

CenturyLink

2nd Quarter 2012 Earnings Conference Call
August 8, 2012



Century**Link**TM

Forward-Looking Statements / Non-GAAP Financial Measures

Certain non-historical statements made in this presentation and future oral or written statements or press releases by us or our management are intended to be forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on current expectations only, and are subject to a number of risks, uncertainties and assumptions, many of which are beyond our control. Actual events and results may differ materially from those anticipated, estimated or projected if one or more of these risks or uncertainties materialize, or if underlying assumptions prove incorrect. Factors that could affect actual results include but are not limited to: the timing, success and overall effects of competition from a wide variety of competitive providers; the risks inherent in rapid technological change; the effects of ongoing changes in the regulation of the communications industry (including recent reforms and changes by the Federal Communications Commission regarding intercarrier compensation and the Universal Service Fund, among other things); our ability to effectively adjust to changes in the communications industry and changes in the composition of our markets and product mix caused by our recent acquisitions of Savvis, Qwest and Embarq; our ability to successfully integrate the operations of Savvis and Qwest into our operations, including the possibility that the anticipated benefits from these acquisitions cannot be fully realized in a timely manner or at all, or that integrating the acquired operations will be more difficult, disruptive or costly than anticipated; our ability to use net operating loss carryovers of Qwest in projected amounts; our ability to effectively manage our expansion opportunities, including retaining and hiring key personnel; possible changes in the demand for, or pricing of, our products and services; our ability to successfully introduce new product or service offerings on a timely and cost-effective basis; our continued access to credit markets on favorable terms; our ability to collect our receivables from financially troubled communications companies; any adverse developments in legal proceedings involving us; our ability to pay a \$2.90 per common share dividend annually, which may be affected by changes in our cash requirements, capital spending plans, cash flows or financial position; unanticipated increases or other changes in our future cash requirements, whether caused by unanticipated increases in capital expenditures, increases in pension funding requirements or otherwise; our ability to successfully negotiate collective bargaining agreements on reasonable terms without work stoppages; the effects of adverse weather; other risks referenced from time to time in our filings with the Securities and Exchange Commission (the "SEC"); and the effects of more general factors such as changes in interest rates, in tax rates, in accounting policies or practices, in operating, medical, pension or administrative costs, in general market, labor or economic conditions, or in legislation, regulation or public policy. These and other uncertainties related to our business, our July 2011 acquisition of Savvis, our April 2011 acquisition of Qwest and our July 2009 acquisition of Embarq are described in greater detail in Item 1A of our Form 10-K for the year ended December 31, 2011, as updated and supplemented by our subsequent SEC reports. You should be aware that new factors may emerge from time to time and it is not possible for us to identify all such factors nor can we predict the impact of each such factor on the business or the extent to which any one or more factors may cause actual results to differ from those reflected in any forward-looking statements. You are further cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this presentation. We undertake no obligation to update any of our forward-looking statements for any reason.

Non-GAAP Financial Measures

This presentation includes certain non-GAAP financial measures. These measures are provided and valid only as of the date of this presentation and should not be relied upon beyond that date. Reconciliations of these non-GAAP measures to the most directly comparable GAAP measures are available on our website at www.centurylink.com.

Participants

Glen Post

Chief Executive Officer & President

Stewart Ewing

Executive Vice President & Chief Financial Officer

Karen Puckett

Executive Vice President & Chief Operating Officer

Bill Cheek

President, Wholesale Markets Group

Jim Ousley

Chief Executive Officer, Savvis & President, Enterprise Markets Group

Strategic Overview

Glen Post
Chief Executive Officer & President

Strategic Overview

- ▶ **Improved Revenue Trend - annual revenue decline of 1.2% in 2Q12 compared to decline of 3.8% in pro forma 2Q11 and 2.7% in 1Q12. Excluding data integration, revenue declined 1.7% from pro forma 2Q11.**
- ▶ **Achieved solid line loss improvement year-over-year and continued broadband growth in seasonally weak quarter**
- ▶ **Generated strong strategic data revenue growth in EMG and RMG**
- ▶ **Continued disciplined investment in our key strategic initiatives**

Broadband Expansion & Enhancement

- ▶ **Added over 18,000 high-speed Internet subscribers during the quarter, ending with 5.76 million broadband customers**
- ▶ **Improved line loss trend to 6.1% in 2Q12 from 7.4% in 2Q11**
- ▶ **Enabled over 215,000 living units with Fiber-to-the-node (FTTN) during 2Q12**
- ▶ **Expanded Ethernet over Copper footprint**

Achieving growth in broadband penetration

Prism™ TV

- ▶ Expanded Prism™ TV subscribers by over 11% in 2Q12 from 1Q12 and increased penetration of available homes to more than 9%
- ▶ 54% of new Prism™ TV customers added in second quarter were new to CenturyLink
- ▶ New Prism™ TV customers continue to reflect higher multi-product attachment rates

Expanding footprint and growing subscriber base

Fiber-to-the-Tower

- ▶ **Completed 1,350 fiber builds in 2Q12 and over 2,000 year-to-date**
- ▶ **On track to achieve targeted 4,000 – 5,000 fiber builds for full year 2012**
- ▶ **Positions CenturyLink to benefit from significant growth in wireless data demand and an expanded addressable market**

Investing in build-out of fiber-to-the-tower sites to drive long-term growth in data transport

Managed Hosting & Cloud Services

- ▶ **Achieved strong revenue growth of 11.5% in managed hosting and 4.7% in colocation from the pro forma year-ago period**
- ▶ **Increased traction in leveraging cross-selling opportunities of Savvis products with enterprise customers**
- ▶ **At quarter end, we had over 50 data centers¹ in North America, Europe and Asia, with total sellable floor space of approximately 1.4 million square feet**

**Capacity and product portfolio to meet customer needs
and market opportunity**

¹ We define a “data center” as any facility where we market, sell and deliver either colocation services or multi-tenant managed services, or both.

Summary

- ▶ **Solid second quarter results**
- ▶ **Improving top-line revenue trend**
- ▶ **Strong cash flows**
- ▶ **Strong improvement in line loss trend and continued growth in high-speed Internet and Prism™ TV customers**
- ▶ **Solid progress in our key strategic initiatives**

2Q Financial Results & Guidance Overview

Stewart Ewing

Executive Vice President & Chief Financial Officer

2Q12 Financial Summary

Operating Revenue

	Guidance	Actual
	\$4.55B - \$4.60B	\$4.61B

Operating Cash Flow

	Guidance
	\$1.86B - \$1.91B
	Actual \$1.90B

Adjusted Diluted EPS

	Guidance	Actual
	\$0.59 - \$0.64	\$0.65

- ▶ **Strong quarter: \$4.61 billion in revenues, exceeding guidance**
 - Total revenue declined 1.2% from pro forma 2Q11¹, 1.7% decline excluding data integration revenue
 - Strategic revenues of \$2.08B, 4.4% annual increase from pro forma 2Q11
- ▶ **\$0.65 Adjusted Diluted EPS², exceeding guidance**
- ▶ **Free cash flow³ generation of \$779 million (excl. special items and integration-related capital)**

⁽¹⁾ Quarter Ended 6/30/2011 reflects financials as if Savvis merger occurred effective 01/01/10

⁽²⁾ See supporting financial schedules available at ir.centurylink.com

⁽³⁾ Free Cash Flow calculated as operating cash flow less cash paid for taxes, interest and capital expenditures, adjusted for other income/(expense).

Regional Markets Group

Dollars in millions	2Q12	Pro forma 2Q11 ⁽¹⁾	% Change
Total segment revenue	\$2,477	\$2,543	(2.6%)
Strategic services	894	845	5.8%
Legacy services	1,510	1,632	(7.5%)
Data Integration	73	66	10.6%
Total segment expense	1,048	1,045	0.3%
Segment income	1,429	1,498	(4.6%)
Segment Income Margin	58%	59%	

- ▶ **Strategic revenue increased nearly 6% from year-ago period driven by growth of broadband and Prism™ TV subscribers and higher revenue from strategic data services (i.e. Ethernet and MPLS) to business customers**
- ▶ **Excluding the impact of private line, strategic revenue grew approximately 7%**
- ▶ **Legacy services revenue declined 7.5% in 2Q12 due to lower local and LD revenue**
- ▶ **Expense was flat year-over-year as lower employee related costs were offset by higher Prism™ TV and data integration costs**

(1) Pro forma 6/30/2011 reflect financials as if Savvis merger occurred effective January 1, 2010

Wholesale Markets Group

Dollars in millions	2Q12	Pro forma 2Q11 ⁽¹⁾	% Change
Total segment revenue	\$944	\$984	(4.1%)
Strategic services	572	560	2.1%
Legacy services	372	424	(12.3%)
Total segment expense	286	307	(6.8%)
Segment income	658	677	(2.8%)
Segment income margin	70%	69%	

- ▶ **Strategic revenues grew 2.1% from pro forma 2Q11 primarily driven by strength in Ethernet services offsetting declines in DS1 revenue**
- ▶ **Lower access revenues and minutes of use continue to pressure legacy revenue**
- ▶ **Segment expense declined nearly 7% from pro forma 2Q11**

(1) Pro forma 6/30/2011 reflect financials as if Savvis merger occurred effective January 1, 2010

Enterprise Markets Group - Network

Dollars in millions	2Q12	Pro forma 2Q11 ⁽¹⁾	% Change
Total segment revenue	\$648	\$635	2.0%
Strategic services	333	324	2.8%
Legacy services	218	226	(3.5%)
Data Integration	97	85	14.1%
Total segment expense	479	477	0.4%
Segment income	169	158	7.0%
Segment income margin	26%	25%	

- ▶ **Strategic revenue increased 2.8% from pro forma 2Q11 fueled by strength in high-bandwidth products including MPLS, Ethernet and DWDM. Excluding private line, strategic revenues grew nearly 7%**
- ▶ **Recurring revenue grew for second sequential quarter and from the same year-ago period**
- ▶ **2Q12 bookings were higher than anticipated driven by growth in MPLS and Ethernet services**

(1) Pro forma 6/30/2011 reflect financials as if Savvis merger occurred effective January 1, 2010

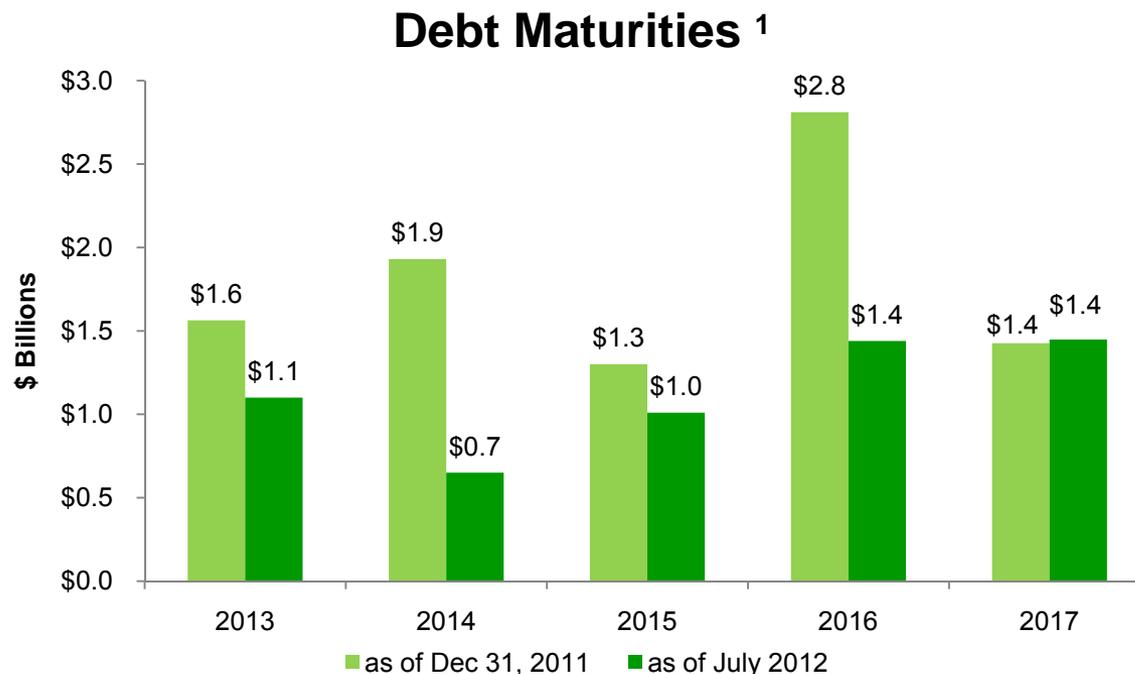
Enterprise Markets Group – Data Hosting

Dollars in millions	2Q12	Pro forma 2Q11 ⁽¹⁾	% Change
Total segment revenue	\$277	\$260	6.5%
Colocation	112	107	4.7%
Managed hosting	107	96	11.5%
Network	58	57	1.8%
Total segment expense	211	196	7.7%
Segment income	66	64	3.1%
Segment income margin	24%	25%	

- ▶ **Managed hosting revenue grew more than 11% over pro forma year-ago period**
- ▶ **Solid 2Q12 bookings primarily driven by strength in consumer brands vertical**
- ▶ **Expenses increased year-over-year driven primarily by higher operations and sales and marketing staff to support revenue growth**

(1) Pro forma 6/30/2011 reflect financials as if Savvis merger occurred effective January 1, 2010

Liability Management Update



- ▶ **Recent debt actions extended our maturity curve by approximately 2 years**
- ▶ **Reduced 2013-2017 maturities from \$9.0B to \$5.6B**
- ▶ **Quarterly interest expense expected to modestly decline through remainder of 2012**
- ▶ **Pension relief, passed as part of the highway bill in June, reduced required pension contributions significantly through 2015**

¹ Excludes capital leases and other obligations, other subsidiary first mortgage notes and unamortized premiums and other, net

Guidance

3rd Quarter 2012

Operating Revenues	\$4.54 - \$4.59 billion
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Operating Cash Flow	\$1.82 - \$1.86 billion
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Adjusted Diluted EPS	\$0.54 - \$0.59
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Puts and takes of 3Q

- Lower access revenues as result of FCC order
- Reduction in monthly USF contribution rate
- Implementation of Access Recovery Charge
- Higher operating expense due to seasonal plant maintenance and utility costs
- Data center expansion operating costs
- Higher depreciation and amortization expense

Guidance (continued)

Full Year 2012	Previous Guidance	Current Guidance
Operating Revenue	\$18.2 - \$18.4 billion	\$18.3 - \$18.4 billion
Operating Cash Flow	\$7.45 - \$7.65 billion	\$7.5 - \$7.65 billion
Adjusted Diluted EPS	\$2.35 - \$2.55	\$2.45 - \$2.55
Capital Expenditures ¹	\$2.6 - \$2.8 billion	\$2.7 - \$2.8 billion
Free Cash Flow	\$3.2 - \$3.4 billion	\$3.25 - \$3.4 billion

¹ Excludes approximately \$80 million of integration-related capital expenditures

Financial Review

- ▶ **Making progress in stabilizing top line revenue**
- ▶ **Investing strategically to drive growth**
- ▶ **Maintaining strong balance sheet and financial flexibility**
- ▶ **Continuing to return meaningful cash to shareholders**

Q & A

Concluding Remarks

Glen Post
Chief Executive Officer & President

Closing

- ▶ **Second quarter results represent further progress toward our 2012 objectives**
- ▶ **Strategic revenue growth expected to continue to improve**
- ▶ **Integrations are on track with Qwest and Savvis; continued focus on cost alignment with revenue mix**
- ▶ **Investments in our key strategic initiatives continue to strengthen CenturyLink's competitive position**

Well Positioned to Drive Long-Term Shareholder Value, Deliver Strong Financial Results and Further Enhance Position as an Industry Leader

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