

CenturyLink, Inc.
CONSOLIDATED STATEMENTS OF (LOSS) INCOME
THREE MONTHS ENDED SEPTEMBER 30, 2013 AND 2012
(UNAUDITED)
(Dollars in millions, except per share amounts; shares in thousands)

	Three months ended September 30, 2013			Three months ended September 30, 2012			Increase (decrease) as reported	Increase (decrease) excluding special items
	As reported	Less special items	As adjusted excluding special items (Non-GAAP)	As reported	Less special items	As adjusted excluding special items (Non-GAAP)		
OPERATING REVENUES								
Strategic	\$ 2,189		2,189	2,101		2,101	4.2%	4.2%
Legacy	1,915		1,915	2,045		2,045	(6.4%)	(6.4%)
Data integration	163		163	168		168	(3.0%)	(3.0%)
Other	248		248	257		257	(3.5%)	(3.5%)
	4,515	-	4,515	4,571	-	4,571	(1.2%)	(1.2%)
OPERATING EXPENSES								
Cost of services and products	1,918	3 (1)	1,915	1,943	4 (4)	1,939	(1.3%)	(1.2%)
Selling, general and administrative	1,047	252 (1)	795	748	15 (4)	733	40.0%	8.5%
Depreciation and amortization	1,135		1,135	1,144	(45) (5)	1,189	(0.8%)	(4.5%)
Impairment of goodwill	1,100	1,100 (2)	-	-		-	0.00%	0.00%
	5,200	1,355	3,845	3,835	(26)	3,861	35.6%	(0.4%)
OPERATING (LOSS) INCOME	(685)	(1,355)	670	736	26	710	(193.1%)	(5.6%)
OTHER INCOME (EXPENSE)								
Interest expense	(329)		(329)	(326)		(326)	0.9%	0.9%
Other income (expense)	9	-	9	12	6 (6)	6	(25.0%)	50.0%
Income tax expense	(40)	99 (3)	(139)	(152)	1 (7)	(153)	(73.7%)	(9.2%)
NET (LOSS) INCOME	\$ (1,045)	(1,256)	211	270	33	237	(487.0%)	(11.0%)
BASIC (LOSS) EARNINGS PER SHARE	\$ (1.76)	(2.11)	0.35	0.43	0.05	0.38	(509.3%)	(7.9%)
DILUTED (LOSS) EARNINGS PER SHARE	\$ (1.76)	(2.11)	0.35	0.43	0.05	0.38	(509.3%)	(7.9%)
AVERAGE SHARES OUTSTANDING								
Basic	594,587		594,587	621,148		621,148	(4.3%)	(4.3%)
Diluted	594,587		595,747	623,296		623,296	(4.6%)	(4.4%)
DIVIDENDS PER COMMON SHARE	\$ 0.540		0.540	0.725		0.725	(25.5%)	(25.5%)

SPECIAL ITEMS

- (1) - Includes a litigation reserve (\$233 million), severance costs associated with recent headcount reductions (\$3 million), integration, severance and retention costs associated with our acquisition of Qwest (\$9 million), integration, severance and retention costs associated with our acquisition of Savvis (\$1 million) and an impairment of an office building (\$9 million).
- (2) - Non-cash, non-tax deductible goodwill impairment charge of (\$1.1 billion).
- (3) - Income tax expense of Item (1).
- (4) - Includes severance costs associated with 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.
- (5) - Out-of-period depreciation adjustment (\$45 million) to correct an overstatement of depreciation in prior quarters.
- (6) - Gain on the sale of a non-operating investment (\$6 million).
- (7) - Income tax expense of Items (3) through (5) (\$12 million), partially offset by the benefit from the reversal of a valuation allowance \$11 million.

CenturyLink, Inc.

CONSOLIDATED STATEMENTS OF (LOSS) INCOME
NINE MONTHS ENDED SEPTEMBER 30, 2013 AND 2012

(UNAUDITED)

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

	Nine months ended September 30, 2013			Nine months ended September 30, 2012			Increase (decrease) as reported	Increase (decrease) excluding special items
	As reported	Less special items	As adjusted excluding special items (Non-GAAP)	As reported	Less special items	As adjusted excluding special items (Non-GAAP)		
OPERATING REVENUES								
Strategic	\$ 6,495		6,495	6,237		6,237	4.1%	4.1%
Legacy	5,834		5,834	6,284		6,284	(7.2%)	(7.2%)
Data integration	470		470	483		483	(2.7%)	(2.7%)
Other	754		754	789		789	(4.4%)	(4.4%)
	<u>13,553</u>	<u>-</u>	<u>13,553</u>	<u>13,793</u>	<u>-</u>	<u>13,793</u>	(1.7%)	(1.7%)
OPERATING EXPENSES								
Cost of services and products	5,587	9 (1)	5,578	5,732	25 (5)	5,707	(2.5%)	(2.3%)
Selling, general and administrative	2,679	300 (1)	2,379	2,454	111 (5)	2,343	9.2%	1.5%
Depreciation and amortization	3,375		3,375	3,560	(30) (6)	3,590	(5.2%)	(6.0%)
Impairment of goodwill	1,100	1,100 (2)	-	-		-	0.00%	0.00%
	<u>12,741</u>	<u>1,409</u>	<u>11,332</u>	<u>11,746</u>	<u>106</u>	<u>11,640</u>	8.5%	(2.6%)
OPERATING INCOME	812	(1,409)	2,221	2,047	(106)	2,153	(60.3%)	3.2%
OTHER INCOME (EXPENSE)								
Interest expense	(970)		(970)	(1,004)		(1,004)	(3.4%)	(3.4%)
Other income (expense)	52	37 (3)	15	(167)	(183) (7)	16	(131.1%)	(6.3%)
Income tax expense	(372)	131 (4)	(503)	(332)	126 (8)	(458)	12.0%	9.8%
NET (LOSS) INCOME	<u>\$ (478)</u>	<u>(1,241)</u>	<u>763</u>	<u>544</u>	<u>(163)</u>	<u>707</u>	(187.9%)	7.9%
BASIC (LOSS) EARNINGS PER SHARE	\$ (0.79)	(2.05)	1.26	0.88	(0.26)	1.14	(189.8%)	10.5%
DILUTED (LOSS) EARNINGS PER SHARE	\$ (0.79)	(2.05)	1.26	0.87	(0.26)	1.13	(190.8%)	11.5%
AVERAGE SHARES OUTSTANDING								
Basic	606,104		606,104	619,748		619,748	(2.2%)	(2.2%)
Diluted	606,104		607,474	621,828		621,828	(2.5%)	(2.3%)
DIVIDENDS PER COMMON SHARE	\$ 1.620		1.620	2.175		2.175	(25.5%)	(25.5%)

SPECIAL ITEMS

- (1) - Includes a litigation reserve (\$233 million), severance costs associated with recent headcount reductions (\$14 million), integration, severance and retention costs associated with our acquisition of Qwest (\$27 million), integration, severance and retention costs associated with our acquisition of Savvis (\$8 million), an accounting adjustment (\$18 million) and an impairment of an office building (\$9 million).
- (2) - Non-cash, non-tax deductible goodwill impairment charge of (\$1.1 billion).
- (3) - Gain on the sale of a non-operating investment (\$32 million) and settlements of other non-operating issues (\$5 million).
- (4) - Income tax expense of Items (1) and (2) and a favorable federal income tax settlement (\$33 million).
- (5) - Includes severance costs associated with reduction in force initiatives (\$68 million), integration, severance and retention costs associated with our acquisition of Qwest (\$62 million) and integration, severance, and retention costs associated with our acquisition of Savvis (\$9 million); partially offset with a \$3 million credit related to tax incentives for the Embarq integration.
- (6) - Out-of-period depreciation adjustment (\$30 million) to correct an overstatement of depreciation in prior quarters.
- (7) - Net loss associated with early retirement of debt (\$194 million), partially offset by a gain on the sale of a non-operating investment \$11 million.
- (8) - Income tax benefit of Items (4) through (6), partially offset by the benefit from the reversal of a valuation allowance (\$11 million).

CenturyLink, Inc.
RECONCILIATION OF NON-GAAP FINANCIAL MEASURES
(UNAUDITED)
(Dollars in millions)

	Three months ended September 30, 2013			Three months ended September 30, 2012		
	As reported	Less special items	As adjusted excluding special items	As reported	Less special items	As adjusted excluding special items
Operating cash flow and cash flow margin						
Operating (loss) income	\$ (685)	(1,355)	(1) 670	736	26 (3)	710
Add: Depreciation and amortization	1,135	-	1,135	1,144	(45) (4)	1,189
Add: Impairment of Goodwill	1,100	1,100	(2) -	-	-	-
Operating cash flow	<u>\$ 1,550</u>	<u>(255)</u>	<u>1,805</u>	<u>1,880</u>	<u>(19)</u>	<u>1,899</u>
Revenues	<u>\$ 4,515</u>	<u>-</u>	<u>4,515</u>	<u>4,571</u>	<u>-</u>	<u>4,571</u>
Operating (loss) income margin (operating (loss) income divided by revenues)	<u>(15.2%)</u>		<u>14.8%</u>	<u>16.1%</u>		<u>15.5%</u>
Operating cash flow margin (operating cash flow divided by revenues)	<u>34.3%</u>		<u>40.0%</u>	<u>41.1%</u>		<u>41.5%</u>
Free cash flow						
Operating cash flow			\$ 1,805			1,899
Less: Cash (paid) refunded for income taxes			1			(28)
Less: Cash paid for interest, net of amounts capitalized			(268)			(268)
Less: Capital expenditures (5)			(786)			(704)
Add: Other income			9			6
Free cash flow (6)			<u>\$ 761</u>			<u>905</u>

SPECIAL ITEMS

- (1) - Includes a non-cash, non-tax deductible goodwill impairment charge (\$1.1 billion), a litigation reserve (\$233 million), severance costs associated with recent headcount reductions (\$3 million), integration, severance and retention costs associated with our acquisition of Qwest (\$9 million), integration, severance, retention costs associated with our acquisition of Savvis (\$1 million) and an impairment of an office building (\$9 million).
- (2) - Non-cash, non-tax deductible goodwill impairment charge of (\$1.1 billion).
- (3) - Includes severance costs associated with 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 \$45 million out-of-period depreciation adjustment and a \$3 million credit related to tax incentives for the Embarq integration.
- (4) - Out-of-period depreciation adjustment (\$45 million) to correct an overstatement of depreciation in prior quarters.
- (5) - Excludes \$15 million in third quarter 2013 and \$15 million in third quarter 2012 of capital expenditures related to the integration of Embarq, Qwest and Savvis.
- (6) - Excludes special items identified in items (1) to (3) and the impact of pension contributions of \$32 million for third quarter 2012.

CenturyLink, Inc.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

(UNAUDITED)

(Dollars in millions)

	Nine months ended September 30, 2013			Nine months ended September 30, 2012		
	As reported	Less special items	As adjusted excluding special items	As reported	Less special items	As adjusted excluding special items
Operating cash flow and cash flow margin						
Operating income	\$ 812	(1,409)	(1) 2,221	2,047	(106)	(3) 2,153
Add: Depreciation and amortization	3,375	-	3,375	3,560	(30)	(4) 3,590
Add: Impairment of Goodwill	1,100	1,100	(2) -	-	-	-
Operating cash flow	<u>\$ 5,287</u>	<u>(309)</u>	<u>5,596</u>	<u>5,607</u>	<u>(136)</u>	<u>5,743</u>
Revenues	<u>\$ 13,553</u>	<u>-</u>	<u>13,553</u>	<u>13,793</u>	<u>-</u>	<u>13,793</u>
Operating income margin (operating income divided by revenues)	<u>6.0%</u>		<u>16.4%</u>	<u>14.8%</u>		<u>15.6%</u>
Operating cash flow margin (operating cash flow divided by revenues)	<u>39.0%</u>		<u>41.3%</u>	<u>40.7%</u>		<u>41.6%</u>
Free cash flow						
Operating cash flow			\$ 5,596			5,743
Less: Cash paid for income taxes			(45)			(59)
Less: Cash paid for interest, net of amounts capitalized			(915)			(997)
Less: Capital expenditures (5)			(2,181)			(1,981)
Add: Other income			15			16
Free cash flow (6)			<u>\$ 2,470</u>			<u>2,722</u>

SPECIAL ITEMS

- (1) - Includes a non-cash, non-tax deductible goodwill impairment charge (\$1.1 billion), a litigation reserve (\$233 million), severance costs associated with recent headcount reductions (\$14 million), integration, severance and retention costs associated with our acquisition of Qwest (\$27 million), integration, severance and retention costs associated with our acquisition of Savvis (\$8 million), an accounting adjustment (\$18 million) and an impairment of an office building (\$9 million).
- (2) - Non-cash, non-tax deductible goodwill impairment charge of (\$1.1 billion).
- (3) - Includes severance costs associated with reduction in force initiatives (\$68 million), integration, severance and retention costs associated with our acquisition of Qwest (\$62 million) and integration, severance and retention costs associated with our acquisition of Savvis (\$9 million); partially offset with a \$30 million out-of-period depreciation adjustment and a \$3 million credit related to tax incentives for the Embarq integration.
- (4) - Out-of-period depreciation adjustment (\$30 million) to correct an overstatement of depreciation in prior quarters.
- (5) - Excludes \$30 million for the nine months ended September 30, 2013 and \$43 million for the nine months ended September 30, 2012 of capital expenditures related to the integration of Embarq, Qwest and Savvis.
- (6) - Excludes special items identified in items (1) to (3) and does not reflect the impact of pension contributions of \$147 million for the nine months ended September 30, 2013 and \$32 million for the nine months ended September 30, 2012.

CenturyLink, Inc.
SUPPLEMENTAL NON-GAAP INFORMATION - ADJUSTED DILUTED EPS
THREE MONTHS ENDED SEPTEMBER 30, 2013 AND 2012 AND NINE MONTHS ENDED SEPTEMBER 30, 2013 AND 2012
(UNAUDITED)
(Dollars in millions, except per share amounts)

	Three months ended		Nine months ended	
	September 30, 2013 (excluding special items)	September 30, 2012 (excluding special items)	September 30, 2013 (excluding special items)	September 30, 2012 (excluding special items)
Net income *	\$ 211	237	763	707
Add back:				
Amortization of customer base intangibles:				
Qwest	226	241	690	729
Embarq	29	34	97	112
Savvis	15	15	45	44
Amortization of trademark intangibles:				
Qwest	9	15	32	49
Savvis	2	2	6	7
Amortization of fair value adjustment of long-term debt:				
Embarq	1	1	3	3
Qwest	(14)	(20)	(48)	(68)
Subtotal	268	288	825	876
Tax effect of above items	(104)	(112)	(321)	(335)
Net adjustment, after taxes	\$ 164	176	504	541
Net income, as adjusted for above items	\$ 375	413	1,267	1,248
Weighted average diluted shares outstanding	595.7	623.3	607.5	621.8
Diluted EPS (excluding special items)	\$ 0.35	0.38	1.26	1.14
Adjusted diluted EPS as adjusted for the above-listed purchase accounting intangible and interest amortizations (excluding special items)	\$ 0.63	0.66	2.09	2.01

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

*See preceding schedules for a summary description of the impact of excluded special items.