

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

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

	Three months ended September 30, 2012			Three months ended September 30, 2011			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	\$ 2,101		2,101	1,960		1,960	7.2%	7.2%
Legacy	2,045		2,045	2,223		2,223	(8.0%)	(8.0%)
Data integration	168		168	166		166	1.2%	1.2%
Other	257		257	247		247	4.0%	4.0%
	<u>4,571</u>	<u>-</u>	<u>4,571</u>	<u>4,596</u>	<u>-</u>	<u>4,596</u>	<u>(0.5%)</u>	<u>(0.5%)</u>
<b>OPERATING EXPENSES</b>								
Cost of services and products	1,943	4 (1)	1,939	1,950	20 (5)	1,930	(0.4%)	0.5%
Selling, general and administrative	748	15 (1)	733	870	89 (5)	781	(14.0%)	(6.1%)
Depreciation and amortization	1,144	(45) (2)	1,189	1,228		1,228	(6.8%)	(3.2%)
	<u>3,835</u>	<u>(26)</u>	<u>3,861</u>	<u>4,048</u>	<u>109</u>	<u>3,939</u>	<u>(5.3%)</u>	<u>(2.0%)</u>
OPERATING INCOME	736	26	710	548	(109)	657	34.3%	8.1%
<b>OTHER INCOME (EXPENSE)</b>								
Interest expense	(326)		(326)	(324)		(324)	0.6%	0.6%
Other income (expense)	12	6 (3)	6	7		7	71.4%	(14.3%)
Income tax expense	(152)	1 (4)	(153)	(93)	39 (6)	(132)	63.4%	15.9%
NET INCOME	<u>\$ 270</u>	<u>33</u>	<u>237</u>	<u>138</u>	<u>(70)</u>	<u>208</u>	<u>95.7%</u>	<u>13.9%</u>
BASIC EARNINGS PER SHARE	\$ 0.43	0.05	0.38	0.22	(0.12)	0.34	95.5%	11.8%
DILUTED EARNINGS PER SHARE	\$ 0.43	0.05	0.38	0.22	(0.12)	0.34	95.5%	11.8%
<b>AVERAGE SHARES OUTSTANDING</b>								
Basic	621,148		621,148	612,277		612,277	1.4%	1.4%
Diluted	623,296		623,296	613,686		613,686	1.6%	1.6%
DIVIDENDS PER COMMON SHARE	\$ 0.725		0.725	0.725		0.725	-	-

**SPECIAL ITEMS**

- (1) - Includes severance costs associated with recent reduction in force initiatives (\$2 million), integration, severance, and retention costs associated with our acquisition of Qwest (\$16 million) and integration, severance, and retention costs associated with our acquisition of Savvis (\$4 million); partially offset with a \$3 million credit related to tax incentives for the Embarq integration.
- (2) - Out-of-period depreciation adjustment (\$45 million) to correct an overstatement of depreciation in prior quarters.
- (3) - Gain on the sale of a non-operating investment (\$6 million).
- (4) - Income tax expense of Items (1) through (3) (\$12 million) and benefit from the reversal of a valuation allowance \$11 million.
- (5) - Includes integration, severance, and retention costs associated with our acquisition of Qwest, along with restructuring charges (\$65 million); integration and severance costs associated with our acquisition of Embarq (\$24 million); and transaction and other costs associated with our acquisition of Savvis (\$20 million).
- (6) - Income tax benefit of Item (5).

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

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

	Nine months ended September 30, 2012			Nine months ended September 30, 2011			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	\$ 6,237		6,237	4,229		4,229	47.5%	47.5%
Legacy	6,284		6,284	5,494		5,494	14.4%	14.4%
Data integration	483		483	349		349	38.4%	38.4%
Other	789		789	626		626	26.0%	26.0%
	<u>13,793</u>	<u>-</u>	<u>13,793</u>	<u>10,698</u>	<u>-</u>	<u>10,698</u>	28.9%	28.9%
<b>OPERATING EXPENSES</b>								
Cost of services and products	5,732	25 (1)	5,707	4,357	60 (5)	4,297	31.6%	32.8%
Selling, general and administrative	2,454	111 (1)	2,343	2,075	344 (5)	1,731	18.3%	35.4%
Depreciation and amortization	3,560	(30) (2)	3,590	2,774		2,774	28.3%	29.4%
	<u>11,746</u>	<u>106</u>	<u>11,640</u>	<u>9,206</u>	<u>404</u>	<u>8,802</u>	27.6%	32.2%
<b>OPERATING INCOME</b>	2,047	(106)	2,153	1,492	(404)	1,896	37.2%	13.6%
<b>OTHER INCOME (EXPENSE)</b>								
Interest expense	(1,004)		(1,004)	(732)	5 (6)	(737)	37.2%	36.2%
Other income (expense)	(167)	(183) (3)	16	(4)	(16) (7)	12	4075.0%	33.3%
Income tax expense	(332)	126 (4)	(458)	(292)	163 (8)	(455)	13.7%	0.7%
<b>NET INCOME</b>	<u>\$ 544</u>	<u>(163)</u>	<u>707</u>	<u>464</u>	<u>(252)</u>	<u>716</u>	17.2%	(1.3%)
<b>BASIC EARNINGS PER SHARE</b>	\$ 0.88	(0.26)	1.14	0.91	(0.50)	1.41	(3.3%)	(19.1%)
<b>DILUTED EARNINGS PER SHARE</b>	\$ 0.87	(0.26)	1.13	0.91	(0.50)	1.41	(4.4%)	(19.9%)
<b>AVERAGE SHARES OUTSTANDING</b>								
Basic	619,748		619,748	504,919		504,919	22.7%	22.7%
Diluted	621,828		621,828	506,063		506,063	22.9%	22.9%
<b>DIVIDENDS PER COMMON SHARE</b>	\$ 2.175		2.175	2.175		2.175	-	-

**SPECIAL ITEMS**

- (1) - Includes severance costs associated with recent reduction in force initiatives (\$68 million), integration, severance, and retention costs associated with our acquisition of Qwest (\$62 million) and integration, severance, and retention costs associated with our acquisition of Savvis (\$9 million); partially offset with a \$3 million credit related to tax incentives for the Embarq integration.
- (2) - Out-of-period depreciation adjustment (\$30 million) to correct an overstatement of depreciation in prior quarters.
- (3) - Net loss associated with early retirement of debt (\$194 million), partially offset by a gain on the sale of a non-operating investment \$11 million.
- (4) - Income tax benefit of Items (1) through (3) and benefit from the reversal of a valuation allowance (\$11 million).
- (5) - Includes integration, severance, and retention costs associated with our acquisition of Qwest, along with restructuring charges (\$316 million); integration and severance costs associated with our acquisition of Embarq (\$79 million); transaction and other costs associated with our acquisition of Savvis (\$22 million); net of a favorable settlement of an operating tax issue \$13 million.
- (6) - Reflects the interest component of a favorable settlement of an operating tax issue.
- (7) - Expense associated with terminating a bridge credit facility related to the Savvis acquisition.
- (8) - Income tax benefit of Items (5) through (7) 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 September 30, 2012			Three months ended September 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	\$ 736	26	(1) 710	548	(109)	(3) 657
Add: Depreciation and amortization	1,144	(45)	(2) 1,189	1,228	-	1,228
Operating cash flow	<u>\$ 1,880</u>	<u>(19)</u>	<u>1,899</u>	<u>1,776</u>	<u>(109)</u>	<u>1,885</u>
Revenues	<u>\$ 4,571</u>	<u>-</u>	<u>4,571</u>	<u>4,596</u>	<u>-</u>	<u>4,596</u>
Operating income margin (operating income divided by revenues)	<u>16.1%</u>		<u>15.5%</u>	<u>11.9%</u>		<u>14.3%</u>
Operating cash flow margin (operating cash flow divided by revenues)	<u>41.1%</u>		<u>41.5%</u>	<u>38.6%</u>		<u>41.0%</u>
<b>Free cash flow</b>						
Operating cash flow			\$ 1,899			1,885
Less: Cash (paid) refunded for income taxes			(28)			1
Less: Cash paid for interest, net of amounts capitalized			(268)			(300)
Less: Capital expenditures (4)			(704)			(712)
Other income (expense)			6			7
Free cash flow (5)			<u>905</u>			<u>881</u>

#### SPECIAL ITEMS

- (1) - Includes severance costs associated with recent reduction in force initiatives (\$2 million), integration, severance, and retention costs associated with our acquisition of Qwest (\$16 million) and integration, severance, and retention costs associated with our acquisition of Savvis (\$4 million); partially offset with a \$45 million out-of-period depreciation adjustment and a \$3 million credit related to tax incentives for the Embarq integration.
- (2) - Out-of-period depreciation adjustment (\$45 million) to correct an overstatement of depreciation in prior quarters.
- (3) - Includes integration, severance, and retention costs associated with our acquisition of Qwest, along with restructuring charges (\$65 million); integration and severance costs associated with our acquisition of Embarq (\$24 million); transaction and other costs associated with our acquisition of Savvis (\$20 million).
- (4) - Excludes \$15 million in third quarter 2012 and \$9 million in third quarter 2011 of capital expenditures related to the integration of Embarq, Qwest and Savvis.
- (5) - Excludes special items identified in items (1) to (3) and the impact of pension contributions of \$32 million for third quarter 2012.

## CenturyLink, Inc.

### RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

(UNAUDITED)

(Dollars in millions)

	Nine months ended September 30, 2012			Nine months ended September 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	\$ 2,047	(106)	(1) 2,153	1,492	(404)	(3) 1,896
Add: Depreciation and amortization	3,560	(30)	(2) 3,590	2,774	-	2,774
Operating cash flow	<u>\$ 5,607</u>	<u>(136)</u>	<u>5,743</u>	<u>4,266</u>	<u>(404)</u>	<u>4,670</u>
Revenues	<u>\$ 13,793</u>	<u>-</u>	<u>13,793</u>	<u>10,698</u>	<u>-</u>	<u>10,698</u>
Operating income margin (operating income divided by revenues)	<u>14.8%</u>		<u>15.6%</u>	<u>13.9%</u>		<u>17.7%</u>
Operating cash flow margin (operating cash flow divided by revenues)	<u>40.7%</u>		<u>41.6%</u>	<u>39.9%</u>		<u>43.7%</u>
<b>Free cash flow</b>						
Operating cash flow			\$ 5,743			4,670
Less: Cash (paid) refunded for income taxes			(59)			100
Less: Cash paid for interest, net of amounts capitalized			(997)			(760)
Less: Capital expenditures (4)			(1,981)			(1,485)
Other income (expense)			16			12
Free cash flow (5)			<u>2,722</u>			<u>2,537</u>

#### SPECIAL ITEMS

- (1) - Includes severance costs associated with recent reduction in force initiatives (\$68 million), integration, severance, and retention costs associated with our acquisition of Qwest (\$62 million) and integration, severance, retention costs associated with our acquisition of Savvis (\$9 million); partially offset with a \$30 million out-of-period depreciation adjustment and a \$3 million credit related to tax incentives for the Embarq integration.
- (2) - Our-of-period depreciation adjustment (\$30 million) to correct an overstatement of depreciation in prior quarters.
- (3) - Includes integration, severance, and retention costs associated with our acquisition of Qwest, along with restructuring charges (\$316 million); integration and severance costs associated with our acquisition of Embarq (\$79 million); transaction and other costs associated with our acquisition of Savvis (\$22 million); net of a favorable settlement of an operating tax issue \$13 million.
- (4) - Excludes \$43 million for the nine months ended September 30, 2012 and \$26 million for the nine months ended September 30, 2011 of capital expenditures related to the integration of Embarq, Qwest and Savvis.
- (5) - Excludes (i) special items identified in items (1) to (3) and (ii) the impact of pension contributions of \$32 million for the nine months ended September 30, 2012 and \$100 million for the nine months ended September 30, 2011.

**CenturyLink, Inc.**

SUPPLEMENTAL NON-GAAP INFORMATION - ADJUSTED DILUTED EPS

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

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

		Three months ended September 30, 2012 (excluding special items)	Three months ended June 30, 2012 (excluding special items)	Pro Forma* Three months ended September 30, 2011 (excluding special items)
Net income **	\$	237	218	204
Add back:				
Amortization of customer base intangibles:				
Qwest		241	244	257
Embarq		34	39	39
Savvis		15	14	20
Amortization of trademark intangibles:				
Qwest		15	16	20
Savvis		2	3	2
Amortization of fair value adjustment of long-term debt:				
Embarq		1	1	1
Qwest		(20)	(20)	(56)
Subtotal		288	297	283
Tax effect of above items		(112)	(112)	(110)
Net adjustment, after taxes		176	185	173
Net income, as adjusted for above items	\$	413	403	377
Weighted average diluted shares outstanding		623.3	621.8	616.6
Diluted EPS (excluding special items)	\$	0.38	0.35	0.33
Adjusted diluted EPS as adjusted for the above-listed purchase accounting intangible and interest amortizations (excluding special items)	\$	0.66	0.65	0.61

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 third quarter 2011) and Savvis assuming Savvis' results of operations had been combined as of January 1, 2010. Pro forma adjustments include (i) the amortization of the fair value assigned to intangible assets (primarily customer relationship); (ii) adjustments to depreciation to reflect the fair value assigned to property, plant and equipment; and (iii) 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.

\*\*See preceding schedule for a summary description of special items.