CenturyLink, Inc.

CONSOLIDATED STATEMENTS OF INCOME
THREE MONTHS ENDED MARCH 31, 2012 AND 2011
(UNAUDITED)
(Dollars in millions, except per share amounts; shares in thousands)

	Three months ended March 31, 2012			Three months ended March 31, 2011				
	As reported	Less special items	As adjusted excluding special items	As reported	Less special items	As adjusted excluding special items	Increase (decrease) as reported	Increase (decrease) excluding special items
OPERATING REVENUES								
Strategic	$ 2,056		2,056	539		539	281.4%	281.4%
Legacy	2,143		2,143	995		995	115.4%	115.4%
Data integration	145		145	31		31	367.7%	367.7%
Other	266		266	131		131	103.1%	103.1%
	4,610	-	4,610	1,696	-	1,696	171.8%	171.8%
OPERATING EXPENSES								
Cost of services and products	1,877	12 (1)	1,865	626	14 (4)	612	199.8%	204.7%
Selling, general and administrative	871	70 (1)	801	237	21 (4)	216	267.5%	270.8%
Depreciation and amortization	1,208		1,208	369		369	227.4%	227.4%
	3,956	82	3,874	1,232	35	1,197	221.1%	223.6%
OPERATING INCOME	654	(82)	736	464	(35)	499	40.9%	47.5%
OTHER INCOME (EXPENSE)								
Interest expense	(343)		(343)	(128)		(128)	168.0%	168.0%
Other income (expense)	20	13 (2)	7	3		3	566.7%	133.3%
Income tax expense	(131)	26 (3)	(157)	(128)	13 (5)	(141)	2.3%	11.3%
NET INCOME	$ 200	(43)	243	211	(22)	233	(5.2%)	4.3%
BASIC EARNINGS PER SHARE	$ 0.32	(0.07)	0.39	0.69	(0.07)	0.76	(53.6%)	(48.7%)
DILUTED EARNINGS PER SHARE	$ 0.32	(0.07)	0.39	0.69	(0.07)	0.76	(53.6%)	(48.7%)
AVERAGE SHARES OUTSTANDING								
Basic	618,208		618,208	303,832		303,832	103.5%	103.5%
Diluted	620,350		620,350	304,479		304,479	103.7%	103.7%
DIVIDENDS PER COMMON SHARE	$ 0.725		0.725	0.725		0.725	0.0%	0.0%

SPECIAL ITEMS

(1) - Includes severance costs associated with recent expense reduction 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).
(2) - Gain associated with early retirement of debt ($8 million) and gain on the sale of a non-operating investment ($5 million).
(3) - Income tax benefit of Items (1) and (2).
(4) - Includes integration and severance related costs associated with our acquisition of Embarq ($29 million) and integration costs associated with our acquisition of Qwest ($6 million).
(5) - Income tax benefit of Item (4).

CenturyLink, Inc.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

(UNAUDITED)

(Dollars in millions)

	Three months ended March 31, 2012				Three months ended March 31, 2011			
	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	$ 654	(82)	(1)	736	464	(35)	(2)	499
Add: Depreciation and amortization	1,208	-		1,208	369	-		369
Operating cash flow	$ 1,862	(82)		1,944	833	(35)		868
Revenues	$ 4,610	-		4,610	1,696	-		1,696
Operating income margin (operating income divided by revenues)	14.2%			16.0%	27.4%			29.4%
Operating cash flow margin (operating cash flow divided by revenues)	40.4%			42.2%	49.1%			51.2%
Free cash flow								
Operating cash flow			$	1,944				868
Less: Cash paid for income taxes, net of refunds				(1)				(5)
Less: Cash paid for interest, net of amounts capitalized				(244)				(70)
Less: Capital expenditures (3)				(668)				(207)
Other income (expense)				7				3
Free cash flow (4)				1,038				589

SPECIAL ITEMS

(1) - Includes severance costs associated with recent expense reduction 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).

(2) - Includes integration and severance related costs associated with our acquisition of Embarq ($29 million) and integration costs associated with our acquisition of Qwest ($6 million).

(3) - Excludes $10 million in first quarter 2012 and $4 million in first quarter 2011 of capital expenditures related to the integration of Embarq and Qwest.

(4) - Excludes (i) special items identified in items (1) to (3) above and (ii) the impact of pension contributions of $100 million for the three months ended March 31, 2011.

CenturyLink, Inc.

SUPPLEMENTAL PRO FORMA INFORMATION - ADJUSTED DILUTED EPS

THREE MONTHS ENDED MARCH 31, 2012 AND PRO FORMA THREE MONTHS ENDED MARCH 31, 2011

(UNAUDITED)

(Dollars in millions, except per share amounts)

		Three months ended March 31, 2012 (excluding special items)	Three months ended December 31, 2011 (excluding special items)	Pro Forma* Three months ended March 31, 2011 (excluding special items)
Net income	$	243	151	306
Add back:				
Amortization of customer base intangibles:				
Qwest		244	253	246
Embarq		39	39	44
Savvis		15	20	20
Amortization of trademark intangibles:				
Qwest		18	19	16
Savvis		2	2	2
Amortization of fair value adjustment of long-term debt:				
Embarq		1	-	1
Qwest		(28)	(31)	(44)
Subtotal		291	302	285
Tax effect of above items		(111)	(110)	(107)
Net adjustment, after taxes		180	192	178
Net income, as adjusted for above items	$	423	343	484
Weighted average diluted shares outstanding		620.4	618.5	614.1
Diluted EPS (excluding special items)	$	0.39	0.24	0.50
Adjusted diluted EPS as adjusted for purchase accounting intangible and interest amortizations (excluding special items)	$	0.68	0.55	0.78

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 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.

*The pro forma information presented above reflects the operations of CenturyLink, Qwest and Savvis assuming their respective results of operations had been combined as of January 1, 2010. 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 postretirement benefit costs; (iii) the amortization of the fair value preliminarily assigned to intangible assets (primarily customer relationship and software); (iv) adjustments to depreciation to reflect the fair value preliminarily 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 above pro forma information (i) has not been prepared in accordance with generally accepted accounting principles, (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.