

2nd Quarter Earnings

August 3, 2022

LUMEN[®]

Financial Trending Schedule

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

2nd Quarter Earnings

August 3, 2022



Lumen Technologies, Inc.

Financial Results

(UNAUDITED)

(\$ in millions, except per share data)

Metric	Second Quarter 2022	Second Quarter 2021
International and Global Accounts	\$ 996	1,011
Large Enterprise	884	945
Mid Market Enterprise	626	661
Wholesale	910	905
Business Segment Revenue	3,416	3,522
Mass Markets Segment Revenue⁽¹⁾	1,196	1,402
Total Revenue⁽¹⁾	\$ 4,612	4,924
Cost of Services and Products	2,058	2,115
Selling, General and Administrative Expenses	815	762
Stock-based Compensation Expense	25	42
Adjusted EBITDA ⁽¹⁾⁽²⁾	1,764	2,089
Adjusted EBITDA, Excluding Special Items ⁽¹⁾⁽²⁾⁽³⁾	1,811	2,109
Adjusted EBITDA Margin ⁽²⁾	38.2 %	42.4 %
Adjusted EBITDA Margin, Excluding Special Items ⁽²⁾⁽³⁾	39.3 %	42.8 %
Net Cash Provided by Operating Activities	1,396	1,639
Capital Expenditures	761	646
Unlevered Cash Flow ⁽²⁾	947	1,350
Unlevered Cash Flow, Excluding Cash Special Items ⁽²⁾⁽⁴⁾	980	1,401
Free Cash Flow ⁽²⁾	635	993
Free Cash Flow, Excluding Cash Special Items ⁽²⁾⁽⁴⁾	668	1,044
Net Income ⁽⁵⁾	344	506
Net Income, Excluding Special Items ⁽²⁾⁽⁵⁾⁽⁶⁾	357	521
Net Income per Common Share - Diluted ⁽⁵⁾	0.34	0.46
Net Income per Common Share - Diluted, Excluding Special Items ⁽²⁾⁽⁵⁾⁽⁶⁾	0.35	0.48
Weighted Average Shares Outstanding (in millions) - Diluted	1,016.6	1,093.4

⁽¹⁾ Second quarter 2021 Total Revenue and Adjusted EBITDA, Excluding Special Items each included \$122 million of payments from the Federal Communication Commission's Connect America Fund ("CAF") Phase II program, which lapsed on December 31, 2021.

⁽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) \$47 million for the second quarter of 2022 and (ii) \$20 million for the second quarter of 2021.

⁽⁴⁾ Excludes cash paid for Special Items of (i) \$33 million for the second quarter of 2022 and (ii) \$51 million for the second quarter of 2021.

⁽⁵⁾ Since designating our Latin American business and our 20-state ILEC business as held for sale on July 25, 2021 and August 3, 2021, respectively, we have ceased recording depreciation of property, plant and equipment and amortization of finite-lived intangible assets and right-of-use assets with respect to these assets. We estimate that we would have recorded an additional \$163 million of depreciation, intangible amortization, and amortization of right-of use assets for the quarter ended June 30, 2022 if our Latin American and 20-state ILEC businesses had not been designated as held for sale.

⁽⁶⁾ Excludes Special Items (net of the income tax effect thereof) in the amounts of (i) \$13 million for the second quarter of 2022 and (ii) \$15 million for the second quarter of 2021.

**Lumen Technologies, Inc.**

Consolidated Statements of Operations

(UNAUDITED)

(\$ and shares in millions, except per share amounts)

	2Q22	1Q22	4Q21	3Q21	2Q21
OPERATING REVENUE	\$ 4,612	4,676	4,847	4,887	4,924
OPERATING EXPENSES					
Cost of services and products (exclusive of depreciation and amortization)	2,058	1,985	2,086	2,151	2,115
Selling, general and administrative	815	800	723	654	762
Depreciation and amortization	827	808	877	951	1,041
Total operating expenses	3,700	3,593	3,686	3,756	3,918
OPERATING INCOME	912	1,083	1,161	1,131	1,006
OTHER (EXPENSE) INCOME					
Interest expense	(337)	(352)	(372)	(377)	(384)
Other income (expense), net	(122)	70	(110)	(38)	52
Total other expense, net	(459)	(282)	(482)	(415)	(332)
Income tax expense	109	202	171	172	168
NET INCOME	\$ 344	599	508	544	506
BASIC AND DILUTED EARNINGS PER COMMON SHARE					
Basic	\$ 0.34	0.59	0.50	0.51	0.47
Diluted	0.34	0.59	0.50	0.51	0.46
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING					
Basic	1,012.9	1,008.4	1,006.8	1,062.1	1,086.5
Diluted	1,016.6	1,015.2	1,015.5	1,069.2	1,093.4
DIVIDENDS DECLARED PER COMMON SHARE	0.25	0.25	0.25	0.25	0.25
Exclude: Special Items ⁽¹⁾	13	37	14	(23)	15
NET INCOME EXCLUDING SPECIAL ITEMS	\$ 357	636	522	521	521
DILUTED EARNINGS PER SHARE EXCLUDING SPECIAL ITEMS	\$ 0.35	0.63	0.51	0.49	0.48

⁽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)

	2Q22	1Q22	4Q21	3Q21	2Q21
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 360	366	354	635	935
Accounts receivable, less allowance	1,460	1,419	1,544	1,541	1,905
Assets held for sale	9,089	9,025	8,809	8,682	-
Other current assets	881	962	829	843	906
Total current assets	11,790	11,772	11,536	11,701	3,746
NET PROPERTY, PLANT AND EQUIPMENT					
Property, plant and equipment	40,740	40,464	40,166	42,953	58,910
Accumulated depreciation	(20,020)	(19,635)	(19,271)	(22,027)	(32,917)
Net property, plant and equipment	20,720	20,829	20,895	20,926	25,993
GOODWILL AND OTHER ASSETS					
Goodwill	15,947	15,976	15,986	15,987	18,867
Other intangible assets, net	6,628	6,785	6,970	7,160	7,663
Other, net	2,590	2,675	2,606	2,534	2,678
Total goodwill and other assets	25,165	25,436	25,562	25,681	29,208
TOTAL ASSETS	\$ 57,675	58,037	57,993	58,308	58,947
LIABILITIES AND STOCKHOLDERS' EQUITY					
CURRENT LIABILITIES					
Current maturities of long-term debt	\$ 156	156	1,554	2,501	2,595
Accounts payable	1,053	902	758	829	966
Accrued expenses and other liabilities					
Salaries and benefits	705	687	860	873	931
Income and other taxes	233	244	228	280	294
Current operating lease liabilities	400	383	385	389	389
Interest	253	207	278	229	301
Other	107	184	232	284	286
Liabilities held for sale	2,249	2,250	2,257	2,291	-
Current portion of deferred revenue	625	642	617	624	748
Total current liabilities	5,781	5,655	7,169	8,300	6,510
LONG TERM DEBT	27,965	28,397	27,428	27,260	28,574
DEFERRED CREDITS AND OTHER LIABILITIES					
Deferred income taxes, net	4,254	4,222	4,049	3,732	3,643
Benefit plan obligations, net	3,553	3,634	3,710	3,980	4,321
Other	3,903	3,847	3,797	3,853	4,193
Total deferred credits and other liabilities	11,710	11,703	11,556	11,565	12,157
STOCKHOLDERS' EQUITY					
Common stock	1,032	1,033	1,024	1,031	1,105
Additional paid-in capital	18,459	18,695	18,972	19,235	20,361
Accumulated other comprehensive loss	(2,217)	(2,047)	(2,158)	(2,577)	(2,710)
Accumulated deficit	(5,055)	(5,399)	(5,998)	(6,506)	(7,050)
Total stockholders' equity	12,219	12,282	11,840	11,183	11,706
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 57,675	58,037	57,993	58,308	58,947



Lumen Technologies, Inc.

Condensed Consolidated Statements of Cash Flows

(UNAUDITED)

(\$ in millions)

	2Q22	1Q22	4Q21	3Q21	2Q21
OPERATING ACTIVITIES					
Net cash provided by operating activities	\$ 1,396	1,375	1,607	1,730	1,639
INVESTING ACTIVITIES					
Capital expenditures	(761)	(577)	(848)	(690)	(646)
Proceeds from sale of property, plant and equipment and intangible assets	59	6	45	24	31
Other, net	1	2	40	12	(5)
Net cash used in investing activities	(701)	(569)	(763)	(654)	(620)
FINANCING ACTIVITIES					
Net proceeds from the issuance of long-term debt	-	-	-	-	990
Payments of long-term debt	(58)	(1,474)	(994)	(140)	(1,288)
Net payments on credit facility and revolving line of credit	(400)	1,000	200	-	-
Dividends paid	(254)	(271)	(253)	(266)	(274)
Repurchases of common stock	-	-	(91)	(909)	-
Other, net	(1)	(31)	(1)	(3)	(4)
Net cash used in financing activities	(713)	(776)	(1,139)	(1,318)	(576)
Net (decrease) increase in cash, cash equivalents and restricted cash	(18)	30	(295)	(242)	443
Cash, cash equivalents and restricted cash at beginning of period	439	409	704	946	503
Cash, cash equivalents and restricted cash at end of period	\$ 421	439	409	704	946
Cash, cash equivalents and restricted cash:					
Cash and cash equivalents	\$ 360	366	354	635	935
Cash and cash equivalents included in assets held for sale	48	59	40	39	-
Restricted cash	13	14	15	30	11
Total	\$ 421	439	409	704	946

2nd Quarter Earnings

August 3, 2022

LUMEN[®]

Lumen Technologies, Inc.

Segment Revenue ⁽¹⁾

(UNAUDITED)

(\$ in millions)

	2Q22	1Q22	4Q21	3Q21	2Q21	1Q21	4Q20	3Q20	2Q20
Business Unit Revenue									
Business Segment Total	\$ 3,416	3,401	3,494	3,508	3,522	3,595	3,667	3,695	3,714
Mass Markets Segment Total	1,196	1,275	1,353	1,379	1,402	1,434	1,458	1,472	1,478
Total	\$ 4,612	4,676	4,847	4,887	4,924	5,029	5,125	5,167	5,192

⁽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)

	2Q22	1Q22	4Q21	3Q21	2Q21	1Q21	4Q20	3Q20	2Q20
Business Revenue By Sales Channel									
International and Global Accounts	\$ 996	\$ 999	1,025	1,027	1,011	1,020	1,041	1,018	1,035
Large Enterprise	884	877	931	942	945	953	999	1,002	985
Mid-Market Enterprise	626	636	647	648	661	693	698	718	738
Enterprise Channels	2,506	2,512	2,603	2,617	2,617	2,666	2,738	2,738	2,758
Wholesale	910	889	891	891	905	929	929	957	956
Business Segment Revenue	\$ 3,416	\$ 3,401	3,494	3,508	3,522	3,595	3,667	3,695	3,714
Mass Markets Segment Revenue	1,196	1,275	1,353	1,379	1,402	1,434	1,458	1,472	1,478
Total Revenue	\$ 4,612	\$ 4,676	4,847	4,887	4,924	5,029	5,125	5,167	5,192
Business Revenue by Product Category									
International and Global Accounts									
Compute and Application Services	184	183	184	183	181	183	188	184	189
IP and Data Services	417	423	429	431	427	429	433	431	433
Fiber Infrastructure Services	224	219	224	231	217	217	218	213	207
Voice and Other	171	174	188	182	186	191	202	190	206
Total IGAM Revenue	996	999	1,025	1,027	1,011	1,020	1,041	1,018	1,035
Large Enterprise									
Compute and Application Services	162	163	181	172	174	169	184	168	160
IP and Data Services	385	388	391	394	396	402	401	407	410
Fiber Infrastructure Services	129	113	137	143	130	130	159	164	138
Voice and Other	208	213	222	233	245	252	255	263	277
Total Large Enterprise Revenue	884	877	931	942	945	953	999	1,002	985
Mid-Market Enterprise									
Compute and Application Services	34	33	33	30	32	32	31	30	33
IP and Data Services	408	415	419	421	428	442	447	450	454
Fiber Infrastructure Services	50	49	51	50	50	56	52	51	56
Voice and Other	134	139	144	147	151	163	168	187	195
Total Mid-Market Enterprise Revenue	626	636	647	648	661	693	698	718	738
Wholesale									
Compute and Application Services	73	48	47	46	48	47	45	47	46
IP and Data Services	285	296	298	297	298	305	307	311	313
Fiber Infrastructure Services	161	154	159	154	155	154	156	157	152
Voice and Other	391	391	387	394	404	423	421	442	445
Total Wholesale Revenue	910	889	891	891	905	929	929	957	956
Business Segment by Product Category									
Compute and Application Services	453	427	445	431	435	431	448	429	428
IP and Data Services	1,495	1,522	1,537	1,543	1,549	1,578	1,588	1,599	1,610
Fiber Infrastructure Services	564	535	571	578	552	557	585	585	553
Voice and Other	904	917	941	956	986	1,029	1,046	1,082	1,123
Total Business Segment Revenue	3,416	3,401	3,494	3,508	3,522	3,595	3,667	3,695	3,714
Mass Markets Segment by Product Category									
Fiber Broadband	151	145	137	135	130	122	116	110	102
Other Broadband ⁽²⁾	596	610	608	619	632	648	654	658	664
Voice and Other	449	520	608	625	640	664	688	704	712
Total Mass Markets Segment	1,196	1,275	1,353	1,379	1,402	1,434	1,458	1,472	1,478

⁽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

June 30, 2022

(UNAUDITED)

(\$ in millions)

All information is presented as of June 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	74
Central Telephone Company (EQ Florida - HH)	8.375 %	1/15/2025	64
Total Embarq Corporation and Subsidiaries			\$ 1,575
Level 3 Financing, Inc.			
Level 3 Financing, Inc. Senior Notes	5.375 %	5/1/2025	800
Level 3 Financing, Inc. Senior Notes	5.250 %	3/15/2026	775
Level 3 Financing, Inc. Term Loan B	L + 1.75%	3/1/2027	3,111
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			\$ 10,126
Lumen Technologies, Inc.			
Lumen Technologies, Inc. Revolving Credit Facility	2.571 %	1/31/2025	\$ 800
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	1,000
Lumen Technologies, Inc. Term Loan A	L + 2.00%	1/31/2025	1,021
Lumen Technologies, Inc. Term Loan A-1	L + 2.00%	1/31/2025	291
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	1,250
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	4,875
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.			\$ 15,251
Total LUMN Consolidated (excluding Finance Leases, Premium/(Discount)/Other, net)			\$ 29,408

⁽¹⁾ These senior notes have been reclassified as held for sale on our balance sheet as of June 30, 2022


Lumen Technologies, Inc.

Assets and Liabilities Held For Sale

(UNAUDITED)

(\$ in millions)

	June 30, 2022		
	LATAM	ILEC	Total
Current Assets held for sale			
Cash and cash equivalents	\$ 48	-	48
Accounts receivable, less allowance of \$2, \$17 and \$19	94	197	291
Other current assets	79	42	121
Property, plant and equipment, net accumulated depreciation of \$431, \$8,251 and \$8,682	1,714	3,582	5,296
Goodwill ⁽¹⁾	246	2,581	2,827
Customer relationships, net	130	158	288
Other non-current assets	80	45	125
Total current assets held for sale	\$ 2,391	6,605	8,996
Current Liabilities held for sale			
Accounts payable	\$ 110	56	166
Salaries and benefits	21	21	42
Income and other taxes	37	29	66
Interest	-	10	10
Current portion of deferred revenue	27	81	108
Other current liabilities	7	26	33
Long-term debt, net of discounts ⁽²⁾	-	1,395	1,395
Deferred income taxes, net	149	-	149
Pension and other post-retirement benefits ⁽³⁾	3	56	59
Other non-current liabilities	125	94	219
Total current liabilities held for sale	\$ 479	1,768	2,247

⁽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, \$115 million of related unamortized discounts and \$73 million of long-term finance lease obligations.

⁽³⁾ Excludes pension obligation of approximately \$2.5 billion for the ILEC business, which will be transferred to the purchaser of the ILEC business upon closing. As of January 1, 2022, a new pension plan (the "Lumen Pension Plan") was spun off in anticipation of this transfer. Along with the transfer of the \$2.5 billion pension benefit obligation, \$2.2 billion of assets were allocated to the new plan. The remaining portion of the obligation is expected to be separately funded with cash paid by Lumen at the time of closing.



Lumen Technologies, Inc.

Operating Metrics
(UNAUDITED)

	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021
Operating Metrics					
Mass Markets broadband subscribers					
<i>(in thousands)</i>					
Fiber broadband subscribers	858	830	803	774	746
Other broadband subscribers ⁽¹⁾	3,519	3,637	3,716	3,815	3,920
Mass Markets total broadband subscribers ⁽²⁾	4,377	4,467	4,519	4,589	4,666
Mass Markets broadband enabled					
<i>(in millions)</i>					
Fiber broadband enabled	3.1	2.9	2.8	2.7	2.6
Other broadband enabled	26.1	26.0	25.8	25.8	25.9
Mass Markets total broadband enabled	29.2	28.9	28.6	28.5	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.



Lumen Technologies, Inc.

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

Special Items Impacting Adjusted EBITDA	2Q22	1Q22	4Q21	3Q21	2Q21
Consumer and other litigation	\$ (3)	-	(3)	-	11
Severance	-	2	3	-	-
Transaction and separation costs ⁽¹⁾	50	50	19	9	9
Real estate transactions ⁽²⁾	-	-	-	(40)	-
Total Special Items impacting Adjusted EBITDA	\$ 47	52	19	(31)	20
Special Items Impacting Net Income	2Q22	1Q22	4Q21	3Q21	2Q21
Consumer and other litigation	\$ (3)	-	(3)	-	11
Severance	-	2	3	-	-
Transaction and separation costs ⁽¹⁾	50	50	19	9	9
Real estate transactions ⁽²⁾	-	-	-	(40)	-
Income from transition and separation services ⁽³⁾	(30)	(3)	-	-	-
Total Special Items impacting net income	17	49	19	(31)	20
Income tax effect of special items ⁽⁴⁾	(4)	(12)	(5)	8	(5)
Total Special Items impacting net income, net of tax	\$ 13	37	14	(23)	15

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

⁽²⁾ Real estate transactions include the Q3 2021 (gain) on sale of real estate, net of other impairment or acceleration of costs associated with our real estate rationalization program.

⁽³⁾ Income from transition and separation services includes charges we bill for transition services and IT professional services provided to the purchasers in connection with our divestitures.

⁽⁴⁾ Tax effect calculated using the annualized effective statutory tax rate, excluding any non-recurring discrete items, which was 24.6% for Q2 2022 and Q1 2022 and 24.5% for all other periods presented.


Lumen Technologies, Inc.

Non-GAAP Cash Flow Reconciliation
(UNAUDITED)
(\$ in millions)

	2Q22	1Q22	4Q21	3Q21	2Q21
Net cash provided by operating activities	\$ 1,396	1,375	1,607	1,730	1,639
Capital expenditures	(761)	(577)	(848)	(690)	(646)
Free cash flow	635	798	759	1,040	993
Cash interest paid	313	386	343	400	357
Interest income	(1)	(1)	(2)	-	-
Unlevered cash flow	\$ 947	1,183	1,100	1,440	1,350
Free cash flow	\$ 635	798	759	1,040	993
Add back: Severance	7	16	6	13	29
Add back: Consumer and other litigation	-	-	(3)	11	20
Add back: Transaction and separation costs ⁽¹⁾	48	32	11	7	2
Add back: Real estate transactions ⁽²⁾	-	-	3	1	-
Remove: Income from transition and separation services ⁽³⁾	(22)	-	-	-	-
Free cash flow excluding Special Items	\$ 668	846	776	1,072	1,044
Unlevered cash flow	\$ 947	1,183	1,100	1,440	1,350
Add back: Severance	7	16	6	13	29
Add back: Consumer and other litigation	-	-	(3)	11	20
Add back: Transaction and separation costs ⁽¹⁾	48	32	11	7	2
Add back: Real estate transactions ⁽²⁾	-	-	3	1	-
Remove: Income from transition and separation services ⁽³⁾	(22)	-	-	-	-
Unlevered cash flow excluding Special Items	\$ 980	1,231	1,117	1,472	1,401

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

⁽²⁾ Real estate transactions include the incremental cash charges associated with our real estate rationalization program.

⁽³⁾ Income from transition and separation services includes charges we bill for transition services and IT professional services provided to the purchasers in connection with our divestitures.



Lumen Technologies, Inc.

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

	2Q22	1Q22	4Q21	3Q21	2Q21
Net income	\$ 344	599	508	544	506
Income tax expense	109	202	171	172	168
Total other expense, net	459	282	482	415	332
Depreciation and amortization expense	827	808	877	951	1,041
Stock-based compensation expense	25	23	31	27	42
Adjusted EBITDA	\$ 1,764	1,914	2,069	2,109	2,089
Add back: Severance	\$ -	2	3	-	-
Add back: Consumer and other litigation	(3)	-	(3)	-	11
Add back: Transaction and separation costs ⁽¹⁾	50	50	19	9	9
Add back: Real estate transaction costs ⁽²⁾	-	-	-	(40)	-
Adjusted EBITDA excluding Special Items	\$ 1,811	1,966	2,088	2,078	2,109
Total revenue	\$ 4,612	4,676	4,847	4,887	4,924
Adjusted EBITDA margin	38.2 %	40.9 %	42.7 %	43.2 %	42.4 %
Adjusted EBITDA margin, excluding Special Items	39.3 %	42.0 %	43.1 %	42.5 %	42.8 %
Adjusted EBITDA excluding Special Items and CAF II⁽³⁾	\$ 1,811	1,907	1,966	1,955	1,987
Total revenue, excluding CAF II⁽³⁾	\$ 4,612	4,617	4,725	4,764	4,802
Adjusted EBITDA margin, excluding Special Items and CAF II⁽³⁾	39.3 %	41.3 %	41.6 %	41.0 %	41.4 %

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

⁽²⁾ Real estate transactions include the Q3 2021 (gain) on sale of real estate, net of other impairment or acceleration of costs associated with our real estate rationalization program.

⁽³⁾ 2Q22, 1Q22, 4Q21, 3Q21 and 2Q21 exclude CAF II impacts of \$—, \$59 million, \$122 million, \$123 million and \$122 million, respectively.


Lumen Technologies, Inc.

LTM Adjusted EBITDA

(UNAUDITED)

(\$ in millions)

	2Q22	1Q22	4Q21	3Q21	Total LTM Adjusted EBITDA
Total revenue	\$ 4,612	4,676	4,847	4,887	19,022
Cost of services and products	2,058	1,985	2,086	2,151	8,280
Selling, general and administrative expenses	815	800	723	654	2,992
Add back: Stock-based compensation expense	25	23	31	27	106
Adjusted EBITDA	<u>\$ 1,764</u>	<u>1,914</u>	<u>2,069</u>	<u>2,109</u>	<u>7,856</u>
Add back: Severance	\$ -	2	3	-	5
Add back: Consumer and other litigation	(3)	-	(3)	-	(6)
Add back: Transaction and separation costs ⁽¹⁾	50	50	19	9	128
Add back: Real estate transaction costs ⁽²⁾	-	-	-	(40)	(40)
Adjusted EBITDA excluding Special Items	<u>\$ 1,811</u>	<u>1,966</u>	<u>2,088</u>	<u>2,078</u>	<u>7,943</u>

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

⁽²⁾ Real estate transactions include the Q3 2021 (gain) on sale of real estate, net of other impairment or acceleration of costs associated with our real estate rationalization program.

**Lumen Technologies, Inc.**

Net Debt to LTM Adjusted EBITDA ratio as of
(UNAUDITED)
(\$ in millions)

Gross debt ⁽¹⁾	\$	29,819
Cash and cash equivalents, including amounts in assets held for sale		(408)
Net debt	\$	29,411
Adjusted EBITDA excluding Special Items ⁽²⁾	\$	7,943
Net debt to LTM adjusted EBITDA ratio		3.7

⁽¹⁾ Gross debt includes \$1.4 billion of senior notes and \$76 million of finance lease obligations that have been reclassified as held for sale on our balance sheet as of June 30, 2022.

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


Lumen Technologies, Inc.

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

(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		1,450	1,250
Depreciation and amortization expense		3,400	3,200
Non-cash compensation expense		175	125
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		(3,200)	(3,400)
Free cash flow	\$	2,000	2,200

⁽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 August 3, 2022. See "Forward Looking Statements".

⁽³⁾ Outlook measures include accounting impacts of assets and liabilities held for sale and assume the pending sale of Lumen's 20-state ILEC business would be completed in the fourth quarter of 2022, resulting in 2022 financial contributions of three quarters for that business.

⁽⁴⁾ Assumes no discretionary pension plan contributions during 2022 and excludes any contributions related to the 20-state ILEC business transaction.

⁽⁵⁾ This implies cash dividends of approximately \$1.040 billion, based on common stock outstanding as of Dec. 31, 2021 and projected accrued dividends.

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.