CenturyLink, Inc.

CONSOLIDATED STATEMENTS OF INCOME
THREE MONTHS ENDED JUNE 30, 2014 AND 2013
(UNAUDITED)
(Dollars in millions, except per share amounts; shares in thousands)

	Three months ended June 30, 2014			Three months ended June 30, 2013				
	As reported	Less special items	As adjusted excluding special items (Non-GAAP)	As reported	Less special items	As adjusted excluding special items (Non-GAAP)	Increase (decrease) as reported	Increase (decrease) excluding special items
OPERATING REVENUES*								
Strategic	$ 2,298		2,298	2,186		2,186	5.1%	5.1%
Legacy	1,803		1,803	1,923		1,923	(6.2%)	(6.2%)
Data integration	187		187	167		167	12.0%	12.0%
Other	253		253	249		249	1.6%	1.6%
	4,541	-	4,541	4,525	-	4,525	0.4%	0.4%
OPERATING EXPENSES								
Cost of services and products	1,962	6 (1)	1,956	1,873	4 (4)	1,869	4.8%	4.7%
Selling, general and administrative	831	59 (1)	772	814	16 (4)	798	2.1%	(3.3%)
Depreciation and amortization	1,093		1,093	1,123		1,123	(2.7%)	(2.7%)
	3,886	65	3,821	3,810	20	3,790	2.0%	0.8%
OPERATING INCOME	655	(65)	720	715	(20)	735	(8.4%)	(2.0%)
OTHER INCOME (EXPENSE)								
Interest expense	(325)		(325)	(325)		(325)	0.0%	0.0%
Other (expense) income	(7)	(14) (2)	7	4	-	4	(275.0%)	75.0%
Income tax expense	(130)	25 (3)	(155)	(125)	40 (5)	(165)	4.0%	(6.1%)
NET INCOME	$ 193	(54)	247	269	20	249	(28.3%)	(0.8%)
BASIC EARNINGS PER SHARE	$ 0.34	(0.10)	0.43	0.45	0.03	0.41	(24.4%)	4.9%
DILUTED EARNINGS PER SHARE	$ 0.34	(0.09)	0.43	0.44	0.03	0.41	(22.7%)	4.9%
AVERAGE SHARES OUTSTANDING								
Basic	567,915		567,915	604,302		604,302	(6.0%)	(6.0%)
Diluted	569,032		569,032	605,602		605,602	(6.0%)	(6.0%)
DIVIDENDS PER COMMON SHARE	$ 0.540		0.540	0.540		0.540	0.0%	0.0%

SPECIAL ITEMS

(1) - Includes severance costs associated with recent headcount reductions ($33 million), integration and retention costs associated with our acquisition of Qwest ($14 million) and the impairment of two office buildings ($18 million).
(2) - Impairment of a non-operating investment ($14 million).
(3) - Income tax benefit of Item (1).
(4) - Includes severance costs associated with reduction in force initiatives ($4 million), integration, severance and retention costs associated with our acquisition of Qwest ($11 million), integration, severance, and retention costs associated with our acquisition of Savvis ($4 million) and an accounting adjustment ($1 million).
(5) - Income tax benefit of Item (4) and a favorable federal income tax settlement ($33 million).

*During 2013, we reallocated the discounts on our bundled services (local, long distance, and broadband) to the component products and services. The net effect of the bundled services reallocation was a reclassification of certain revenues from legacy services to strategic services. Also in 2013, we reallocated our CLEC revenues into their component products and services. The net effect of this CLEC reallocation was a reclassification of certain revenues from strategic services to legacy services. The 2013 information presented here has been restated to reflect these reclassifications.

CenturyLink, Inc.

CONSOLIDATED STATEMENTS OF INCOME
SIX MONTHS ENDED JUNE 30, 2014 AND 2013
(UNAUDITED)
(Dollars in millions, except per share amounts; shares in thousands)

	Six months ended June 30, 2014			Six months ended June 30, 2013				
	As reported	Less special items	As adjusted excluding special items (Non-GAAP)	As reported	Less special items	As adjusted excluding special items (Non-GAAP)	Increase (decrease) as reported	Increase (decrease) excluding special items
OPERATING REVENUES*								
Strategic	$ 4,579		4,579	4,350		4,350	5.3%	5.3%
Legacy	3,632		3,632	3,875		3,875	(6.3%)	(6.3%)
Data integration	361		361	307		307	17.6%	17.6%
Other	507		507	506		506	0.2%	0.2%
	9,079	-	9,079	9,038	-	9,038	0.5%	0.5%
OPERATING EXPENSES								
Cost of services and products	3,897	10 (1)	3,887	3,669	6 (4)	3,663	6.2%	6.1%
Selling, general and administrative	1,674	83 (1)	1,591	1,632	48 (4)	1,584	2.6%	0.4%
Depreciation and amortization	2,200		2,200	2,240		2,240	(1.8%)	(1.8%)
	7,771	93	7,678	7,541	54	7,487	3.0%	2.6%
OPERATING INCOME	1,308	(93)	1,401	1,497	(54)	1,551	(12.6%)	(9.7%)
OTHER INCOME (EXPENSE)								
Interest expense	(656)		(656)	(641)		(641)	2.3%	2.3%
Other (expense) income	2	(14) (2)	16	43	37 (5)	6	(95.3%)	166.7%
Income tax expense	(258)	36 (3)	(294)	(332)	32 (6)	(364)	(22.3%)	(19.2%)
NET INCOME	$ 396	(71)	467	567	15	552	(30.2%)	(15.4%)
BASIC EARNINGS PER SHARE	$ 0.69	(0.12)	0.82	0.93	0.02	0.90	(25.8%)	(8.9%)
DILUTED EARNINGS PER SHARE	$ 0.69	(0.12)	0.82	0.92	0.02	0.90	(25.0%)	(8.9%)
AVERAGE SHARES OUTSTANDING								
Basic	571,225		571,225	611,862		611,862	(6.6%)	(6.6%)
Diluted	572,244		572,244	613,338		613,338	(6.7%)	(6.7%)
DIVIDENDS PER COMMON SHARE	$ 1.08		1.08	1.08		1.08	0.0%	0.0%

SPECIAL ITEMS

(1) - Includes severance costs associated with recent headcount reductions ($52 million), integration and retention costs associated with our acquisition of Qwest ($25 million) and the impairment of two office buildings ($18 million), less the offsetting impact of a litigation settlement in the amount of $2 million.
(2) - Impairment of a non-operating investment ($14 million).
(3) - Income tax benefit of Item (1).
(4) - Includes severance costs associated with reduction in force initiatives ($11 million), integration, severance and retention costs associated with our acquisition of Qwest ($18 million), integration, severance, and retention costs associated with our acquisition of Savvis ($7 million) and an accounting adjustment ($18 million).
(5) - Gain on the sale of a non-operating investment ($32 million) and settlements of other non-operating issues ($5 million).
(6) - Income tax expense of Items (4) and (5) and a favorable federal income tax settlement ($33 million).

*During 2013, we reallocated the discounts on our bundled services (local, long distance, and broadband) to the component products and services. The net effect of the bundled services reallocation was a reclassification of certain revenues from legacy services to strategic services. Also in 2013, we reallocated our CLEC revenues into their component products and services. The net effect of this CLEC reallocation was a reclassification of certain revenues from strategic services to legacy services. The 2013 information presented here has been restated to reflect these reclassifications.

CenturyLink, Inc.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

(UNAUDITED)

(Dollars in millions)

	Three months ended June 30, 2014			Three months ended June 30, 2013		
	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	$ 655	(65) (1)	720	715	(20) (2)	735
Add: Depreciation and amortization	1,093	-	1,093	1,123	-	1,123
Operating cash flow	$ 1,748	(65)	1,813	1,838	(20)	1,858
Revenues	$ 4,541	-	4,541	4,525	-	4,525
Operating income margin (operating income divided by revenues)	14.4%		15.9%	15.8%		16.2%
Operating cash flow margin (operating cash flow divided by revenues)	38.5%		39.9%	40.6%		41.1%
Free cash flow						
Operating cash flow			$ 1,813			1,858
Less: Cash paid for income taxes, net of refunds			(13)			(38)
Less: Cash paid for interest, net of amounts capitalized			(407)			(382)
Less: Capital expenditures (3)			(723)			(739)
Add: Other income			7			4
Free cash flow (4)			$ 677			703

SPECIAL ITEMS

(1) - Includes severance costs associated with recent headcount reductions ($33 million), integration and retention costs associated with our acquisition of Qwest ($14 million) and the impairment of two office buildings ($18 million).

(2) - Includes severance costs associated with reduction in force initiatives ($4 million), integration, severance and retention costs associated with our acquisition of Qwest ($11 million), integration, severance, and retention costs associated with our acquisition of Savvis ($4 million) and an accounting adjustment ($1 million).

(3) - Excludes $8 million in second quarter 2014 and $8 million in second quarter 2013 of capital expenditures related to the integration of Embarq, Qwest and Savvis.

(4) - Excludes special items identified in items (1) and (2).

CentruryLink, Inc.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES
(UNAUDITED)
(Dollars in millions)

	Six months ended June 30, 2014			Six months ended June 30, 2013		
	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	$ 1,308	(93) (1)	1,401	1,497	(54) (2)	1,551
Add: Depreciation and amortization	2,200	-	2,200	2,240	-	2,240
Operating cash flow	$ 3,508	(93)	3,601	3,737	(54)	3,791
Revenues	$ 9,079	-	9,079	9,038	-	9,038
Operating income margin (operating income divided by revenues)	14.4%		15.4%	16.6%		17.2%
Operating cash flow margin (operating cash flow divided by revenues)	38.6%		39.7%	41.3%		41.9%
Free cash flow						
Operating cash flow			$ 3,601			3,791
Less: Cash paid for income taxes, net of refunds			(23)			(46)
Less: Cash paid for interest, net of amounts capitalized			(672)			(647)
Less: Capital expenditures (3)			(1,385)			(1,395)
Add: Other income			16			6
Free cash flow (4)			$ 1,537			1,709

SPECIAL ITEMS

(1) - Includes severance costs associated with recent headcount reductions ($52 million), integration and retention costs associated with our acquisition of Qwest ($25 million) and the impairment of two office buildings ($18 million), less the offsetting impact of a litigation settlement in the amount of $2 million.

(2) - Includes severance costs associated with reduction in force initiatives ($11 million), integration, severance and retention costs associated with our acquisition of Qwest ($18 million), integration, severance, and retention costs associated with our acquisition of Savvis ($7 million) and an accounting adjustment ($18 million).

(3) - Excludes $16 million in second quarter 2014 and $15 million in second quarter 2013 of capital expenditures related to the integration of Embarq, Qwest and Savvis.

(4) - Excludes special items identified in items (1) and (2).

CenturyLink, Inc.
SUPPLEMENTAL NON-GAAP INFORMATION - ADJUSTED DILUTED EPS
THREE MONTHS ENDED JUNE 30, 2014 AND 2013 AND SIX MONTHS ENDED JUNE 30, 2014 AND 2013
(UNAUDITED)
(Dollars in millions, except per share amounts)

		Three months ended		Six months ended	
		June 30, 2014 (excluding special items)	June 30, 2013 (excluding special items)	June 30, 2014 (excluding special items)	June 30, 2013 (excluding special items)
Net income *	$	247	249	467	552
Add back:					
Amortization of customer base intangibles:					
Qwest		216	230	435	464
Embarq		30	34	59	68
Savvis		16	15	31	30
Amortization of trademark intangibles:					
Qwest		5	11	11	23
Savvis		-	2	5	4
Amortization of fair value adjustment of long-term debt:					
Embarq		2	1	3	2
Qwest		(12)	(17)	(24)	(34)
Subtotal		257	276	520	557
Tax effect of above items		(96)	(108)	(198)	(217)
Net adjustment, after taxes		161	168	322	340
Net income, as adjusted for above items	$	408	417	789	892
Weighted average diluted shares outstanding		569.0	605.6	572.2	613.3
Diluted EPS (excluding special items)	$	0.43	0.41	0.82	0.90
Adjusted diluted EPS as adjusted for the above-listed purchase accounting intangible and interest amortizations (excluding special items)	$	0.72	0.69	1.38	1.46

The above schedule presents adjusted net income and adjusted diluted earnings per share (both excluding special items) by adding back to net income and diluted 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 special items.