

**CenturyLink, Inc.**  
CONSOLIDATED STATEMENTS OF INCOME  
THREE MONTHS ENDED JUNE 30, 2012 AND 2011  
(UNAUDITED)

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

	Three months ended June 30, 2012			Three months ended June 30, 2011			Increase (decrease) as reported	Increase (decrease) excluding special items
	As reported	Less special items	As adjusted excluding special items	As reported	Less special items	As adjusted excluding special items		
<b>OPERATING REVENUES</b>								
Strategic	\$ 2,076		2,076	1,726		1,726	20.3%	20.3%
Legacy	2,100		2,100	2,280		2,280	(7.9%)	(7.9%)
Data integration	170		170	152		152	11.8%	11.8%
Other	266		266	248		248	7.3%	7.3%
	<u>4,612</u>	<u>-</u>	<u>4,612</u>	<u>4,406</u>	<u>-</u>	<u>4,406</u>	4.7%	4.7%
<b>OPERATING EXPENSES</b>								
Cost of services and products	1,912	9 (1)	1,903	1,781	26 (4)	1,755	7.4%	8.4%
Selling, general and administrative	835	26 (1)	809	968	234 (4)	734	(13.7%)	10.2%
Depreciation and amortization	1,208		1,208	1,177		1,177	2.6%	2.6%
	<u>3,955</u>	<u>35</u>	<u>3,920</u>	<u>3,926</u>	<u>260</u>	<u>3,666</u>	0.7%	6.9%
<b>OPERATING INCOME</b>	<b>657</b>	<b>(35)</b>	<b>692</b>	<b>480</b>	<b>(260)</b>	<b>740</b>	<b>36.9%</b>	<b>(6.5%)</b>
<b>OTHER INCOME (EXPENSE)</b>								
Interest expense	(335)		(335)	(280)	5 (5)	(285)	19.6%	17.5%
Other income (expense)	(199)	(202) (2)	3	(14)	(16) (6)	2	1,321.4%	50.0%
Income tax expense	(49)	93 (3)	(142)	(71)	111 (7)	(182)	(31.0%)	(22.0%)
<b>NET INCOME</b>	<b>\$ 74</b>	<b>(144)</b>	<b>218</b>	<b>115</b>	<b>(160)</b>	<b>275</b>	<b>(35.7%)</b>	<b>(20.7%)</b>
<b>BASIC EARNINGS PER SHARE</b>	<b>\$ 0.12</b>	<b>(0.23)</b>	<b>0.35</b>	<b>0.19</b>	<b>(0.27)</b>	<b>0.46</b>	<b>(36.8%)</b>	<b>(23.9%)</b>
<b>DILUTED EARNINGS PER SHARE</b>	<b>\$ 0.12</b>	<b>(0.23)</b>	<b>0.35</b>	<b>0.19</b>	<b>(0.27)</b>	<b>0.46</b>	<b>(36.8%)</b>	<b>(23.9%)</b>
<b>AVERAGE SHARES OUTSTANDING</b>								
Basic	619,887		619,887	598,884		598,884	3.5%	3.5%
Diluted	621,839		621,839	600,259		600,259	3.6%	3.6%
<b>DIVIDENDS PER COMMON SHARE</b>	<b>\$ 0.725</b>		<b>0.725</b>	<b>0.725</b>		<b>0.725</b>	<b>-</b>	<b>-</b>

**SPECIAL ITEMS**

- (1) - Includes severance costs associated with recent reduction in force initiatives (\$23 million), integration, severance, and retention costs associated with our acquisition of Qwest (\$10 million) and integration, severance, and retention costs associated with our acquisition of Savvis (\$2 million).
- (2) - Loss associated with early retirement of debt.
- (3) - Income tax benefit of Items (1) and (2).
- (4) - Includes integration, severance, and retention costs associated with our acquisition of Qwest, along with restructuring charges (\$245 million); integration and severance costs associated with our acquisition of Embarq (\$25 million); transaction and other costs associated with our acquisition of Savvis (\$2 million); net of a favorable settlement of an operating tax issue (\$13 million).
- (5) - Reflects the interest component of a favorable settlement of an operating tax issue.
- (6) - Expense associated with terminating a bridge credit facility related to the Savvis acquisition.
- (7) - Income tax benefit of Items (4) through (6) and a benefit from the reduction of an NOL valuation allowance (\$14 million).

**CenturyLink, Inc.**  
CONSOLIDATED STATEMENTS OF INCOME  
SIX MONTHS ENDED JUNE 30, 2012 AND 2011  
(UNAUDITED)

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

	Six months ended June 30, 2012			Six months ended June 30, 2011			Increase (decrease) as reported	Increase (decrease) excluding special items
	As reported	Less special items	As adjusted excluding special items	As reported	Less special items	As adjusted excluding special items		
<b>OPERATING REVENUES</b>								
Strategic	\$ 4,132		4,132	2,265		2,265	82.4%	82.4%
Legacy	4,243		4,243	3,275		3,275	29.6%	29.6%
Data integration	315		315	183		183	72.1%	72.1%
Other	532		532	379		379	40.4%	40.4%
	9,222	-	9,222	6,102	-	6,102	51.1%	51.1%
<b>OPERATING EXPENSES</b>								
Cost of services and products	3,789	21 (1)	3,768	2,407	40 (4)	2,367	57.4%	59.2%
Selling, general and administrative	1,706	96 (1)	1,610	1,205	255 (4)	950	41.6%	69.5%
Depreciation and amortization	2,416		2,416	1,546		1,546	56.3%	56.3%
	7,911	117	7,794	5,158	295	4,863	53.4%	60.3%
<b>OPERATING INCOME</b>	1,311	(117)	1,428	944	(295)	1,239	38.9%	15.3%
<b>OTHER INCOME (EXPENSE)</b>								
Interest expense	(678)		(678)	(408)	5 (5)	(413)	66.2%	64.2%
Other income (expense)	(179)	(189) (2)	10	(11)	(16) (6)	5	1,527.3%	100.0%
Income tax expense	(180)	119 (3)	(299)	(199)	124 (7)	(323)	(9.5%)	(7.4%)
<b>NET INCOME</b>	\$ 274	(187)	461	326	(182)	508	(16.0%)	(9.3%)
<b>BASIC EARNINGS PER SHARE</b>	\$ 0.44	(0.30)	0.74	0.72	(0.40)	1.12	(38.9%)	(33.9%)
<b>DILUTED EARNINGS PER SHARE</b>	\$ 0.44	(0.30)	0.74	0.72	(0.40)	1.12	(38.9%)	(33.9%)
<b>AVERAGE SHARES OUTSTANDING</b>								
Basic	619,048		619,048	451,358		451,358	37.2%	37.2%
Diluted	621,095		621,095	452,369		452,369	37.3%	37.3%
<b>DIVIDENDS PER COMMON SHARE</b>	\$ 1.45		1.45	1.45		1.45	-	-

**SPECIAL ITEMS**

- (1) - Includes severance costs associated with recent reduction in force initiatives (\$66 million), integration, severance, and retention costs associated with our acquisition of Qwest (\$46 million) and integration, severance, and retention costs associated with our acquisition of Savvis (\$5 million).
- (2) - Net loss associated with early retirement of debt (\$194 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, severance, and retention costs associated with our acquisition of Qwest, along with restructuring charges (\$251 million); integration and severance costs associated with our acquisition of Embarq (\$55 million); transaction and other costs associated with our acquisition of Savvis (\$2 million); net of a favorable settlement of an operating tax issue (\$13 million).
- (5) - Reflects the interest component of a favorable settlement of an operating tax issue.
- (6) - Expense associated with terminating a bridge credit facility related to the Savvis acquisition.
- (7) - Income tax benefit of Items (4) through (6) and a benefit from the reduction of an NOL valuation allowance (\$14 million).

## CenturyLink, Inc.

### RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

(UNAUDITED)

(Dollars in millions)

	Three months ended June 30, 2012			Three months ended June 30, 2011		
	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	\$ 657	(35)	(1) 692	480	(260)	(2) 740
Add: Depreciation and amortization	1,208	-	1,208	1,177	-	1,177
Operating cash flow	<u>\$ 1,865</u>	<u>(35)</u>	<u>1,900</u>	<u>1,657</u>	<u>(260)</u>	<u>1,917</u>
Revenues	<u>\$ 4,612</u>	<u>-</u>	<u>4,612</u>	<u>4,406</u>	<u>-</u>	<u>4,406</u>
Operating income margin (operating income divided by revenues)	<u>14.2%</u>		<u>15.0%</u>	<u>10.9%</u>		<u>16.8%</u>
Operating cash flow margin (operating cash flow divided by revenues)	<u>40.4%</u>		<u>41.2%</u>	<u>37.6%</u>		<u>43.5%</u>
<b>Free cash flow</b>						
Operating cash flow			\$ 1,900			1,917
Less: Cash paid for income taxes, net of refunds			(30)			104
Less: Cash paid for interest, net of amounts capitalized			(485)			(390)
Less: Capital expenditures (3)			(609)			(566)
Other income (expense)			3			2
Free cash flow (4)			<u>779</u>			<u>1,067</u>

#### SPECIAL ITEMS

- (1) - Includes severance costs associated with recent reduction in force initiatives (\$23 million), integration, severance, and retention costs associated with our acquisition of Qwest (\$10 million) and integration, severance, and retention costs associated with our acquisition of Savvis (\$2 million).
- (2) - Includes integration, severance, and retention costs associated with our acquisition of Qwest, along with restructuring charges (\$245 million); integration and severance costs associated with our acquisition of Embarq (\$25 million); transaction and other costs associated with our acquisition of Savvis (\$2 million); net of a favorable settlement of an operating tax issue (\$13 million).
- (3) - Excludes \$18 million in second quarter 2012 and \$13 million in second quarter 2011 of capital expenditures related to the integration of Embarq and Qwest.
- (4) - Excludes special items identified in items (1) to (3).

## CenturyLink, Inc.

### RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

(UNAUDITED)

(Dollars in millions)

	Six months ended June 30, 2012			Six months ended June 30, 2011		
	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	\$ 1,311	(117)	(1) 1,428	944	(295)	(2) 1,239
Add: Depreciation and amortization	2,416	-	2,416	1,546	-	1,546
Operating cash flow	<u>\$ 3,727</u>	<u>(117)</u>	<u>3,844</u>	<u>2,490</u>	<u>(295)</u>	<u>2,785</u>
Revenues	<u>\$ 9,222</u>	<u>-</u>	<u>9,222</u>	<u>6,102</u>	<u>-</u>	<u>6,102</u>
Operating income margin (operating income divided by revenues)	<u>14.2%</u>		<u>15.5%</u>	<u>15.5%</u>		<u>20.3%</u>
Operating cash flow margin (operating cash flow divided by revenues)	<u>40.4%</u>		<u>41.7%</u>	<u>40.8%</u>		<u>45.6%</u>
<b>Free cash flow</b>						
Operating cash flow			\$ 3,844			2,785
Less: Cash paid for income taxes, net of refunds			(31)			99
Less: Cash paid for interest, net of amounts capitalized			(729)			(460)
Less: Capital expenditures (3)			(1,277)			(773)
Other income (expense)			10			5
Free cash flow (4)			<u>1,817</u>			<u>1,656</u>

#### SPECIAL ITEMS

- (1) - Includes severance costs associated with recent reduction in force initiatives (\$66 million), integration, severance, and retention costs associated with our acquisition of Qwest (\$46 million) and integration, severance, and retention costs associated with our acquisition of Savvis (\$5 million).
- (2) - Includes integration, severance, and retention costs associated with our acquisition of Qwest, along with restructuring charges (\$251 million); integration and severance costs associated with our acquisition of Embarq (\$55 million); transaction and other costs associated with our acquisition of Savvis (\$2 million); net of a favorable settlement of an operating tax issue (\$13 million).
- (3) - Excludes \$28 million for the six months ended June 30, 2012 and \$17 million for the six months ended June 30, 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 six months ended June 30, 2011.

**CenturyLink, Inc.**

SUPPLEMENTAL INFORMATION - ADJUSTED DILUTED EPS

THREE MONTHS ENDED JUNE 30, 2012 AND DECEMBER 31, 2011 AND PRO FORMA THREE MONTHS ENDED JUNE 30, 2011  
(UNAUDITED)

*(Dollars in millions, except per share amounts)*

		Three months ended June 30, 2012 (excluding special items)	Three months ended March 31, 2012 (excluding special items)	Pro Forma* Three months ended June 30, 2011 (excluding special items)
Net income	\$	218	243	246
Add back:				
Amortization of customer base intangibles:				
Qwest		244	244	260
Embarq		39	39	44
Savvis		14	15	20
Amortization of trademark intangibles:				
Qwest		16	18	21
Savvis		3	2	2
Amortization of fair value adjustment of long-term debt:				
Embarq		1	1	1
Qwest		(20)	(28)	(67)
Subtotal		297	291	281
Tax effect of above items		(112)	(111)	(99)
Net adjustment, after taxes		185	180	182
Net income, as adjusted for above items	\$	403	423	428
Weighted average diluted shares outstanding		621.8	620.4	614.5
Diluted EPS (excluding special items)	\$	0.35	0.39	0.40
Adjusted diluted EPS as adjusted for purchase accounting intangible and interest amortizations (excluding special items)	\$	0.65	0.68	0.69

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 (which includes Qwest for the entire second quarter 2011) and Savvis assuming Savvis' 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 amortization of the fair value preliminarily assigned to intangible assets (primarily customer relationship); (iii) adjustments to depreciation to reflect the fair value preliminarily assigned to property, plant and equipment; (iv) adjustments to interest expense to reflect acquisition date financing and (v) 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 Savvis merger had been consummated as of January 1, 2010.