



# CenturyLink, Inc.

## Quarterly Earnings Supplement

As of December 31, 2012

**Disclosures:**

The information presented herein is intended to supplement our financial statements prepared in accordance with generally accepted accounting principles ("GAAP") and related analysis contained in the annual, quarterly and current reports filed by us with the Securities and Exchange Commission (the "SEC"). Please refer to those reports for additional information about our financial performance.

The pro forma information presented within reflects the operations of CenturyLink, Qwest and Savvis assuming their respective results of operations had been combined as of January 1, 2010. The pro forma information presented (i) has not been prepared in accordance with GAAP, (ii) is for illustrative purposes only, and (iii) is not necessarily indicative of the combined operating results that would have occurred if the Qwest and Savvis mergers had been consummated as of January 1, 2010.

You are urged to consider any pro forma or other non-GAAP measures included herein in addition to, and not in substitution for, measures prepared in accordance with GAAP. You are also urged to read carefully the endnotes to this supplement, which describe adjustments reflected in our pro forma data.

**CenturyLink, Inc.**CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
(UNAUDITED)*(Dollars in millions, except per share amounts; shares in thousands)*

	Pro forma 1Q11*	Pro forma 2Q11*	Pro forma 3Q11*	Actual 4Q11	Actual 1Q12	Actual 2Q12	Actual 3Q12	Actual 4Q12
<b>CONDENSED CONSOLIDATED STATEMENTS OF INCOME</b>								
OPERATING REVENUES								
Strategic services	\$ 1,984	1,991	1,996	2,033	2,058	2,078	2,101	2,124
Legacy services	2,345	2,280	2,225	2,178	2,141	2,098	2,045	2,003
Data integration	153	151	166	188	145	170	168	189
Other	255	247	246	254	266	266	257	267
Total Operating Revenues	4,737	4,669	4,633	4,653	4,610	4,612	4,571	4,583
OPERATING EXPENSES								
Cash expenses	2,723	2,953	2,848	2,868	2,748	2,747	2,691	2,697
Depreciation and amortization	1,216	1,245	1,240	1,252	1,208	1,208	1,144	1,220
Total Operating Expenses	3,939	4,198	4,088	4,120	3,956	3,955	3,835	3,917
OPERATING INCOME	798	471	545	533	654	657	736	666
OPERATING CASH FLOW	2,014	1,716	1,785	1,785	1,862	1,865	1,880	1,886
Operating Cash Flow Margin	42.5%	36.8%	38.5%	38.4%	40.4%	40.4%	41.1%	41.2%
OTHER INCOME (EXPENSE)								
Interest expense	(347)	(312)	(327)	(340)	(343)	(335)	(326)	(315)
Other income (expense)	8	(14)	7	(1)	20	(199)	12	23
Income tax expense	(184)	(62)	(91)	(83)	(131)	(49)	(152)	(141)
NET INCOME	\$ 275	83	134	109	200	74	270	233
EARNINGS PER COMMON SHARE-DILUTED	\$ 0.44	0.13	0.22	0.18	0.32	0.12	0.43	0.37
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING-DILUTED	614.1	614.5	616.6	618.5	620.4	621.8	623.3	623.7

\*See Endnote 1. Management believes that the presentation of this pro forma information will assist users in their understanding of the combined company's operating performance.

**CenturyLink, Inc.**CONDENSED CONSOLIDATED BALANCE SHEETS  
(UNAUDITED)*(Dollars in millions)*

	<u>December 31, 2011</u>	<u>March 31, 2012</u>	<u>June 30, 2012</u>	<u>September 30, 2012</u>	<u>December 31, 2012</u>
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 128	1,530	281	194	211
Other current assets	3,389	3,352	3,566	3,639	3,396
Total current assets	<u>3,517</u>	<u>4,882</u>	<u>3,847</u>	<u>3,833</u>	<u>3,607</u>
NET PROPERTY, PLANT AND EQUIPMENT					
Property, plant and equipment	29,585	30,178	30,623	31,288	32,086
Accumulated depreciation	(10,141)	(10,893)	(11,569)	(12,275)	(13,054)
Net property, plant and equipment	<u>19,444</u>	<u>19,285</u>	<u>19,054</u>	<u>19,013</u>	<u>19,032</u>
GOODWILL AND OTHER ASSETS					
Goodwill	21,691	21,691	21,691	21,691	21,691
Other, net	11,351	10,939	10,457	10,054	9,642
Total goodwill and other assets	<u>33,042</u>	<u>32,630</u>	<u>32,148</u>	<u>31,745</u>	<u>31,333</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 56,003</u></b>	<b><u>56,797</u></b>	<b><u>55,049</u></b>	<b><u>54,591</u></b>	<b><u>53,972</u></b>
LIABILITIES AND STOCKHOLDERS' EQUITY					
CURRENT LIABILITIES					
Current maturities of long-term debt	\$ 480	2,200	1,903	1,198	1,205
Other current liabilities	3,544	3,450	3,311	3,740	3,390
Total current liabilities	<u>4,024</u>	<u>5,650</u>	<u>5,214</u>	<u>4,938</u>	<u>4,595</u>
LONG-TERM DEBT	21,356	20,667	19,682	19,508	19,400
DEFERRED CREDITS AND OTHER LIABILITIES	9,796	9,842	9,842	9,948	10,688
STOCKHOLDERS' EQUITY	<u>20,827</u>	<u>20,638</u>	<u>20,311</u>	<u>20,197</u>	<u>19,289</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b><u>\$ 56,003</u></b>	<b><u>56,797</u></b>	<b><u>55,049</u></b>	<b><u>54,591</u></b>	<b><u>53,972</u></b>

See the notes to our consolidated financial statements as reported in our Annual Report on Form 10-K dated December 31, 2011, as updated and supplemented by our subsequent reports filed with the SEC.

**CenturyLink, Inc.**

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

(Dollars in millions)

	Twelve Months Ended December 31, 2011	Three Months Ended March 31, 2012	Six Months Ended June 30, 2012	Nine Months Ended September 30, 2012	Twelve Months Ended December 31, 2012
<b>OPERATING ACTIVITIES</b>					
Net income	\$ 573	200	274	544	777
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	4,026	1,208	2,416	3,560	4,780
Deferred income taxes	395	115	137	260	394
Provision for uncollectible accounts	153	56	103	144	187
Net loss on early retirement of debt	8	-	194	194	179
Changes in current assets and current liabilities, net	(205)	56	(188)	111	(225)
Retirement benefits	(688)	(75)	(163)	(179)	(169)
Changes in other noncurrent assets and liabilities	(6)	47	53	91	162
Other, net	(55)	(24)	(27)	(39)	(20)
Net cash provided by operating activities	<u>4,201</u>	<u>1,583</u>	<u>2,799</u>	<u>4,686</u>	<u>6,065</u>
<b>INVESTING ACTIVITIES</b>					
Payments for property, plant and equipment and capitalized software	(2,411)	(678)	(1,305)	(2,024)	(2,919)
Cash paid for Savvis acquisition, net of \$94 cash acquired	(1,671)	-	-	-	-
Proceeds from sale of property and intangible assets	-	-	133	133	191
Cash acquired in Qwest acquisition, net of \$5 cash paid	419	-	-	-	-
Other, net	16	15	(3)	28	38
Net cash used in investing activities	<u>(3,647)</u>	<u>(663)</u>	<u>(1,175)</u>	<u>(1,863)</u>	<u>(2,690)</u>
<b>FINANCING ACTIVITIES</b>					
Net proceeds from issuance of long-term debt	4,102	2,032	3,361	3,363	3,362
Payments of long-term debt	(2,984)	(849)	(3,630)	(4,529)	(5,118)
Early retirement of debt costs	(114)	-	(324)	(324)	(346)
Net borrowings (payments) on credit facility	(88)	(277)	(27)	3	543
Dividends paid	(1,556)	(452)	(905)	(1,357)	(1,811)
Proceeds from issuance of common stock	103	35	65	91	110
Repurchase of common stock	(31)	(11)	(20)	(20)	(37)
Other, net	(9)	3	7	14	2
Net cash (used in ) provided by financing activities	<u>(577)</u>	<u>481</u>	<u>(1,473)</u>	<u>(2,759)</u>	<u>(3,295)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(22)</u>	<u>1</u>	<u>2</u>	<u>2</u>	<u>3</u>
Net increase (decrease) in cash and cash equivalents	(45)	1,402	153	66	83
Cash and cash equivalents at beginning of period	<u>173</u>	<u>128</u>	<u>128</u>	<u>128</u>	<u>128</u>
Cash and cash equivalents at end of period	<u>\$ 128</u>	<u>1,530</u>	<u>281</u>	<u>194</u>	<u>211</u>

See the notes to our consolidated financial statements as reported in our Annual Report on Form 10-K for the twelve months ended December 31, 2011, as updated and supplemented by our subsequent reports filed with the SEC.

**CenturyLink, Inc.**

CONDENSED CONSOLIDATED STATEMENTS OF INCOME, EXCLUDING SPECIAL ITEMS - NON-GAAP\*  
(UNAUDITED)

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

	Pro forma 1Q11**	Pro forma 2Q11**	Pro forma 3Q11**	Actual 4Q11	Actual 1Q12	Actual 2Q12	Actual 3Q12	Actual 4Q12
<b>CONDENSED CONSOLIDATED STATEMENTS OF INCOME</b>								
<b>OPERATING REVENUES</b>								
Strategic services	\$ 1,984	1,991	1,996	2,033	2,058	2,078	2,101	2,124
Legacy services	2,345	2,280	2,225	2,178	2,141	2,098	2,045	2,003
Data integration	153	151	166	188	145	170	168	189
Other	255	247	246	254	266	266	257	267
Total Operating Revenues	4,737	4,669	4,633	4,653	4,610	4,612	4,571	4,583
<b>OPERATING EXPENSES</b>								
Cash expenses	2,674	2,690	2,739	2,807	2,666	2,712	2,672	2,670
Depreciation and amortization	1,216	1,245	1,240	1,252	1,208	1,208	1,189	1,220
Total Operating Expenses	3,890	3,935	3,979	4,059	3,874	3,920	3,861	3,890
OPERATING INCOME	847	734	654	594	736	692	710	693
OPERATING CASH FLOW	2,063	1,979	1,894	1,846	1,944	1,900	1,899	1,913
Operating Cash Flow Margin	43.6%	42.4%	40.9%	39.7%	42.2%	41.2%	41.5%	41.7%
<b>OTHER INCOME (EXPENSE)</b>								
Interest expense	(347)	(317)	(327)	(340)	(343)	(335)	(326)	(315)
Other income (expense)	8	2	7	5	7	3	6	5
Income tax expense	(202)	(173)	(130)	(108)	(157)	(142)	(153)	(143)
NET INCOME	\$ 306	246	204	151	243	218	237	240
EARNINGS PER COMMON SHARE-DILUTED	\$ 0.50	0.40	0.33	0.24	0.39	0.35	0.38	0.38
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING-DILUTED	614.1	614.5	616.6	618.5	620.4	621.8	623.3	623.7

\*Includes certain adjustments to GAAP operating results for certain special items. In addition to providing key metrics for management to evaluate our performance, we believe these adjustments assist investors in their understanding of period-to-period operating performance and in identifying historical and prospective trends. For additional information relating to adjustments for special items, please see page 6, Impacts of Non-GAAP Special Items.

\*\*See Endnote 1. Management believes that the presentation of this pro forma information will assist users in their understanding of the combined company's operating performance.

**CenturyLink, Inc.**

CONDENSED CONSOLIDATED STATEMENTS OF INCOME, IMPACTS OF NON-GAAP SPECIAL ITEMS\*

(UNAUDITED)

(Dollars in millions)

	<u>Pro forma</u> <u>1Q11**</u>	<u>Pro forma</u> <u>2Q11**</u>	<u>Pro forma</u> <u>3Q11**</u>	<u>Actual</u> <u>4Q11</u>	<u>Actual</u> <u>1Q12</u>	<u>Actual</u> <u>2Q12</u>	<u>Actual</u> <u>3Q12</u>	<u>Actual</u> <u>4Q12</u>
ADJUSTMENTS TO OPERATING EXPENSES								
Cash expenses	\$ (49) (A)	(263) (B)	(109) (B)	(61) (E)	(82) (G)	(35) (I)	(19) (K)	(27) (N)
Depreciation and amortization	-	-	-	-	-	-	45 (L)	-
Total Operating Expenses	<u>(49)</u>	<u>(263)</u>	<u>(109)</u>	<u>(61)</u>	<u>(82)</u>	<u>(35)</u>	<u>26</u>	<u>(27)</u>
ADJUSTMENTS TO OPERATING INCOME	49	263	109	61	82	35	(26)	27
ADJUSTMENTS TO OTHER INCOME (EXPENSE)								
Interest expense	-	(5) (C)	-	-	-	-	-	-
Other income (expense)	-	16 (D)	-	6 (F)	(13) (H)	202 (J)	(6) (M)	(18) (O)
Income tax expense	(18) (P)	(111) (P)	(39) (P)	(25) (P)	(26) (P)	(93) (P)	(1) (P)	(2) (P)
ADJUSTMENTS TO NET INCOME	<u>\$ 31</u>	<u>163</u>	<u>70</u>	<u>42</u>	<u>43</u>	<u>144</u>	<u>(33)</u>	<u>7</u>

\*The amounts shown above represent the cumulative adjustments to GAAP operating results for certain special items for each of the periods presented. In addition to providing key metrics for management to evaluate our performance, we believe these adjustments assist investors in their understanding of period-to-period operating performance and in identifying historical and prospective trends. These adjustments for special items are detailed in CenturyLink's, Qwest's and Savvis' quarterly earnings release information, and are summarized below.

**Summary description of special items:**

- (A) Includes integration and severance costs associated with the Qwest and Embarq acquisitions incurred by CenturyLink; realignment, severance and merger related costs incurred by Qwest.
- (B) Includes integration and severance costs associated with the Qwest and Embarq acquisitions incurred by CenturyLink; realignment, severance and merger related costs incurred by Qwest; and merger related costs incurred by Savvis.
- (C) Reflects the interest component of a favorable settlement of an operating tax issue.
- (D) Expense associated with terminating a bridge credit facility related to the Savvis acquisition.
- (E) Includes integration, severance, and retention costs associated with our acquisition of Qwest, along with restructuring charges (\$55 million); integration and severance costs associated with our acquisition of Embarq (\$2 million); and transaction and other costs associated with our acquisition of Savvis (\$4 million).
- (F) Loss associated with early retirement of debt.
- (G) Includes severance costs associated with recent reduction in force initiatives (\$43 million), integration, severance, and retention costs associated with our acquisition of Qwest (\$36 million) and integration, severance, and retention costs associated with our acquisition of Savvis (\$3 million).
- (H) Gain associated with early retirement of debt (\$8 million) and gain on the sale of a non-operating investment (\$5 million).
- (I) Includes severance costs associated with recent reduction in force initiatives (\$23 million), integration, severance, and retention costs associated with our acquisition of Qwest (\$10 million) and integration, severance, and retention costs associated with our acquisition of Savvis (\$2 million).
- (J) Loss associated with early retirement of debt.
- (K) Includes severance costs associated with recent reduction in force initiatives (\$2 million), integration, severance, and retention costs associated with our acquisition of Qwest (\$16 million) and integration, severance, and retention costs associated with our acquisition of Savvis (\$4 million); partially offset with a \$3 million credit related to tax incentives for the Embarq integration.
- (L) Out-of-period depreciation adjustment (\$45 million) to correct an overstatement of depreciation.
- (M) Gain on the sale of a non-operating investment (\$6 million).
- (N) Includes severance costs associated with recent reduction in force initiatives (\$13 million), integration, severance, and retention costs associated with our acquisition of Qwest (\$9 million) and integration, severance, and retention costs associated with our acquisition of Savvis (\$5 million).
- (O) Gain on the sale of a non-operating investments (\$3 million) and early retirement of debt (\$15 million).
- (P) Tax effect of above items. Second quarter 2011 includes a benefit from the reduction of a valuation allowance (\$14 million), third quarter 2012 includes a benefit from the reversal of a valuation allowance (\$11 million) and fourth quarter 2012 includes a benefit from the reversal of a valuation allowance and the effect of a rate adjustment on the first three quarters of year (\$3 million).

\*\*See Endnote 1. Management believes that the presentation of this pro forma information will assist users in their understanding of the combined company's operating performance.

**CenturyLink, Inc.**

## OPERATING CASH FLOW, OPERATING CASH FLOW MARGIN AND FREE CASH FLOW, EXCLUDING SPECIAL ITEMS - NON-GAAP\*

(UNAUDITED)

*(Dollars in millions)*

	Pro forma 1Q11*	Pro forma 2Q11*	Pro forma 3Q11*	Actual 4Q11	Actual 1Q12	Actual 2Q12	Actual 3Q12	Actual 4Q12
<b>Operating Cash Flow and Cash Flow Margin</b>								
Operating Income, excluding special items*	\$ 847	734	654	594	736	692	710	693
Add: Depreciation and amortization	1,216	1,245	1,240	1,252	1,208	1,208	1,189	1,220
Operating cash flow	\$ 2,063	1,979	1,894	1,846	1,944	1,900	1,899	1,913
Operating Revenues	\$ 4,737	4,669	4,633	4,653	4,610	4,612	4,571	4,583
Operating cash flow margin (operating cash flow divided by revenues)	43.6%	42.4%	40.9%	39.7%	42.2%	41.2%	41.5%	41.7%
<b>Free Cash Flow</b>								
Operating cash flow				1,846	1,944	1,900	1,899	1,913
Less: Cash (paid) refunded for income taxes				25	(1)	(30)	(28)	(23)
Less: Cash paid for interest, net of amounts capitalized				(465)	(244)	(485)	(268)	(408)
Less: Capital expenditures, excluding expenditures related to integration efforts				(896)	(668)	(609)	(704)	(877)
Other income (expense)				5	7	3	6	5
Free cash flow				\$ 515	1,038	779	905	610

\*For additional information regarding this pro forma information, including related pro forma adjustments, and special items, please see Endnote 1 and page 6, Impacts of Non-GAAP Special Items.

**CenturyLink, Inc.**

SUPPLEMENTAL NON-GAAP INFORMATION - ADJUSTED DILUTED EARNINGS PER SHARE\*  
(UNAUDITED)

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

	Pro forma 1Q11**	Pro forma 2Q11**	Pro forma 3Q11**	Actual 4Q11	Actual 1Q12	Actual 2Q12	Actual 3Q12	Actual 4Q12
Net income (excluding special items***)	\$ 306	246	204	151	243	218	237	240
Add back:								
Amortization of customer base intangibles:								
Qwest	246	260	257	253	244	244	241	237
Embarq	44	44	39	39	39	39	34	34
Savvis	20	20	20	20	15	14	15	15
Amortization of trademark intangibles:								
Qwest	16	21	20	19	18	16	15	14
Savvis	2	2	2	2	2	3	2	2
Amortization of fair value adjustment of long-term debt:								
Embarq	1	1	1	-	1	1	1	1
Qwest	(44)	(67)	(56)	(31)	(28)	(20)	(20)	(18)
Subtotal	285	281	283	302	291	297	288	285
Tax effect of above items	(107)	(99)	(110)	(110)	(111)	(112)	(112)	(110)
Net adjustment, after taxes	\$ 178	182	173	192	180	185	176	175
Net income, as adjusted for above items	\$ 484	428	377	343	423	403	413	415
Weighted average common shares outstanding-diluted	614.1	614.5	616.6	618.5	620.4	621.8	623.3	623.7
Diluted EPS (excluding special items)	\$ 0.50	0.40	0.33	0.24	0.39	0.35	0.38	0.38
Adjusted diluted EPS as adjusted for purchase accounting intangible and interest amortizations (excluding special items)	\$ 0.78	0.69	0.61	0.55	0.68	0.65	0.66	0.67

\*The above schedule presents adjusted net income and adjusted earnings per share (both excluding special items) by adding back to net income and earnings per share certain non-cash expense items that arise as a result of the application of business combination accounting rules to recent acquisitions. Such presentation is not in accordance with GAAP, but management believes the presentation is useful to analysts and investors to understand the impacts of expanding our business through acquisitions.

\*\*See Endnote 1. Management believes that the presentation of this pro forma information will assist users in their understanding of the combined company's operating performance.

\*\*\*For more information on these special items, please see page 6, Impacts of Non-GAAP Special Items.



**CenturyLink, Inc.**

SUPPLEMENTAL NON-GAAP SEGMENT DATA, EXCLUDING SPECIAL ITEMS\*

(UNAUDITED)

(Dollars in millions)

	Pro forma 1Q11*	Pro forma 2Q11*	Pro forma 3Q11*	Actual 4Q11	Actual 1Q12	Actual 2Q12	Actual 3Q12	Actual 4Q12
<b>Regional Markets Segment</b>								
Revenues								
Strategic services	\$ 845	845	845	882	887	894	912	914
Legacy services	1,662	1,632	1,599	1,575	1,540	1,510	1,491	1,455
Data integration	65	66	78	87	59	73	65	76
Total Revenues	2,572	2,543	2,522	2,544	2,486	2,477	2,468	2,445
Expenses								
Direct expense	988	980	1,028	1,014	962	981	1,002	994
Allocated expense	65	65	64	67	69	67	77	66
Total expenses	1,053	1,045	1,092	1,081	1,031	1,048	1,079	1,060
Segment income	\$ 1,519	1,498	1,430	1,463	1,455	1,429	1,389	1,385
Segment income margin	59.1%	58.9%	56.7%	57.5%	58.5%	57.7%	56.3%	56.6%
<b>Wholesale Markets Segment</b>								
Revenues								
Strategic services	\$ 559	562	574	571	582	574	568	572
Legacy services	443	422	409	389	379	370	340	335
Data integration	-	-	-	1	-	-	-	1
Total Revenues	1,002	984	983	961	961	944	908	908
Expenses								
Direct expense	44	46	44	52	48	45	38	38
Allocated expense	247	261	263	261	239	241	235	233
Total expenses	291	307	307	313	287	286	273	271
Segment income	\$ 711	677	676	648	674	658	635	637
Segment income margin	71.0%	68.8%	68.8%	67.4%	70.1%	69.7%	69.9%	70.2%
<b>Enterprise Markets-Network Segment</b>								
Revenues								
Strategic services	\$ 326	324	318	321	324	333	341	346
Legacy services	240	226	217	214	222	218	214	213
Data integration	88	85	88	100	86	97	103	112
Total Revenues	654	635	623	635	632	648	658	671
Expenses								
Direct expense	171	185	183	199	184	199	189	209
Allocated expense	288	292	296	290	273	280	277	280
Total expenses	459	477	479	489	457	479	466	489
Segment income	\$ 195	158	144	146	175	169	192	182
Segment income margin	29.8%	24.9%	23.1%	23.0%	27.7%	26.1%	29.2%	27.1%
<b>Enterprise Markets-Data Hosting Segment</b>								
Revenues								
Strategic services	\$ 254	260	259	259	265	277	280	292
Total Revenues	254	260	259	259	265	277	280	292
Expenses								
Direct expense	201	215	212	220	221	230	236	253
Allocated expense	(18)	(19)	(19)	(18)	(18)	(19)	(17)	(18)
Total expenses	183	196	193	202	203	211	219	235
Segment income	\$ 71	64	66	57	62	66	61	57
Segment income margin	28.0%	24.6%	25.5%	22.0%	23.4%	23.8%	21.8%	19.5%
Total segment revenues	\$ 4,482	4,422	4,387	4,399	4,344	4,346	4,314	4,316
Total segment expenses	1,986	2,025	2,071	2,085	1,978	2,024	2,037	2,055
Total segment income	\$ 2,496	2,397	2,316	2,314	2,366	2,322	2,277	2,261
Total segment income margin (segment income divided by segment revenues)	55.7%	54.2%	52.8%	52.6%	54.5%	53.4%	52.8%	52.4%

During the second quarter of 2012, we restructured our four operating segments to more effectively leverage the strategic assets from our recent acquisitions of Embarq, Qwest and Savvis. We also revised our methodology for how we allocate our expenses to our segments to better align segment expenses with related revenues. In addition, we now allocate certain expenses from our enterprise markets-data hosting segment to our other three segments. We have restated prior periods to reflect these changes in our methodology.

\*For additional information regarding this pro forma information, including related pro forma adjustments and special items, please see Endnote 1 and page 6, Impacts of Non-GAAP Special Items.

**CenturyLink, Inc.**

## RECONCILIATION OF NON-GAAP SEGMENT INCOME TO NET INCOME, EXCLUDING SPECIAL ITEMS - NON-GAAP\*

(UNAUDITED)

*(Dollars in millions)*

	Pro forma 1Q11*	Pro forma 2Q11*	Pro forma 3Q11*	Actual 4Q11	Actual 1Q12	Actual 2Q12	Actual 3Q12	Actual 4Q12
Total segment revenues	\$ 4,482	4,422	4,387	4,399	4,344	4,346	4,314	4,316
Total segment expenses	1,986	2,025	2,071	2,085	1,978	2,024	2,037	2,055
Total segment income	\$ 2,496	2,397	2,316	2,314	2,366	2,322	2,277	2,261
Total segment income margin (segment income divided by segment revenues)	55.7%	54.2%	52.8%	52.6%	54.5%	53.4%	52.8%	52.4%

**Reconciliation of segment income to net income:**

Total segment income	\$ 2,496	2,397	2,316	2,314	2,366	2,322	2,277	2,261
Other revenue	255	247	246	254	266	266	257	267
Unassigned expenses	(688)	(665)	(668)	(722)	(688)	(688)	(635)	(615)
Operating Cash Flow	\$ 2,063	1,979	1,894	1,846	1,944	1,900	1,899	1,913
Depreciation and amortization	(1,216)	(1,245)	(1,240)	(1,252)	(1,208)	(1,208)	(1,189)	(1,220)
Total other expense	(339)	(315)	(320)	(335)	(336)	(332)	(320)	(310)
Income tax expense	(202)	(173)	(130)	(108)	(157)	(142)	(153)	(143)
Net Income	\$ 306	246	204	151	243	218	237	240

\*For additional information regarding this pro forma information, including related pro forma adjustments and special items, please see Endnote 1 and page 6, Impacts of Non-GAAP Special Items.

## CenturyLink, Inc.

### SUPPLEMENTAL NON-GAAP SEGMENT DATA, DATA CENTER REVENUES AND METRICS

(UNAUDITED)

(Dollars in millions)

#### Product View

	Pro forma 1Q11*	Pro forma 2Q11*	Pro forma 3Q11*	Actual 4Q11	Actual 1Q12	Actual 2Q12	Actual 3Q12	Actual 4Q12
Colocation	\$ 137	137	134	133	138	142	144	145
Managed Hosting **	99	103	105	105	103	111	112	125
Other	66	66	65	64	68	69	71	70
Total Data Center Revenue	\$ 302	306	304	303	309	322	327	340

#### Segment View

	Pro forma 1Q11*	Pro forma 2Q11*	Pro forma 3Q11*	Actual 4Q11	Actual 1Q12	Actual 2Q12	Actual 3Q12	Actual 4Q12
Regional Markets	\$ 3	3	3	3	3	3	4	4
Wholesale Markets	2	2	2	2	2	2	2	3
Enterprise Markets - Network	43	42	40	39	39	40	41	42
Enterprise Markets - Hosting	253	259	259	259	265	277	280	292
Total Data Center Revenue	\$ 302	306	304	303	309	322	327	341

#### Data Center Metrics

	Pro forma 1Q11*	Pro forma 2Q11*	Pro forma 3Q11*	Actual 4Q11	Actual 1Q12	Actual 2Q12	Actual 3Q12	Actual 4Q12
Number of data centers***	No data available			49	51	52	53	54
Revenue square feet, million sq ft	No data available			1.3	1.3	1.4	1.4	1.4
Billable square feet, million sq ft	No data available			0.9	0.9	1.0	1.0	1.0
Utilization	No data available			70%	71%	70%	71%	72%

\*See Endnote 1. Management believes that the presentation of this pro forma information will assist users in their understanding of the combined company's operating performance.

\*\*Managed Hosting for the 4th Quarter 2012 includes Ciber global IT outsourcing assets acquired October 15, 2012.

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

## ENDNOTES TO QUARTERLY EARNINGS STATEMENT

(As of December 31, 2012)

Endnote 1 – In accordance with business combination accounting standards, the accompanying pro forma financial information was prepared assuming CenturyLink's acquisition of Qwest and Savvis occurred as of January 1, 2010. The accompanying pro forma information is for illustrative purposes only and is not necessarily indicative of the combined operating results that would have occurred if the Qwest and Savvis acquisitions had been consummated on January 1, 2010 nor is it indicative of future operating results. Pro forma adjustments include (i) the elimination of intercompany billings and the elimination of certain deferred revenues and costs; (ii) the elimination of certain components of pension and post-retirement benefit costs; (iii) the amortization of the fair value assigned to intangible assets (primarily customer relationships and software); (iv) adjustments to depreciation to reflect the fair value assigned to property, plant and equipment; (v) adjustments to interest expense to reflect valuing debt at fair value; and (vi) the related income tax effects. The pro forma adjustments are described in greater detail in our Current Report on Form 8-K filed with the SEC on March 2, 2012. For additional information relating to our Qwest and Savvis acquisitions, please see our various reports filed with the SEC.