CenturyLink, Inc.

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

	Three months ended December 31, 2012			Three months ended December 31, 2011				
	As reported	Less special items	As adjusted excluding special items (Non-GAAP)	As reported	Less special items	As adjusted excluding special items (Non-GAAP)	Increase (decrease) as reported	Increase (decrease) excluding special items
OPERATING REVENUES								
Strategic	$ 2,124		2,124	2,033		2,033	4.5%	4.5%
Legacy	2,003		2,003	2,178		2,178	(8.0%)	(8.0%)
Data integration	189		189	188		188	0.5%	0.5%
Other	267		267	254		254	5.1%	5.1%
	4,583	-	4,583	4,653	-	4,653	(1.5%)	(1.5%)
OPERATING EXPENSES								
Cost of services and products	1,907	9 (1)	1,898	1,968	10 (4)	1,958	(3.1%)	(3.1%)
Selling, general and administrative	790	18 (1)	772	900	51 (4)	849	(12.2%)	(9.1%)
Depreciation and amortization	1,220		1,220	1,252		1,252	(2.6%)	(2.6%)
	3,917	27	3,890	4,120	61	4,059	(4.9%)	(4.2%)
OPERATING INCOME	666	(27)	693	533	(61)	594	25.0%	16.7%
OTHER INCOME (EXPENSE)								
Interest expense	(315)		(315)	(340)		(340)	(7.4%)	(7.4%)
Other income (expense)	23	18 (2)	5	(1)	(6) (5)	5	(2400.0%)	0.0%
Income tax expense	(141)	2 (3)	(143)	(83)	25 (6)	(108)	69.9%	32.4%
NET INCOME	$ 233	(7)	240	109	(42)	151	113.8%	58.9%
BASIC EARNINGS PER SHARE	$ 0.37	(0.01)	0.39	0.18	(0.07)	0.24	105.6%	62.5%
DILUTED EARNINGS PER SHARE	$ 0.37	(0.01)	0.38	0.18	(0.07)	0.24	105.6%	58.3%
AVERAGE SHARES OUTSTANDING								
Basic	621,578		621,578	616,575		616,575	0.8%	0.8%
Diluted	623,654		623,654	618,510		618,510	0.8%	0.8%
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 ($13 million), integration, severance and retention costs associated with our acquisition of Qwest ($9 million) and integration, severance, and retention costs associated with our acquisition of Savvis ($5 million).

(2) - Gain on the sale of non-operating investments ($3 million) and early retirement of debt ($15 million).

(3) - Income tax benefit of Items (1) and (2) and effect of rate adjustment on first three quarters of year.

(4) - Includes integration, severance, and retention costs associated with our acquisition of Qwest, along with restructuring charges ($55 million); integration and severance costs associated with our acquisition of Embarq ($2 million); and transaction and other costs associated with our acquisition of Savvis ($4 million).

(5) - Cost associated with early retirement of Qwest debt.

(6) - Income tax benefit of Items (4) and (5).

CenturyLink, Inc.

CONSOLIDATED STATEMENTS OF INCOME

TWELVE MONTHS ENDED DECEMBER 31, 2012 AND 2011

(UNAUDITED)

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

	Twelve months ended December 31, 2012				Twelve months ended December 31, 2011					
	As reported	Less special items		As adjusted excluding special items (Non-GAAP)	As reported	Less special items		As adjusted excluding special items (Non-GAAP)	Increase (decrease) as reported	Increase (decrease) excluding special items
OPERATING REVENUES										
Strategic	$ 8,361			8,361	6,262			6,262	33.5%	33.5%
Legacy	8,287			8,287	7,672			7,672	8.0%	8.0%
Data integration	672			672	537			537	25.1%	25.1%
Other	1,056			1,056	880			880	20.0%	20.0%
	18,376	-		18,376	15,351	-		15,351	19.7%	19.7%
OPERATING EXPENSES										
Cost of services and products	7,639	34	(1)	7,605	6,325	70	(5)	6,255	20.8%	21.6%
Selling, general and administrative	3,244	129	(1)	3,115	2,975	395	(5)	2,580	9.0%	20.7%
Depreciation and amortization	4,780	(30)	(2)	4,810	4,026			4,026	18.7%	19.5%
	15,663	133		15,530	13,326	465		12,861	17.5%	20.8%
OPERATING INCOME	2,713	(133)		2,846	2,025	(465)		2,490	34.0%	14.3%
OTHER INCOME (EXPENSE)										
Interest expense	(1,319)			(1,319)	(1,072)	5	(6)	(1,077)	23.0%	22.5%
Other income (expense)	(144)	(165)	(3)	21	(5)	(22)	(7)	17	2780.0%	23.5%
Income tax expense	(473)	128	(4)	(601)	(375)	188	(8)	(563)	26.1%	6.7%
NET INCOME	$ 777	(170)		947	573	(294)		867	35.6%	9.2%
BASIC EARNINGS PER SHARE	$ 1.25	(0.27)		1.52	1.07	(0.55)		1.62	16.8%	(6.2%)
DILUTED EARNINGS PER SHARE	$ 1.25	(0.27)		1.52	1.07	(0.55)		1.62	16.8%	(6.2%)
AVERAGE SHARES OUTSTANDING										
Basic	620,205			620,205	532,780			532,780	16.4%	16.4%
Diluted	622,285			622,285	534,121			534,121	16.5%	16.5%
DIVIDENDS PER COMMON SHARE	$ 2.90			2.90	2.90			2.90	-	-

SPECIAL ITEMS

(1) - Includes severance costs associated with recent reduction in force initiatives ($81 million), integration, severance, and retention costs associated with our acquisition of Qwest ($71 million) and integration, severance, and retention costs associated with our acquisition of Savvis ($14 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.

(3) - Net loss associated with early retirement of debt ($179 million), partially offset by gains on the sales of non-operating investments $14 million.

(4) - Income tax benefit of Items (1) through (3) and benefit from the reversal of a valuation allowance ($14 million).

(5) - Includes integration, severance, and retention costs associated with our acquisition of Qwest, along with restructuring charges ($371 million); integration and severance costs associated with our acquisition of Embarq ($81 million); and transaction and other costs associated with our acquisition of Savvis ($26 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 ($16 million) and costs associated with early retirement of Qwest debt ($6 million).

(8) - Income tax benefit of Items (5) through (7) and a benefit from the reduction of a valuation allowance ($14 million).

CenturyLink, Inc.

ADJUSTED AND PRO FORMA STATEMENTS OF INCOME - NON-GAAP
TWELVE MONTHS ENDED DECEMBER 31, 2012 AND PRO FORMA TWELVE MONTHS ENDED DECEMBER 31, 2011
(UNAUDITED)
(Dollars in millions, except per share amounts, shares in thousands)

	Twelve months ended December 31, 2012 (excluding special items)(1)	Pro forma* Twelve months ended December 31, 2011 (excluding special items)(1)
OPERATING REVENUES		
Strategic services	$ 8,361	7,995
Legacy services	8,287	9,037
Data integration	672	658
Other	1,056	1,002
	18,376	18,692
OPERATING EXPENSES		
Cash expenses	10,720 (A)	10,910 (B)
Depreciation and amortization	4,810	4,953
	15,530	15,863
OPERATING INCOME	2,846	2,829
OTHER INCOME (EXPENSE)		
Interest expense	(1,319)	(1,331) (C)
Other income (expense)	21 (D)	22 (E)
Income tax expense	(601) (F)	(613) (F)
NET INCOME	$ 947	907
DILUTED EARNINGS PER SHARE	$ 1.52	1.46
WEIGHTED AVERAGE DILUTED SHARES OUTSTANDING	622,285	615,800
OPERATING CASH FLOW		
Operating income	$ 2,846	2,829
Add: Depreciation and amortization	4,810	4,953
Operating cash flow	$ 7,656	7,782

*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 amortization of the fair value assigned to intangible assets (primarily customer relationship); (iii) adjustments to depreciation to reflect the fair value 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 Qwest and Savvis mergers had been consummated as of January 1, 2010.

(1) **Summary description of special items for 2012 and 2011 excluded from above schedule:**

(A) Excludes severance costs associated with recent reduction in force initiatives ($81 million), integration, severance, and retention costs associated with our acquisition of Qwest ($71 million) and integration, severance and retention costs associated with our acquisition of Savvis ($14 million); partially offset with a $3 million credit related to tax incentives for the Embarq acquisition.

(B) Excludes integration and severance costs associated with the Qwest and Embarq acquisitions incurred by CenturyLink; realignment, severance and merger related costs incurred by Qwest; and merger related costs incurred by Savvis ($482 million).

(C) Excludes the interest component of a favorable settlement of an operating tax issue ($5 million).

(D) Excludes net loss associated with early retirement of debt ($179 million); partially offset by gains on the sales of non-operating investments $14 million.

(E) Excludes expense associated with terminating a bridge credit facility related to the Savvis acquisition ($16 million) and costs associated with early retirement of Qwest debt ($6 million).

(F) Excludes tax effect of above items (A) to (E) and a benefit from the reduction of a valuation allowance ($14 million) in 2012 and ($14 million) in 2011.

CenturyLink, Inc.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

(UNAUDITED)

(Dollars in millions)

	Three months ended December 31, 2012				Three months ended December 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	$ 666	(27)	(1)	693	533	(61)	(2)	594
Add: Depreciation and amortization	1,220	-		1,220	1,252	-		1,252
Operating cash flow	$ 1,886	(27)		1,913	1,785	(61)		1,846
Revenues	$ 4,583	-		4,583	4,653	-		4,653
Operating income margin (operating income divided by revenues)	14.5%			15.1%	11.5%			12.8%
Operating cash flow margin (operating cash flow divided by revenues)	41.2%			41.7%	38.4%			39.7%
Free cash flow								
Operating cash flow				$ 1,913				1,846
Less: Cash (paid) refunded for income taxes				(23)				25
Less: Cash paid for interest, net of amounts capitalized				(408)				(465)
Less: Capital expenditures (3)				(877)				(896)
Other income (expense)				5				5
Free cash flow (4)				610				515

SPECIAL ITEMS

(1) - Includes severance costs associated with recent reduction in force initiatives ($13 million), integration, severance, and retention costs associated with our acquisition of Qwest ($9 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 ($55 million); integration and severance costs associated with our acquisition of Embarq ($2 million); transaction and other costs associated with our acquisition of Savvis ($4 million).

(3) - Excludes $18 million in fourth quarter 2012 and $4 million in fourth quarter 2011 of capital expenditures related to the integration of Embarq, Qwest and Savvis.

(4) - Excludes special items identified in items (1) and (2) and the impact of pension contributions of $487 million for fourth quarter 2011.

CenturyLink, Inc.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

(UNAUDITED)

(Dollars in millions)

	Twelve months ended December 31, 2012				Twelve months ended December 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	$ 2,713	(133)	(1)	2,846	2,025	(465)	(3)	2,490
Add: Depreciation and amortization	4,780	(30)	(2)	4,810	4,026	-		4,026
Operating cash flow	$ 7,493	(163)		7,656	6,051	(465)		6,516
Revenues	$ 18,376	-		18,376	15,351	-		15,351
Operating income margin (operating income divided by revenues)	14.8%			15.5%	13.2%			16.2%
Operating cash flow margin (operating cash flow divided by revenues)	40.8%			41.7%	39.4%			42.4%
Free cash flow								
Operating cash flow				$ 7,656				6,516
Less: Cash (paid) refunded for income taxes				(82)				118
Less: Cash paid for interest, net of amounts capitalized				(1,405)				(1,225)
Less: Capital expenditures (4)				(2,858)				(2,381)
Other income (expense)				21				17
Free cash flow (5)				3,332				3,045

SPECIAL ITEMS

(1) - Includes severance costs associated with recent reduction in force initiatives ($81 million), integration, severance, and retention costs associated with our acquisition of Qwest ($71 million) and integration, severance and retention costs associated with our acquisition of Savvis ($14 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) - Out-of-period depreciation adjustment ($30 million) to correct an overstatement of depreciation.

(3) - Includes integration, severance, and retention costs associated with our acquisition of Qwest, along with restructuring charges ($371 million); integration and severance costs associated with our acquisition of Embarq ($81 million); transaction and other costs associated with our acquisition of Savvis ($26 million); net of a favorable settlement of an operating tax issue $13 million.

(4) - Excludes $61 million for the twelve months ended December 31, 2012 and $30 million for the twelve months ended December 31, 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 twelve months ended December 31, 2012 and $587 million for the twelve months ended December 31, 2011.

CenturyLink, Inc.

SUPPLEMENTAL NON-GAAP INFORMATION - ADJUSTED DILUTED EPS
THREE MONTHS ENDED DECEMBER 31, 2012, SEPTEMBER 30, 2012 AND DECEMBER 31, 2011
(UNAUDITED)
(Dollars in millions, except per share amounts)

		Three months ended December 31, 2012 (excluding special items)	Three months ended September 30, 2012 (excluding special items)	Three months ended December 31, 2011 (excluding special items)
Net income *	$	240	237	151
Add back:				
Amortization of customer base intangibles:				
Qwest		237	241	253
Embarq		34	34	39
Savvis		15	15	20
Amortization of trademark intangibles:				
Qwest		14	15	19
Savvis		2	2	2
Amortization of fair value adjustment of long-term debt:				
Embarq		1	1	-
Qwest		(18)	(20)	(31)
Subtotal		285	288	302
Tax effect of above items		(110)	(112)	(110)
Net adjustment, after taxes		175	176	192
Net income, as adjusted for above items	$	415	413	343
Weighted average diluted shares outstanding		623.7	623.3	618.5
Diluted EPS (excluding special items)	$	0.38	0.38	0.24
Adjusted diluted EPS as adjusted for the above-listed purchase accounting intangible and interest amortizations (excluding special items)	$	0.67	0.66	0.55

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.

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

Century Link, Inc.

SUPPLEMENTAL NON-GAAP INFORMATION - ADJUSTED DILUTED EPS
TWELVE MONTHS ENDED DECEMBER 31 AND DECEMBER 31, 2011
(UNAUDITED)
(Dollars in millions, except per share amounts)

		Twelve months ended December 31, 2012 (excluding special items)	Pro Forma* Twelve months ended December 31, 2011 (excluding special items)
Net income **	$	947	907
Add back:			
Amortization of customer base intangibles:			
Qwest		966	1,016
Embarq		146	166
Savvis		59	80
Amortization of trademark intangibles:			
Qwest		63	76
Savvis		9	8
Amortization of fair value adjustment of long-term debt:			
Embarq		4	3
Qwest		(86)	(198)
Subtotal		1,161	1,151
Tax effect of above items		(445)	(426)
Net adjustment, after taxes		716	725
Net income, as adjusted for above items	$	1,663	1,632
Weighted average diluted shares outstanding		622.3	615.8
Diluted EPS (excluding special items)	$	1.52	1.46
Adjusted diluted EPS as adjusted for the above-listed purchase accounting intangible and interest amortizations (excluding special items)	$	2.67	2.64

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 amortization of the fair value assigned to intangible assets (primarily customer relationship); (iii) adjustments to depreciation to reflect the fair value 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 Qwest and Savvis mergers had been consummated as of January 1, 2010.

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