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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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**FORM 8-K**

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**CURRENT REPORT**

**Pursuant to Section 13 or 15(d) of  
the Securities Exchange Act of 1934**

**Date of report (Date of earliest event reported): February 13, 2013**

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**CENTURYLINK, INC.**

(Exact Name of registrant as specified in its charter)

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**Louisiana**  
(State or other jurisdiction  
of incorporation)

**001-7784**  
(Commission  
File Number)

**72-0651161**  
(IRS Employer  
Identification No.)

**100 CenturyLink Drive**  
**Monroe, Louisiana**  
(Address of principal executive offices)

**71203**  
(Zip Code)

**(318) 388-9000**  
(Registrant's telephone number, including area code)

**N/A**  
(Former name or former address, if changed since last report)

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**Item 2.02. Results of Operations and Financial Condition.**

On February 13, 2013, CenturyLink, Inc. (“CenturyLink” or “we” or “us” or “our”) issued a press release announcing operating results for the fourth quarter and full year of 2012. This press release is included as Exhibit 99.1.

**Item 8.01. Other Events.**

On February 13, 2013, we issued a press release announcing changes in our capital allocation plans, including the authorization of a new stock repurchase program. This press release is included as Exhibit 99.2.

**Forward Looking Statements**

*Certain non-historical statements made in this release and future oral or written statements or press releases by us or our management are intended to be forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on current expectations only, and are subject to a number of risks, uncertainties and assumptions, many of which are beyond our control. Actual events and results may differ materially from those anticipated, estimated or projected if one or more of these risks or uncertainties materialize, or if underlying assumptions prove incorrect. Factors that could affect actual results include but are not limited to: the timing, success and overall effects of competition from a wide variety of competitive providers; the risks inherent in rapid technological change; the effects of ongoing changes in the regulation of the communications industry (including those arising out of the Federal Communications Commission’s October 27, 2011 order regarding intercarrier compensation and the Universal Service Fund, among other things); our ability to successfully negotiate collective bargaining agreements on reasonable terms without work stoppage; our ability to effectively adjust to changes in the communications industry and changes in the composition of our markets and product mix caused by our recent acquisitions; our ability to successfully integrate the recently-acquired operations into our incumbent operations, including the possibility that the anticipated benefits from these acquisitions cannot be fully realized in a timely manner or at all, or that integrating the acquired operations will be more difficult, disruptive or costly than anticipated; our ability to use the net operating loss carryovers of Qwest in projected amounts; our ability to effectively manage our expansion opportunities, including retaining and hiring key personnel; possible changes in the demand for, or pricing of, our products and services; our ability to successfully introduce new product or service offerings on a timely and cost-effective basis; our continued access to credit markets on favorable terms; our ability to collect our receivables from financially troubled communications companies; any adverse developments in legal proceedings involving us; our ability to pay common share dividends in amounts previously indicated, which may be affected by changes in our cash requirements, capital spending plans, cash flows or financial position; unanticipated increases or other changes in our future cash requirements, whether caused by unanticipated increases in capital expenditures, increases in pension funding requirements or otherwise; our ability to successfully negotiate collective bargaining agreements on reasonable terms without work stoppages; the effects of adverse weather; other risks referenced from time to time in our filings with the Securities and Exchange Commission (the “SEC”); and the effects of more general factors such as changes in interest rates, in tax rates, in accounting policies or practices, in operating, medical, pension or administrative costs, in general market, labor or economic conditions, or in legislation, regulation or public policy. These and other uncertainties related to our business and our recent acquisitions are described in greater detail in Item 1A to our Form 10-Q for the quarter ended September 30, 2012, as updated and supplemented by our subsequent SEC reports. You should be aware that new factors may emerge from time to time and it is not possible for us to identify all such factors nor can we predict the impact of each such factor on the business or the extent to which any one or more factors may cause actual results to differ from those reflected in any forward-looking statements. You are further cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this release. We undertake no obligation to update any of our forward-looking statements for any reason.*

**Item 9.01. Financial Statements and Exhibits.****(d) Exhibits**

The exhibit to this current report on Form 8-K is listed in the Exhibit Index, which appears at the end of this report and is incorporated by reference herein.

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## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, CenturyLink has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**CenturyLink, Inc.**

Dated: February 13, 2013

By: /s/ David D. Cole

David D. Cole  
Senior Vice President—Controller  
and Operations Support

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## EXHIBIT INDEX

Exhibit No	Description
Exhibit 99.1	Press release dated February 13, 2013, reporting fourth quarter and full year of 2012 operating results.
Exhibit 99.2	Press release dated February 13, 2013, announcing changes in our capital allocation plans, including the authorization of a new stock repurchase program.

News Release

**FOR IMMEDIATE RELEASE:**

February 13, 2013

**FOR MORE INFORMATION CONTACT:**

Kristina Waugh 318.340.5627

kristina.r.waugh@centurylink.com

**CENTURYLINK REPORTS FOURTH QUARTER AND FULL-YEAR 2012 EARNINGS**

*Achieved fourth quarter operating revenues of \$4.58 billion and full-year operating revenues of \$18.4 billion, in line with guidance*

*Improved year-over-year rate of revenue decline to 1.5% in fourth quarter 2012 compared to 3.2% year-over-year decline in fourth quarter 2011*

*Realized strong growth in high-speed Internet subscribers of more than 41,000 during fourth quarter 2012*

*Achieved Adjusted Diluted EPS <sup>1</sup> of \$0.67 compared to \$0.55 in fourth quarter 2011*

*Generated Free Cash Flow <sup>1</sup> of \$610 million, excluding special items*

**MONROE, La.** – CenturyLink, Inc. (NYSE: CTL) today reported solid operating revenues, operating cash flow and free cash flow for fourth quarter and full-year 2012.

“We are pleased with our fourth quarter and full-year results, which reflect the continued execution of our strategy to focus on investing in our key growth drivers to further stabilize our top-line revenue while aligning our operating costs with revenue and growth opportunities. Our investments in broadband, Prism <sup>TM</sup> TV, fiber-to-the-tower and data hosting continue to provide a broad base of organic revenue growth opportunities and helped drive pro forma full-year operating revenue improvement to a 1.7% decline in 2012 compared to a 3.8% decline a year ago,” said Glen F. Post, III, chief executive officer and president.

“We realized solid strategic data and hosting revenue growth during 2012 driven by strong demand from our business customers for high bandwidth data services, colocation and managed services, including cloud. The December commercial launch of our new savvisdirect product, which meets the increasing demand for a simplified approach to cloud computing, reflects the combined strength of our strategic asset portfolio and employee innovation.

<sup>1</sup> See attachments for non-GAAP reconciliations.

“We remain focused on delivering innovative communications and hosted IT solutions that meet the needs of customers, and we continue to expect further improvement in our top-line revenue trend this year and to reach revenue stabilization in 2014,” Post concluded.

#### **Fourth Quarter Highlights**

- Improved year-over-year revenue trend to a 1.5% rate of decline compared to a 3.2% decline in fourth quarter 2011.
- Achieved free cash flow of \$610 million, excluding special items and integration-related capital expenditures.
- Ended fourth quarter 2012 with approximately 5.85 million high-speed Internet subscribers <sup>2</sup>; adding more than 41,000 customers in the fourth quarter.
- Improved access line loss trend during fourth quarter 2012 to a 5.7% annual decline compared to a 6.6% annual decline in fourth quarter 2011.
- Added more than 10,000 CenturyLink ® Prism <sup>TM</sup> TV subscribers in fourth quarter 2012, ending the quarter with nearly 115,000 subscribers in service.
- Generated sequential recurring revenue growth in our Enterprise Markets – Network segment.
- Opened a new data center <sup>3</sup> in Frankfurt, Germany, bringing total data centers to 54 throughout North America, Europe and Asia, with total sellable floor space of approximately 1.4 million square feet.

#### **Consolidated Fourth Quarter Financial Results**

**Operating revenues** for fourth quarter 2012 were \$4.58 billion compared to \$4.65 billion in fourth quarter 2011. This decrease was driven by lower legacy services revenues primarily due to the impact of access line losses and lower access revenues, partially offset by increases in strategic revenues resulting primarily from strong business customer demand for high-bandwidth data services, colocation and managed hosting services and growth in high-speed Internet and CenturyLink ® Prism <sup>TM</sup> TV subscribers.

**Operating expenses**, excluding special items, decreased to \$3.89 billion from \$4.06 billion in fourth quarter 2011. The year-over-year decrease was primarily due to lower personnel-related costs, professional fees and depreciation and amortization expense, which were partially offset by higher colocation and managed hosting expense and network costs.

**Operating cash flow** (as defined in our attached supplemental schedules), excluding special items, increased to \$1.91 billion from \$1.85 billion in fourth quarter 2011. This increase was primarily the result of lower personnel-related costs and professional fees being partially offset by the impact of the decline in legacy revenues. For fourth quarter 2012, CenturyLink achieved an operating cash flow margin, excluding special items, of 41.7% versus 39.7% in fourth quarter 2011.

<sup>2</sup> Effective second quarter 2012, CenturyLink modified its high-speed Internet reporting to include consumer, business and wholesale subscribers instead of only consumer and small business subscribers.

<sup>3</sup> We define a “data center” as any facility where we market, sell and deliver either colocation services or multi-tenant managed services, or both.

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### **Adjusted Net Income and Adjusted Diluted Earnings Per Share (Adjusted Diluted EPS)**

Adjusted Net Income and Adjusted Diluted EPS exclude the after-tax impact of special items, the non-cash after-tax impact of the amortization of intangibles, and the non-cash after-tax impact to interest expense of the assignment of fair value to debt outstanding related to our Embarq, Qwest and Savvis acquisitions.

Excluding the items outlined above, CenturyLink's Adjusted Net Income for fourth quarter 2012 was \$415 million compared to Adjusted Net Income of \$343 million in fourth quarter 2011. Fourth quarter 2012 Adjusted Diluted EPS was \$0.67 compared to Adjusted Diluted EPS of \$0.55 in the year-ago period. See the attached schedules for additional information.

### **Full-Year Results**

For the full-year 2012, operating revenues increased to \$18.4 billion from \$15.4 billion for 2011. Operating cash flow, excluding special items, was \$7.7 billion for 2012 compared to \$6.5 billion in 2011. Net income, excluding special items, was \$947 million in 2012 compared to \$867 million in 2011. Full year 2012 earnings per share, excluding special items, was \$1.52 compared to \$1.62 for the prior year. The decrease in 2012 earnings per share compared to 2011 is due to a higher average share count in 2012. Full-year 2011 results include Qwest and Savvis operations from the April 1, 2011 and July 15, 2011 transaction closing dates, respectively.

Full-year 2012 operating revenues of \$18.4 billion declined 1.7% from operating revenues of \$18.7 billion for pro forma full-year 2011<sup>4</sup>. Operating cash flow, excluding special items, was \$7.7 billion for 2012 compared to \$7.8 billion in pro forma 2011. Adjusted Net Income, excluding special items, was \$1.66 billion in 2012 compared to \$1.63 billion in pro forma 2011. Adjusted Diluted EPS, excluding special items, was \$2.67 in 2012 compared to \$2.64 for pro forma 2011. The decline in operating revenues and operating cash flow was driven by growth in lower-margin strategic revenues being more than offset by a reduction in higher-margin legacy voice and access revenues.

### **GAAP Results – Fourth Quarter and Full-Year**

Under generally accepted accounting principles (GAAP), net income for fourth quarter 2012 was \$233 million compared to \$109 million for fourth quarter 2011, and diluted earnings per share for fourth quarter 2012 was \$0.37 compared to \$0.18 for fourth quarter 2011. Fourth quarter 2012 net income and diluted earnings per share reflect after-tax integration, severance, and retention costs associated with the Qwest and Savvis acquisitions and costs associated with reduction in force initiatives partially offset by a gain on the sale of non-operating investments and the early retirement of debt, which aggregated \$7 million (\$0.01 per share). Fourth quarter 2011 net income and diluted earnings per share reflect after-tax integration, severance, and retention costs associated with the Embarq, Qwest and Savvis acquisitions and costs associated with the early retirement of Qwest Corporation debt, which aggregated \$42 million (\$0.07 per share).

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<sup>4</sup> The pro forma figures assume we acquired Qwest and Savvis as of January 1, 2010, as explained further in the attached schedules.

Net income under GAAP for full-year 2012 was \$777 million compared to \$573 million for full-year 2011, and diluted earnings per share for full-year 2012 was \$1.25 compared to \$1.07 for full-year 2011. For details regarding the Company's special items for the three and twelve months ended December 31, 2012 and 2011, please see the accompanying financial schedules.

## **Segment Results / Highlights**

### **Regional Markets**

The Regional Markets segment realized continued strategic revenue growth driven by increased high-speed Internet and CenturyLink® Prism™ TV subscribers and higher revenue from strategic business data services.

- Strategic revenues were \$914 million in the quarter, a 3.6% increase over fourth quarter 2011.
- Generated \$2.45 billion in total revenues, a decrease of 3.9% from fourth quarter 2011, reflecting the continued decline in legacy services tempered by the impact of Access Recovery Charges implemented effective July 1, 2012 in accordance with the CAF Order <sup>5</sup>.
- Added more than 10,000 CenturyLink® Prism™ TV subscribers during fourth quarter with more than 90% attachment rate of broadband services.

### **Wholesale Markets**

The Wholesale Markets segment completed approximately 1,175 fiber-to-the-tower builds during the fourth quarter, ending the year with more than 14,700 fiber-connected towers.

- Strategic revenues of \$572 million in the quarter increased slightly compared to fourth quarter 2011, as wireless carrier bandwidth expansion and higher Ethernet sales offset declines in copper-based revenue.
- Generated \$908 million in total revenues, a decrease of 5.5% from fourth quarter 2011, reflecting the continued decline in legacy revenues primarily driven by the implementation of access rate reductions effective July 1, 2012 in accordance with the CAF Order <sup>5</sup> and lower long distance and switched access minutes of use.
- Completed more than 4,500 fiber builds in 2012 and expect to complete 4,000 to 5,000 fiber builds in 2013.

### **Enterprise Markets – Network**

The Enterprise Markets – Network segment achieved solid growth in recurring revenue sales in the fourth quarter and continues to experience solid sales momentum from enterprise and government customers.

- Strategic revenues were \$346 million in the quarter, a 7.8% increase over fourth quarter 2011, driven by strength in high-bandwidth offerings such as MPLS <sup>6</sup> and Ethernet services. Excluding the impact of private line services, the adjusted growth rate was nearly 13%.
- Generated \$671 million in total revenues, an increase of 5.7% from fourth quarter 2011, reflecting growth in high-bandwidth offerings and data integration revenues.
- Achieved recurring revenue growth of 4.5% year-over-year and the fourth straight sequential quarter of recurring revenue growth.

<sup>5</sup> Federal Communications Commission's Connect America and Intercarrier Compensation Reform Order (the CAF Order) adopted on October 27, 2011

<sup>6</sup> Multiprotocol Label Switching



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## **Enterprise Markets – Data Hosting**

The Enterprise Markets – Data Hosting segment (primarily Savvis operations) grew managed hosting (including cloud) and colocation services revenue, with strength in core managed hosting products and in the financial and consumer brands verticals.

- Operating revenues were \$292 million in the quarter, a 12.7% increase from fourth quarter 2011. Colocation revenues were \$114 million, a 9.6% increase from fourth quarter 2011, and managed hosting revenues were \$120 million, representing a 21.2% increase over the same period a year ago. Managed hosting revenues include approximately \$13 million of revenues contributed by the Ciber global IT outsourcing, or ITO, assets acquired October 15, 2012.
- Continued to expand global geographic reach in key markets with opening of new data center in Frankfurt, Germany.
- Achieved strong bookings in fourth quarter –the highest quarterly bookings level in four years.
- Launched savvisdirect<sup>7</sup>, expanding CenturyLink’s portfolio of cloud services to businesses of all sizes and announced the limited release of Savvis Symphony Cloud Storage and the availability of Savvis Symphony Database in Europe.

## **Integration Update**

During fourth quarter 2012, CenturyLink incurred pre-tax integration, severance and retention costs of \$14 million (\$9 million after-tax) related to the Qwest and Savvis acquisitions.

CenturyLink ended 2012 with an annualized operating expense synergy run rate of approximately \$480 million from the Qwest acquisition. Based on current expectations, CenturyLink anticipates exiting 2013 with approximately \$600 million in annual run-rate synergies related to the Qwest acquisition.

## **Changes in Capital Allocation Strategy**

We have announced today certain capital allocation initiatives. Please see separate press release for further detail.

## **Guidance – First Quarter 2013 and Full-Year 2013**

The Company expects first quarter 2013 revenue and operating cash flow to decrease compared to fourth quarter 2012 primarily due to the decline in legacy and data integration revenues. The Company also anticipates a decline in depreciation and amortization expense in the first quarter of 2013 driven primarily by the impact of the annual review and update of depreciation and amortization rates. This anticipated lower level of depreciation and amortization expense is expected to more than offset the decrease in operating cash flow and result in an increase in Adjusted Diluted EPS in first quarter 2013 compared to fourth quarter 2012.

<sup>7</sup> savvisdirect is CenturyLink’s highly scalable and easy-to-use cloud services platform designed for business of all sizes that is immediately accessible to business users, IT administrators and developers through an intuitive, user-friendly Web portal

CenturyLink anticipates full-year 2013 operating cash flow and free cash flow to decline from full-year 2012 primarily driven by the impact of the decline in legacy revenues, along with a lower level of incremental synergies in 2013 compared to the level of incremental synergies achieved in 2012. The Company also anticipates a decline in depreciation and amortization expense for full-year 2013 compared to full-year 2012.

**First Quarter 2013**

**Operating Revenue** \$4.46 to \$4.51 billion

**Operating Cash Flow (excl special items)** \$1.83 to \$1.88 billion

**Adjusted Diluted EPS (excl special items)** \$0.67 to \$0.72

**Full-Year 2013**

**Operating Revenue** \$18.1 to \$18.3 billion

**Annual percent change in Operating Revenue** -0.5% to -1.5%

**Operating Cash Flow (excl special items)** \$7.3 to \$7.5 billion

**Adjusted Diluted EPS (excl special items)** \$2.50 to \$2.70

**Capital Expenditures <sup>8</sup>** \$2.8 to \$3.0 billion

**Free Cash Flow (excl special items)** \$3.0 to \$3.2 billion

*All 2013 guidance figures and 2013 outlook statements included in this release (i) speak as of February 13, 2013 only, (ii) include the impact of the Ciber ITO assets acquired on October 15, 2012, (iii) exclude the potential impact of our stock buyback program separately announced today and (iv) exclude the effects of special items, future changes in regulation or accounting rules, integration expenses associated with the Qwest and Savvis acquisitions, any changes in operating or capital plans, the impact of litigation expenses or other unforeseen events or circumstances that impact our financial performance, and any future mergers, acquisitions, divestitures or other similar business transactions. See "Forward Looking Statements" below. For additional information on how we define certain of the terms used above, see the attached schedules.*

**Investor Call**

As previously announced, CenturyLink's management will host a conference call at 4:00 p.m. Central Time today, February 13, 2013. Interested parties can access the call by dialing 866-847-7859. The call will be accessible for replay through February 20, 2013, by calling 888-266-2081 and entering the access code 1601920. Investors can also listen to CenturyLink's earnings conference call and replay by accessing the Investor Relations portion of the Company's Web site at [www.centurylink.com](http://www.centurylink.com) through March 6, 2013.

<sup>8</sup> Excludes approximately \$70 million of integration-related capital expenditures

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## **Reconciliation to GAAP**

This release includes certain non-GAAP financial measures, including but not limited to operating cash flow, free cash flow, adjustments to GAAP measures to exclude the effect of special items and certain pro forma combined operating results. In addition to providing key metrics for management to evaluate the Company's performance, we believe these measurements assist investors in their understanding of period-to-period operating performance and in identifying historical and prospective trends. Reconciliations of non-GAAP financial measures to the most comparable GAAP measures are included in the attached financial schedules. Reconciliation of additional non-GAAP financial measures that may be discussed during the earnings call described below will be available in the Investor Relations portion of the Company's Web site at [www.centurylink.com](http://www.centurylink.com). Investors are urged to consider these non-GAAP measures in addition to, and not in substitution for, measures prepared in accordance with GAAP.

## **About CenturyLink**

CenturyLink is the third largest telecommunications company in the United States and is recognized as a leader in the network services market by technology industry analyst firms. The Company is a global leader in cloud infrastructure and hosted IT solutions for enterprise customers. CenturyLink provides data, voice and managed services in local, national and select international markets through its high-quality advanced fiber optic network and multiple data centers for businesses and consumers. The company also offers advanced entertainment services under the CenturyLink™ Prism™ TV and DIRECTV brands. Headquartered in Monroe, La., CenturyLink is an S&P 500 company and is included among the Fortune 500 list of America's largest corporations. For more information, visit [www.centurylink.com](http://www.centurylink.com).

## **Forward Looking Statements**

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*timely and cost-effective basis; our continued access to credit markets on favorable terms; our ability to collect our receivables from financially troubled communications companies; any adverse developments in legal proceedings involving us; our ability to pay common share dividends in amounts previously indicated, which may be affected by changes in our cash requirements, capital spending plans, cash flows or financial position; unanticipated increases or other changes in our future cash requirements, whether caused by unanticipated increases in capital expenditures, increases in pension funding requirements or otherwise; the effects of adverse weather; other risks referenced from time to time in our filings with the Securities and Exchange Commission (the “SEC”); and the effects of more general factors such as changes in interest rates, in tax rates, in accounting policies or practices, in operating, medical, pension or administrative costs, in general market, labor or economic conditions, or in legislation, regulation or public policy. These and other uncertainties related to our business and our recent acquisitions are described in greater detail in Item 1A to our Form 10-Q for the quarter ended September 30, 2012, as updated and supplemented by our subsequent SEC reports. You should be aware that new factors may emerge from time to time and it is not possible for us to identify all such factors nor can we predict the impact of each such factor on the business or the extent to which any one or more factors may cause actual results to differ from those reflected in any forward-looking statements. You are further cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this release. We undertake no obligation to update any of our forward-looking statements for any reason.*

**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			Increase (decrease)	
	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	excluding special items
<b>OPERATING REVENUES</b>								
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%
	<u>4,583</u>	<u>—</u>	<u>4,583</u>	<u>4,653</u>	<u>—</u>	<u>4,653</u>	<u>(1.5%)</u>	<u>(1.5%)</u>
<b>OPERATING EXPENSES</b>								
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%)
	<u>3,917</u>	<u>27</u>	<u>3,890</u>	<u>4,120</u>	<u>61</u>	<u>4,059</u>	<u>(4.9%)</u>	<u>(4.2%)</u>
<b>OPERATING INCOME</b>	666	(27)	693	533	(61)	594	25.0%	16.7%
<b>OTHER INCOME (EXPENSE)</b>								
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%
<b>NET INCOME</b>	<u>\$ 233</u>	<u>(7)</u>	<u>240</u>	<u>109</u>	<u>(42)</u>	<u>151</u>	<u>113.8%</u>	<u>58.9%</u>
<b>BASIC EARNINGS PER SHARE</b>	\$ 0.37	(0.01)	0.39	0.18	(0.07)	0.24	105.6%	62.5%
<b>DILUTED EARNINGS PER SHARE</b>	\$ 0.37	(0.01)	0.38	0.18	(0.07)	0.24	105.6%	58.3%
<b>AVERAGE SHARES OUTSTANDING</b>								
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%
<b>DIVIDENDS PER COMMON SHARE</b>	\$ 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
<b>OPERATING REVENUES</b>								
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%
	<u>18,376</u>	<u>—</u>	<u>18,376</u>	<u>15,351</u>	<u>—</u>	<u>15,351</u>	<u>19.7%</u>	<u>19.7%</u>
<b>OPERATING EXPENSES</b>								
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%
	<u>15,663</u>	<u>133</u>	<u>15,530</u>	<u>13,326</u>	<u>465</u>	<u>12,861</u>	<u>17.5%</u>	<u>20.8%</u>
<b>OPERATING INCOME</b>	2,713	(133)	2,846	2,025	(465)	2,490	34.0%	14.3%
<b>OTHER INCOME (EXPENSE)</b>								
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%
<b>NET INCOME</b>	<u>\$ 777</u>	<u>(170)</u>	<u>947</u>	<u>573</u>	<u>(294)</u>	<u>867</u>	<u>35.6%</u>	<u>9.2%</u>
<b>BASIC EARNINGS PER SHARE</b>	\$ 1.25	(0.27)	1.52	1.07	(0.55)	1.62	16.8%	(6.2%)
<b>DILUTED EARNINGS PER SHARE</b>	\$ 1.25	(0.27)	1.52	1.07	(0.55)	1.62	16.8%	(6.2%)
<b>AVERAGE SHARES OUTSTANDING</b>								
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%
<b>DIVIDENDS PER COMMON SHARE</b>	\$ 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.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2012 AND 2011**  
**(UNAUDITED)**  
*(Dollars in millions)*

	December 31, 2012	December 31, 2011
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 211	128
Other current assets	3,396	3,389
Total current assets	<u>3,607</u>	<u>3,517</u>
<b>NET PROPERTY, PLANT AND EQUIPMENT</b>		
Property, plant and equipment	32,086	29,585
Accumulated depreciation	(13,054)	(10,141)
Net property, plant and equipment	<u>19,032</u>	<u>19,444</u>
<b>GOODWILL AND OTHER ASSETS</b>		
Goodwill	21,691	21,691
Other, net	9,642	11,351
Total goodwill and other assets	<u>31,333</u>	<u>33,042</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 53,972</u></u>	<u><u>56,003</u></u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Current maturities of long-term debt	\$ 1,205	480
Other current liabilities	3,390	3,544
Total current liabilities	<u>4,595</u>	<u>4,024</u>
<b>LONG-TERM DEBT</b>	19,400	21,356
<b>DEFERRED CREDITS AND OTHER LIABILITIES</b>	10,688	9,796
<b>STOCKHOLDERS' EQUITY</b>	<u>19,289</u>	<u>20,827</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<u><u>\$ 53,972</u></u>	<u><u>56,003</u></u>

**CenturyLink, Inc.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**TWELVE MONTHS ENDED DECEMBER 31, 2012 AND 2011**  
**(UNAUDITED)**  
*(Dollars in millions)*

	Twelve Months Ended December 31, 2012	Twelve Months Ended December 31, 2011
<b>OPERATING ACTIVITIES</b>		
Net income	\$ 777	573
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	4,780	4,026
Deferred income taxes	394	395
Provision for uncollectible accounts	187	153
Net loss on early retirement of debt	179	8
Changes in current assets and current liabilities, net	(225)	(205)
Retirement benefits	(169)	(688)
Changes in other noncurrent assets and liabilities	162	(6)
Other, net	(20)	(55)
Net cash provided by operating activities	<u>6,065</u>	<u>4,201</u>
<b>INVESTING ACTIVITIES</b>		
Payments for property, plant and equipment and capitalized software	(2,919)	(2,411)
Cash paid for Savvis acquisition, net of \$94 cash acquired	—	(1,671)
Cash acquired in Qwest acquisition, net of \$5 cash paid	—	419
Proceeds from sale of property and intangible assets	191	—
Other, net	38	16
Net cash used in investing activities	<u>(2,690)</u>	<u>(3,647)</u>
<b>FINANCING ACTIVITIES</b>		
Net proceeds from issuance of long-term debt	3,362	4,102
Payments of long-term debt	(5,118)	(2,984)
Early retirement of debt costs	(346)	(114)
Net borrowings (payments) on credit facility	543	(88)
Dividends paid	(1,811)	(1,556)
Net proceeds from issuance of common stock	110	103
Repurchase of common stock	(37)	(31)
Other, net	2	(9)
Net cash used in financing activities	<u>(3,295)</u>	<u>(577)</u>
Effect of exchange rate changes on cash and cash equivalents	3	(22)
Net increase (decrease) in cash and cash equivalents	83	(45)
Cash and cash equivalents at beginning of period	128	173
Cash and cash equivalents at end of period	<u>\$ 211</u>	<u>128</u>



**CenturyLink, Inc.**  
**SELECTED SEGMENT FINANCIAL INFORMATION**  
**THREE MONTHS AND TWELVE MONTHS ENDED DECEMBER 31, 2012 AND 2011**  
**(UNAUDITED)**  
*(Dollars in millions)*

	Three months ended December 31,		Twelve months ended December 31,		Pro forma (*) Twelve months ended December 31, 2011
	2012	2011	2012	2011	
Total segment revenues	\$4,316	4,399	17,320	14,471	17,690
Total segment expenses	2,055	2,085	8,094	6,513	8,167
Total segment income	\$2,261	2,314	9,226	7,958	9,523
Total segment income margin (segment income divided by segment revenues)	52.4%	52.6%	53.3%	55.0%	53.8%
<b>Regional Markets Segment</b>					
Revenues					
Strategic services	\$ 914	882	3,607	2,890	3,417
Legacy services	1,455	1,575	5,996	5,593	6,468
Data integration	76	87	273	260	296
	\$2,445	2,544	9,876	8,743	10,181
Expenses					
Direct	\$ 994	1,014	3,939	3,469	4,010
Allocated	66	67	279	204	261
	\$1,060	1,081	4,218	3,673	4,271
Segment income	\$1,385	1,463	5,658	5,070	5,910
Segment income margin	56.6%	57.5%	57.3%	58.0%	58.0%
<b>Wholesale Markets Segment</b>					
Revenues					
Strategic services	\$ 572	571	2,296	1,915	2,266
Legacy services	335	389	1,424	1,389	1,663
Data integration	1	1	1	1	1
	\$ 908	961	3,721	3,305	3,930
Expenses					
Direct	\$ 38	52	169	174	186
Allocated	233	261	948	847	1,032
	\$ 271	313	1,117	1,021	1,218
Segment income	\$ 637	648	2,604	2,284	2,712
Segment income margin	70.2%	67.4%	70.0%	69.1%	69.0%
<b>Enterprise Markets — Network Segment</b>					
Revenues					
Strategic services	\$ 346	321	1,344	967	1,289
Legacy services	213	214	867	690	897
Data integration	112	100	398	276	361
	\$ 671	635	2,609	1,933	2,547
Expenses					
Direct	\$ 209	199	781	568	738
Allocated	280	290	1,110	882	1,166
	\$ 489	489	1,891	1,450	1,904
Segment income	\$ 182	146	718	483	643
Segment income margin	27.1%	23.0%	27.5%	25.0%	25.2%
<b>Enterprise Markets — Data Hosting Segment</b>					
Revenues					
Strategic services	\$ 292	259	1,114	490	1,032
	\$ 292	259	1,114	490	1,032
Expenses					
Direct	\$ 253	220	940	415	848
Allocated	(18)	(18)	(72)	(46)	(74)
	\$ 235	202	868	369	774
Segment income	\$ 57	57	246	121	258
Segment income margin	19.5%	22.0%	22.1%	24.7%	25.0%

During the second quarter of 2012, we restructured our four operating segments to more effectively leverage the strategic assets from our recent acquisitions of Embarq, Qwest and Savvis. We also revised our methodology for how we allocate our expenses to our segments to better align

segment expenses with related revenues. In addition, we now allocate certain expenses from our enterprise markets-data hosting segment to our other three segments. We have restated prior periods to reflect these changes in our methodology.

- \* 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 the elimination of intercompany billings and the elimination of certain deferred revenues and costs. 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.

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

\* 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
<b>Operating cash flow and cash flow margin</b>						
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	<u>\$ 1,886</u>	<u>(27)</u>	<u>1,913</u>	<u>1,785</u>	<u>(61)</u>	<u>1,846</u>
Revenues	<u>\$ 4,583</u>	<u>—</u>	<u>4,583</u>	<u>4,653</u>	<u>—</u>	<u>4,653</u>
Operating income margin (operating income divided by revenues)	<u>14.5%</u>		<u>15.1%</u>	<u>11.5%</u>		<u>12.8%</u>
Operating cash flow margin (operating cash flow divided by revenues)	<u>41.2%</u>		<u>41.7%</u>	<u>38.4%</u>		<u>39.7%</u>
<b>Free cash flow</b>						
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)			<u>610</u>			<u>515</u>

**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
<b>Operating cash flow and cash flow margin</b>						
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	<u>\$ 7,493</u>	<u>(163)</u>	<u>7,656</u>	<u>6,051</u>	<u>(465)</u>	<u>6,516</u>
Revenues	<u>\$18,376</u>	<u>—</u>	<u>18,376</u>	<u>15,351</u>	<u>—</u>	<u>15,351</u>
Operating income margin (operating income divided by revenues)	<u>14.8%</u>		<u>15.5%</u>	<u>13.2%</u>		<u>16.2%</u>
Operating cash flow margin (operating cash flow divided by revenues)	<u>40.8%</u>		<u>41.7%</u>	<u>39.4%</u>		<u>42.4%</u>
<b>Free cash flow</b>						
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)			<u>3,332</u>			<u>3,045</u>

**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.

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**CenturyLink, Inc.**  
**OPERATING METRICS**  
(UNAUDITED)  
(In thousands)

	As of December 31, 2012	As of September 30, 2012	As of December 31, 2011
Broadband subscribers	5,848	5,807	5,652
Access lines	13,748	13,946	14,584

**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.

**CenturyLink, 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	Pro Forma* Twelve months ended December 31, 2011
	(excluding special items)	(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.



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**CenturyLink, Inc.**  
SUPPLEMENTAL SELECT SAVVIS REVENUE INFORMATION  
THREE MONTHS ENDED DECEMBER 31, 2012, SEPTEMBER 30, 2012 AND DECEMBER 31, 2011  
(UNAUDITED)  
(Dollars in millions)

	Three months ended December 31, 2012	Three months ended September 30, 2012	Three months ended December 31, 2011
Colocation revenue	\$ 113	110	99
Managed hosting revenue	121	108	98

News Release

**FOR IMMEDIATE RELEASE:**

February 13, 2013

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**CenturyLink revises capital allocation strategy***Authorizes \$2.0 billion stock repurchase program; reduces quarterly cash dividend*

**Monroe, La. – CenturyLink, Inc.** (NYSE: CTL) today announced that the company's board of directors has authorized certain capital allocation initiatives that further enable its strategy of investing in key drivers to stabilize and grow operating revenues.

The CenturyLink board has authorized the repurchase of up to an aggregate \$2.0 billion of the company's outstanding common stock. The company expects to execute this share repurchase program primarily in open market transactions, subject to market conditions and other factors, and expects to complete the program by its scheduled termination date of February 13, 2015. CenturyLink intends to fund the share repurchase program primarily with free cash flow generated by the business.

In connection with the new repurchase program, the board also indicated its intention to revise the company's quarterly dividend rate to \$0.54 from \$0.725 per share. The board expects to approve this new rate at its next regularly-scheduled meeting on February 26, 2013, with the change effective with the March 2013 quarterly dividend payment.

CenturyLink also expects to utilize a portion of its free cash flow generated in 2013 and 2014 to repay debt and maintain leverage at less than 3.0 times EBITDA (earnings before interest, taxes, depreciation and amortization).

"CenturyLink has made significant progress over the last several years in improving our top-line revenue trend," said Glen F. Post, III, chief executive officer and president. "We have continued to achieve strong operating revenue performance, cash flows and broadband growth, and we remain focused on enhancing long-term shareholder value.

"The share repurchase program, which will be accretive to free cash flow per share, along with our very competitive cash dividend, will enable us to significantly increase the total cash returned to our shareholders in 2013 and 2014. Additionally, we are positioning the company to maintain a dividend payout ratio of less than 60 percent of free cash flow after we have fully utilized our federal income tax net operating loss carryforwards," said Post.

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“We are confident that the capital allocation initiatives we announced today will allow us to continue our investments to drive strategic revenue growth, while maintaining our focus on creating long-term shareholder value,” concluded Post.

### **About CenturyLink**

CenturyLink is the third largest telecommunications company in the United States and is recognized as a leader in the network services market by technology industry analyst firms. The company is a global leader in cloud infrastructure and hosted IT solutions for enterprise customers. CenturyLink provides data, voice and managed services in local, national and select international markets through its high-quality advanced fiber optic network and multiple data centers for businesses and consumers. The company also offers advanced entertainment services under the CenturyLink™ Prism™ TV and DIRECTV brands. Headquartered in Monroe, La., CenturyLink is an S&P 500 company and is included among the Fortune 500 list of America’s largest corporations. For more information, visit [www.centurylink.com](http://www.centurylink.com).

### **Forward-looking Statements**

*This press release includes certain forward-looking statements. Actual results may differ materially from those in the forward-looking statements. Factors that could affect actual results include but are not limited to the possibility of unforeseen near-term cash requirements, changes in the trading price of CenturyLink’s securities, changes in the Company’s operating cash flow or free cash flow, the board’s complete discretion to modify or terminate the Company’s dividend practices at any time, changes in general market, economic or industry conditions impacting the ability or willingness of the Company to repurchase stock or modify its dividend practices, or other risks referenced from time to time in the Company’s filings with the Securities and Exchange Commission. Due to these and other uncertainties, there can be no assurances that (i) the Company will purchase shares in the manner or on the schedule indicated above or at all, (ii) the board will modify our quarterly dividend in the amount or on the schedule indicated above or (iii) the Company will repay its outstanding debt in the manner or on the schedule indicated above. You should not place undue reliance on these forward-looking statements, which speak only as of the date of this press release.*

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