Inc.

Pro Forma Net Debt as of November 4, 2022

(UNAUDITED)

(\$ in millions)

Pro Forma Gross debt ⁽¹⁾	\$	22,103
Pro Forma Cash and cash equivalents ⁽²⁾		(2,672)
Pro Forma Net debt	\$	<u>19,431</u>

⁽¹⁾ Pro Forma Gross debt excludes \$1.4 billion of senior notes and \$79 million of finance lease obligations that was classified as held for sale on our balance sheet as of September 30, 2022 and subsequently transferred to the third-party purchaser upon close of the sale of our 20-state ILEC business on October 3, 2022. Pro Forma Gross debt also excludes \$3.224 billion of senior notes repaid through November 2, 2022 and \$112 million of senior notes we will redeem on November 4, 2022, in accordance with our redemption notice dated September 26, 2022.

⁽²⁾ Pro Forma Cash includes \$5.6 billion received upon closing the sale of our 20-state ILEC business on October 3, 2022. Pro Forma Cash excludes \$3.102 billion used to repay senior notes through November 2, 2022 and \$115 million which will be used to redeem senior notes on November 4, 2022, in accordance with our redemption noticed dated September 26, 2022.


Lumen Technologies, Inc.

 2022 OUTLOOK ^{(1) (2) (3) (4) (5) (6)}

(UNAUDITED)

(\$ in millions)

Adjusted EBITDA Outlook

Twelve Months Ended December 31, 2022

	Range	
	Low	High
Net Income	\$ 1,385	1,875
Income tax expense	490	650
Total other expense	1,500	1,300
Depreciation and amortization expense	3,400	3,200
Non-cash compensation expense	125	75
Adjusted EBITDA	\$ 6,900	7,100

Free Cash Flow Outlook

Twelve Months Ended December 31, 2022

	Range	
	Low	High
Net cash provided by operating activities	\$ 5,200	5,600
Capital expenditures	(3,000)	(3,200)
Free cash flow	\$ 2,200	2,400

⁽¹⁾ For definitions of Non-GAAP metrics and reconciliations to GAAP figures, see the above schedules and Lumen's Investor Relations website.

⁽²⁾ Outlook measures in this chart and the accompanying schedules (i) exclude the effects of Special Items, future changes in our operating or capital allocation plans, unforeseen changes in regulation, laws or litigation, and other unforeseen events or circumstances impacting our financial performance and (ii) speak only as of November 2, 2022. See "Forward Looking Statements".

⁽³⁾ Outlook measures include accounting impacts of the recently completed divestiture of the Latin American business on August 1, 2022, as well as the October 3, 2022 divestiture of Lumen's 20-state ILEC business, resulting in 2022 financial contributions of three quarters for that business.

⁽⁴⁾ Assumes no discretionary pension plan contributions during 2022 and excludes \$319 million of pension plan contributions made in September 2022 related to the 20-state ILEC business divestiture.

⁽⁵⁾ Third quarter 2022 year-to-date dividends paid were \$0.75 per share. Dividend guidance has been withdrawn as of November 2, 2022 related to our updated capital allocation policy, and there will not be a dividend payment in the fourth quarter 2022.

⁽⁶⁾ Excludes the impact of taxes related to our divestitures completed on August 1, 2022 and October 3, 2022.

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 Lumen 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, Lumen has to use ranges for the GAAP components that arithmetically add up to the non-GAAP financial metric. While Lumen believes that it has used reasonable assumptions in connection with developing 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.