

**CenturyLink, Inc.**  
CONSOLIDATED STATEMENTS OF INCOME  
THREE MONTHS ENDED MARCH 31, 2014 AND 2013  
(UNAUDITED)

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

	Three months ended March 31, 2014			Three months ended March 31, 2013			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)		
<b>OPERATING REVENUES*</b>								
Strategic	\$ 2,281		2,281	2,164		2,164	5.4%	5.4%
Legacy	1,829		1,829	1,952		1,952	(6.3%)	(6.3%)
Data integration	174		174	140		140	24.3%	24.3%
Other	254		254	257		257	(1.2%)	(1.2%)
	<u>4,538</u>	<u>-</u>	<u>4,538</u>	<u>4,513</u>	<u>-</u>	<u>4,513</u>	<u>0.6%</u>	<u>0.6%</u>
<b>OPERATING EXPENSES</b>								
Cost of services and products	1,935	4 (1)	1,931	1,796	2 (3)	1,794	7.7%	7.6%
Selling, general and administrative	843	24 (1)	819	818	32 (3)	786	3.1%	4.2%
Depreciation and amortization	1,107		1,107	1,117		1,117	(0.9%)	(0.9%)
	<u>3,885</u>	<u>28</u>	<u>3,857</u>	<u>3,731</u>	<u>34</u>	<u>3,697</u>	<u>4.1%</u>	<u>4.3%</u>
<b>OPERATING INCOME</b>	<b>653</b>	<b>(28)</b>	<b>681</b>	<b>782</b>	<b>(34)</b>	<b>816</b>	<b>(16.5%)</b>	<b>(16.5%)</b>
<b>OTHER INCOME (EXPENSE)</b>								
Interest expense	(331)		(331)	(316)		(316)	4.7%	4.7%
Other income (expense)	9	-	9	39	37 (4)	2	(76.9%)	350.0%
Income tax expense	(128)	11 (2)	(139)	(207)	(8) (5)	(199)	(38.2%)	(30.2%)
<b>NET INCOME</b>	<b>\$ 203</b>	<b>(17)</b>	<b>220</b>	<b>298</b>	<b>(5)</b>	<b>303</b>	<b>(31.9%)</b>	<b>(27.4%)</b>
<b>BASIC EARNINGS PER SHARE</b>	<b>\$ 0.35</b>	<b>(0.03)</b>	<b>0.38</b>	<b>0.48</b>	<b>(0.01)</b>	<b>0.49</b>	<b>(27.1%)</b>	<b>(22.4%)</b>
<b>DILUTED EARNINGS PER SHARE</b>	<b>\$ 0.35</b>	<b>(0.03)</b>	<b>0.38</b>	<b>0.48</b>	<b>(0.01)</b>	<b>0.49</b>	<b>(27.1%)</b>	<b>(22.4%)</b>
<b>AVERAGE SHARES OUTSTANDING</b>								
Basic	574,535		574,535	619,423		619,423	(7.2%)	(7.2%)
Diluted	575,456		575,456	621,074		621,074	(7.3%)	(7.3%)
<b>DIVIDENDS PER COMMON SHARE</b>	<b>\$ 0.540</b>		<b>0.540</b>	<b>0.540</b>		<b>0.540</b>	<b>0.0%</b>	<b>0.0%</b>

**SPECIAL ITEMS**

- (1) - Includes severance costs associated with recent headcount reductions (\$19 million), integration and retention costs associated with our acquisition of Qwest (\$11 million) and the offsetting impact of a litigation settlement in the amount of \$2 million.
- (2) - Income tax benefit of Item (1).
- (3) - Includes severance costs associated with reduction in force initiatives (\$7 million), integration, severance and retention costs associated with our acquisition of Qwest (\$7 million), integration, severance, and retention costs associated with our acquisition of Savvis (\$3 million) and an accounting adjustment (\$17 million).
- (4) - Gain on the sale of a non-operating investment (\$32 million) and settlements of other non-operating issues (\$5 million).
- (5) - Income tax expense of Items (3) and (4).

\*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 March 31, 2014			Three months ended March 31, 2013		
	As reported	Less special items	As adjusted excluding special items	As reported	Less special items	As adjusted excluding special items
<b>Operating cash flow and cash flow margin</b>						
Operating income	\$ 653	(28) (1)	681	782	(34) (2)	816
Add: Depreciation and amortization	1,107	-	1,107	1,117	-	1,117
Operating cash flow	<u>\$ 1,760</u>	<u>(28)</u>	<u>1,788</u>	<u>1,899</u>	<u>(34)</u>	<u>1,933</u>
Revenues	<u>\$ 4,538</u>	<u>-</u>	<u>4,538</u>	<u>4,513</u>	<u>-</u>	<u>4,513</u>
Operating income margin (operating income divided by revenues)	<u>14.4%</u>		<u>15.0%</u>	<u>17.3%</u>		<u>18.1%</u>
Operating cash flow margin (operating cash flow divided by revenues)	<u>38.8%</u>		<u>39.4%</u>	<u>42.1%</u>		<u>42.8%</u>
<b>Free cash flow</b>						
Operating cash flow			\$ 1,788			1,933
Less: Cash paid for income taxes, net of refunds			(10)			(8)
Less: Cash paid for interest, net of amounts capitalized			(265)			(265)
Less: Capital expenditures (3)			(662)			(656)
Add: Other income			9			2
Free cash flow (4)			<u>\$ 860</u>			<u>1,006</u>

**SPECIAL ITEMS**

- (1) - Includes severance costs associated with recent headcount reductions (\$19 million), integration and retention costs associated with our acquisition of Qwest (\$11 million) and the offsetting impact of a litigation settlement in the amount of \$2 million.
- (2) - Includes severance costs associated with reduction in force initiatives (\$7 million), integration, severance and retention costs associated with our acquisition of Qwest (\$7 million), integration, severance and retention costs associated with our acquisition of Savvis (\$3 million) and an accounting adjustment (\$17 million).
- (3) - Excludes \$8 million in first quarter 2014 and \$7 million in first 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 MARCH 31, 2014 AND MARCH 31, 2013  
(UNAUDITED)  
(Dollars in millions, except per share amounts)

	Three months ended March 31, 2014 (excluding special items)	Three months ended March 31, 2013 (excluding special items)
Net income *	\$ 220	303
Add back:		
Amortization of customer base intangibles:		
Qwest	219	234
Embarq	29	34
Savvis	15	15
Amortization of trademark intangibles:		
Qwest	6	12
Savvis	5	2
Amortization of fair value adjustment of long-term debt:		
Embarq	1	1
Qwest	(12)	(17)
Subtotal	263	281
Tax effect of above items	(102)	(109)
Net adjustment, after taxes	161	172
Net income, as adjusted for above items	\$ 381	475
Weighted average diluted shares outstanding	575.5	621.1
Diluted EPS (excluding special items)	\$ 0.38	0.49
Adjusted diluted EPS as adjusted for the above-listed purchase accounting intangible and interest amortizations (excluding special items)	\$ 0.66	0.76

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 special items.