

**CenturyLink, Inc.**  
CONSOLIDATED STATEMENTS OF INCOME  
THREE MONTHS ENDED MARCH 31, 2013 AND 2012  
(UNAUDITED)

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

	Three months ended March 31, 2013			Three months ended March 31, 2012			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	\$ 2,142		2,142	2,058		2,058	4.1%	4.1%
Legacy	1,974		1,974	2,141		2,141	(7.8%)	(7.8%)
Data integration	140		140	145		145	(3.4%)	(3.4%)
Other	257		257	266		266	(3.4%)	(3.4%)
	<u>4,513</u>	<u>-</u>	<u>4,513</u>	<u>4,610</u>	<u>-</u>	<u>4,610</u>	(2.1%)	(2.1%)
<b>OPERATING EXPENSES</b>								
Cost of services and products	1,796	2 (1)	1,794	1,877	12 (4)	1,865	(4.3%)	(3.8%)
Selling, general and administrative	818	32 (1)	786	871	70 (4)	801	(6.1%)	(1.9%)
Depreciation and amortization	1,117		1,117	1,208		1,208	(7.5%)	(7.5%)
	<u>3,731</u>	<u>34</u>	<u>3,697</u>	<u>3,956</u>	<u>82</u>	<u>3,874</u>	(5.7%)	(4.6%)
OPERATING INCOME	782	(34)	816	654	(82)	736	19.6%	10.9%
<b>OTHER INCOME (EXPENSE)</b>								
Interest expense	(316)		(316)	(343)		(343)	(7.9%)	(7.9%)
Other income (expense)	39	37 (2)	2	20	13 (5)	7	95.0%	(71.4%)
Income tax expense	(207)	(8) (3)	(199)	(131)	26 (6)	(157)	58.0%	26.8%
NET INCOME	<u>\$ 298</u>	<u>(5)</u>	<u>303</u>	<u>200</u>	<u>(43)</u>	<u>243</u>	49.0%	24.7%
BASIC EARNINGS PER SHARE	\$ 0.48	(0.01)	0.49	0.32	(0.07)	0.39	50.0%	25.6%
DILUTED EARNINGS PER SHARE	\$ 0.48	(0.01)	0.49	0.32	(0.07)	0.39	50.0%	25.6%
<b>AVERAGE SHARES OUTSTANDING</b>								
Basic	619,423		619,423	618,208		618,208	0.2%	0.2%
Diluted	621,074		621,074	620,350		620,350	0.1%	0.1%
DIVIDENDS PER COMMON SHARE	\$ 0.540		0.540	0.725		0.725	(25.5%)	(25.5%)

**SPECIAL ITEMS**

- (1) - Includes severance costs associated with recent headcount reductions (\$7 million), integration, severance and retention costs associated with our acquisition of Qwest (\$7 million), integration, severance, retention costs associated with our acquisition of Savvis (\$3 million) and an accounting adjustment (\$17 million).
- (2) - Gain on the sale of a non-operating investment (\$32 million) and settlements of other non-operating issues (\$5 million).
- (3) - Income tax expense of Items (1) and (2).
- (4) - Includes severance costs associated with reduction in force 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).
- (5) - Gain associated with early retirement of debt (\$8 million) and gain on the sale of investment securities (\$5 million).
- (6) - Income tax benefit of Items (4) and (5).

**CenturyLink, Inc.**  
RECONCILIATION OF NON-GAAP FINANCIAL MEASURES  
(UNAUDITED)  
(Dollars in millions)

	Three months ended March 31, 2013			Three months ended March 31, 2012		
	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	\$ 782	(34)	(1) 816	654	(82)	(2) 736
Add: Depreciation and amortization	1,117	-	1,117	1,208	-	1,208
Operating cash flow	<u>\$ 1,899</u>	<u>(34)</u>	<u>1,933</u>	<u>1,862</u>	<u>(82)</u>	<u>1,944</u>
Revenues	\$ 4,513	-	4,513	4,610	-	4,610
Operating income margin (operating income divided by revenues)	<u>17.3%</u>		<u>18.1%</u>	<u>14.2%</u>		<u>16.0%</u>
Operating cash flow margin (operating cash flow divided by revenues)	<u>42.1%</u>		<u>42.8%</u>	<u>40.4%</u>		<u>42.2%</u>
<b>Free cash flow</b>						
Operating cash flow			\$ 1,933			1,944
Less: Cash paid for income taxes			(8)			(1)
Less: Cash paid for interest, net of amounts capitalized			(265)			(244)
Less: Capital expenditures (3)			(656)			(668)
Other income			2			7
Free cash flow (4)			<u>1,006</u>			<u>1,038</u>

**SPECIAL ITEMS**

- (1) - Includes severance costs associated with recent headcount reductions (\$7 million), integration, severance and retention costs associated with our acquisition of Qwest (\$7 million), integration, severance, retention costs associated with our acquisition of Savvis (\$3 million) and an accounting adjustment (\$17 million).
- (2) - Includes severance costs associated with reduction in force 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).
- (3) - Excludes \$7 million in first quarter 2013 and \$10 million in first quarter 2012 of capital expenditures related to the integration of Embarq, Qwest and Savvis.
- (4) - Excludes special items identified in items (1) and (2).

**CenturyLink, Inc.**  
SUPPLEMENTAL NON-GAAP INFORMATION - ADJUSTED DILUTED EPS  
THREE MONTHS ENDED MARCH 31, 2013, DECEMBER 31, 2012 AND MARCH 31, 2012  
(UNAUDITED)  
(Dollars in millions, except per share amounts)

	<u>Three months ended March 31, 2013 (excluding special items)</u>	<u>Three months ended March 31, 2012 (excluding special items)</u>
Net income *	\$ 303	243
Add back:		
Amortization of customer base intangibles:		
Qwest	234	244
Embarq	34	39
Savvis	15	15
Amortization of trademark intangibles:		
Qwest	12	18
Savvis	2	2
Amortization of fair value adjustment of long-term debt:		
Embarq	1	1
Qwest	(17)	(28)
Subtotal	<u>281</u>	<u>291</u>
Tax effect of above items	<u>(109)</u>	<u>(111)</u>
Net adjustment, after taxes	<u>172</u>	<u>180</u>
Net income, as adjusted for above items	\$ 475	423
Weighted average diluted shares outstanding	621.1	620.4
Diluted EPS (excluding special items)	\$ 0.49	0.39
Adjusted diluted EPS as adjusted for the above-listed purchase accounting intangible and interest amortizations (excluding special items)	\$ 0.76	0.68

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 schedules for a summary description of special items.