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

**FORM 8-K**

**CURRENT REPORT**

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

Date of Report (Date of earliest event reported):

**May 4, 2016**



**CenturyLink, Inc.**

(Exact name of registrant as specified in its charter)

**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**

(Telephone number, including area code)

**N/A**

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligations of any 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))

**Item 2.02. Results of Operations and Financial Condition.**

On May 4, 2016, CenturyLink, Inc. ("CenturyLink" or "we" or "us" or "our") issued a press release announcing operating results for the first quarter of 2016. The press release is included as Exhibit 99.1.

**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, projected, expressed or implied 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 the outcome of regulatory or judicial proceedings relating to intercarrier compensation, access charges, universal services, broadband deployment and net neutrality); our ability to successfully negotiate collective bargaining agreements on reasonable terms without work stoppages; 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 recently acquired operations into our incumbent operations, including the possibility that the anticipated benefits from our recent 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 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; including our ability to effectively respond to increased demand for high-speed broadband 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 or regulatory proceedings involving us; our ability to pay common share dividends in accordance with best practices, 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-K for the year ended December 31, 2015, 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.

## **SIGNATURES**

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

**CenturyLink, Inc.**

Dated: May 4, 2016

By: /s/ David D. Cole

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David D. Cole

Executive Vice President - Controller  
and Operations Support

## Exhibit Index

Exhibit No.	Description
Exhibit 99.1	Press release dated May 4, 2016, reporting first quarter of 2016 operating results.

**FOR IMMEDIATE RELEASE:**

May 4, 2016

**FOR MORE INFORMATION CONTACT:**

Kristina Waugh 318.340.5627

kristina.r.waugh@centurylink.com

**CENTURYLINK REPORTS FIRST QUARTER 2016 RESULTS**

*Achieved operating revenues of approximately \$4.4 billion , including core revenues <sup>1</sup> of approximately \$4.0 billion*

*Generated operating cash flow <sup>2</sup> of nearly \$1.7 billion , excluding special items*

*Generated free cash flow <sup>2,3</sup> of \$824 million , excluding special items*

*Achieved Adjusted Net Income <sup>2</sup> of \$386 million and Adjusted Diluted EPS <sup>2</sup> of \$0.71 , excluding special items*

*Added nearly 17,000 Prism <sup>TM</sup> TV customers and approximately 8,000 high-speed Internet customers*

*Announced placement of approximately \$1.2 billion of debt financing*

**MONROE, La. — CenturyLink, Inc.** (NYSE: CTL) today reported results for first quarter 2016 .

“CenturyLink achieved another solid quarter, with core revenues, operating cash flow and adjusted diluted earnings per share in-line with our previous guidance,” said Glen F. Post III, chief executive officer and president. “Additionally, since the first of the year, we have completed two debt issuances totaling more than \$1.2 billion, which strengthens our ability to invest in our business while returning cash to shareholders.

“We remain on track with our data centers and colocation business strategic alternatives process and are pleased with the level of interest and progress to date. We continue to focus on leveraging our strategic asset portfolio and financial strength to execute on our operational initiatives and better serve our customers,” Post concluded.

<sup>1</sup> Core revenues defined as strategic revenues plus legacy revenues (excludes data integration and other revenues), as described further in the attached schedules.

<sup>2</sup> See attachments for non-GAAP reconciliations.

<sup>3</sup> Starting 1Q16, CenturyLink has revised its Free Cash Flow calculation for the reasons noted below. See attachments for non-GAAP reconciliations.

## **First Quarter 2016 Highlights**

- Achieved core revenues of approximately \$4.0 billion .
- Grew revenue from high-bandwidth data services provided to Business customers, including MPLS <sup>4</sup> and Ethernet, by more than 7% year-over-year and revenue from Consumer strategic <sup>5</sup> services by approximately 5% year-over-year.
- Generated free cash flow of \$824 million , excluding special items.
- Added more than 16,900 CenturyLink ® Prism <sup>TM</sup> TV customers during first quarter 2016 , ending the period with approximately 302,000 customers.
- Ended the quarter with approximately 6.1 million high-speed Internet customers, an increase of approximately 7,800 customers in first quarter 2016 .
- Announced placement of approximately \$1.2 billion of debt to refinance substantially all 2016 debt maturities.

## **Consolidated Financial Results**

**Operating revenues** for first quarter 2016 were \$4.40 billion compared to \$4.45 billion in first quarter 2015 . Declines in voice and long distance revenues, low-bandwidth data services revenues and data integration revenues were partially offset by the increases in Business high-bandwidth data services revenues, Consumer high-speed Internet and Prism <sup>TM</sup> TV revenues and high-cost support revenues related to Connect America Fund Phase 2 (CAF Phase 2) support in first quarter 2016.

**Operating expenses** , excluding special items, decreased to \$3.69 billion from \$3.76 billion in first quarter 2015 . The year-over-year decrease was primarily driven by lower depreciation and amortization expenses and employee-related expenses.

**Operating cash flow** (as defined in our attached supplemental schedules), excluding special items, decreased to \$1.69 billion from \$1.74 billion in first quarter 2015 . For first quarter 2016 , CenturyLink achieved an operating cash flow margin, excluding special items, of 38.4% versus 39.0% in first quarter 2015 .

**Adjusted Net Income and Adjusted Diluted Earnings Per Share (EPS)** exclude the after-tax impact of special items, the non-cash after-tax impact of the amortization of certain intangible assets related to major acquisitions since mid-2009, and the non-cash after-tax impact to interest expense relating to the assignment of fair value to the outstanding debt assumed in connection with those acquisitions. Excluding these items, CenturyLink's Adjusted Net Income for first quarter 2016 was \$386 million compared to Adjusted Net Income of \$375 million in first quarter 2015 . First quarter 2016 Adjusted Diluted EPS was \$0.71 compared to \$0.67 in the year-ago period due to the higher Adjusted Net Income and the impact of the lower number of shares outstanding due to share repurchases in 2015. See the attached schedules for additional information.

## **GAAP Results - First Quarter**

Under generally accepted accounting principles (GAAP), net income for first quarter 2016 was \$236 million compared to a net income of \$192 million for first quarter 2015 , and diluted earnings per share was \$0.44 for first quarter 2016 compared to \$0.34 for first quarter 2015 .

Additional details regarding the company's special items for the three months ended March 31, 2016 and 2015 are provided in the accompanying financial schedules.

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<sup>4</sup>Multi-Protocol Label Switching

<sup>5</sup>Beginning first quarter 2015, certain revenues were reclassified between strategic services and legacy services. All historical periods have been restated to reflect this change.

## **Segment Financial Results**<sup>6</sup>

### **Business**

The Business segment continued to experience solid demand for high-bandwidth data services in first quarter 2016 .

- High-bandwidth data services revenues from Business customers grew more than 7% year-over-year.
- Strategic revenues were \$1.58 billion in the quarter, flat from first quarter 2015 , primarily due to increased high-bandwidth data services revenues offset by continued declines in low-bandwidth data services and hosting revenues.
- Total segment revenues were \$2.60 billion , a decrease of 3.4% from first quarter 2015 , primarily due to declines in legacy services, low-bandwidth data services and data integration revenues, which were partially offset by growth in high-bandwidth data services revenues.

### **Consumer**

The Consumer segment achieved solid year-over-year strategic revenue growth driven primarily by increased high-speed Internet and CenturyLink<sup>®</sup> Prism<sup>™</sup> TV revenues.

- Total segment revenues were \$1.49 billion for first quarter 2016 , a slight decrease of 0.5% from first quarter 2015 .
- Strategic revenues were \$774 million in the quarter, a 4.9% increase over first quarter 2015 .
- Approximately 16,900 CenturyLink<sup>®</sup> Prism<sup>™</sup> TV customers were added during first quarter 2016 ; added nearly 150,000 addressable homes in new and existing service areas, ending the quarter with more than 3.3 million addressable homes.

## **Guidance — Second Quarter 2016**

CenturyLink expects second quarter 2016 operating revenues to be in-line with first quarter 2016 operating revenues primarily due to anticipated growth in data integration, high-bandwidth data services, high-speed Internet and Prism TV revenues being offset by expected declines in legacy and low-bandwidth data services revenues. The company expects second quarter 2016 operating cash flow to decrease compared to first quarter 2016 primarily due to expected higher seasonal cash expenses.

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### **Second Quarter 2016 (excluding special items)**

<b>Operating Revenues</b>	\$4.38 to \$4.43 billion
<b>Core Revenues</b>	\$3.94 to \$3.99 billion
<b>Operating Cash Flow</b>	\$1.59 to \$1.64 billion
<b>Adjusted Diluted EPS</b>	\$0.57 to \$0.62

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During first quarter 2016, CenturyLink revised its free cash flow calculation to include the cash impact of pension/other post-employment benefit costs as well as stock-based compensation. The company believes this calculation provides additional detail and insight into CenturyLink's ongoing cash requirements. Although the inclusion of these items in the free cash flow calculation is anticipated to result in a slightly lower level of free cash flow for 2016, CenturyLink still expects to generate full-year 2016 free cash flow within the previously provided guidance range of \$1.8 billion to \$2.0 billion.

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<sup>6</sup> All references to segment data herein reflect certain adjustments described in the attached schedules.

*All 2016 guidance figures and 2016 outlook statements included in this release (i) speak as of May 4, 2016 only, (ii) exclude the impact of any share repurchases made after March 31, 2016 and (iii) exclude the effects of special items, future impairment charges, future changes in regulation (including changes in the CAF Phase 2 program), future changes in tax laws, accounting rules or our accounting policies, unforeseen litigation or contingencies, integration expenses associated with major acquisitions, any changes in our expected pension fundings, any changes in operating or capital plans or other unforeseen events or circumstances that impact our financial performance, and any future mergers, acquisitions, divestitures, joint ventures 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, May 4, 2016 . Interested parties can access the call by dialing 866-814-1933. The call will be accessible for replay through May 12, 2016, by dialing 888-266-2081 and entering the access code 1670691. Investors can also listen to CenturyLink’s earnings conference call and webcast replay by accessing the Investor Relations portion of the company’s website at <http://www.centurylink.com> through May 27, 2016. Financial, statistical and other information related to the call will also be posted to our website.

### **Reconciliation to GAAP**

This release includes certain non-GAAP financial measures, including but not limited to operating cash flow, free cash flow, core revenues, Adjusted Net Income, Adjusted Diluted EPS and adjustments to GAAP measures to exclude the effect of special items. 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 above will be available in the Investor Relations portion of the company’s website 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 \(NYSE: CTL\)](http://www.centurylink.com) is a global communications, hosting, cloud and IT services company enabling millions of customers to transform their businesses and their lives through innovative technology solutions. CenturyLink offers network and data systems management, Big Data analytics and IT consulting, and operates more than 55 data centers in North America, Europe and Asia. The company provides broadband, voice, video, data and managed services over a robust 250,000-route-mile U.S. fiber network and a 300,000-route-mile international transport network. Visit [www.centurylink.com](http://www.centurylink.com) for more information.



## **Forward Looking Statements**

*Except for historical and factual information, the matters set forth in this release and other of our oral or written statements identified by words such as “estimates,” “expects,” “anticipates,” “believes,” “plans,” “intends,” and similar expressions are forward-looking statements as defined by the federal securities laws, and are subject to the “safe harbor” protections thereunder. These forward-looking statements are not guarantees of future results and are based on current expectations only, are inherently speculative, and are subject to a number of assumptions, risks and uncertainties, many of which are beyond our control. Actual events and results may differ materially from those anticipated, estimated, projected, or implied by us if one or more of these risks or uncertainties materialize, or if our underlying assumptions prove incorrect. Factors that could affect actual results include but are not limited to: the effects of competition from a wide variety of competitive providers, including lower demand for our legacy offerings; the effects of new, emerging or competing technologies, including those that could make our products less desirable or obsolete; the effects of ongoing changes in the regulation of the communications industry, including the outcome of regulatory or judicial proceedings relating to intercarrier compensation, interconnection obligations, access charges, universal service, broadband deployment, data protection and net neutrality; our ability to effectively adjust to changes in the communications industry and changes in the composition of our markets and product mix; possible changes in the demand for, or pricing of, our products and services, including our ability to effectively respond to increased demand for high-speed broadband service; our ability to successfully maintain the quality and profitability of our existing product and service offerings and to introduce new offerings on a timely and cost-effective basis; the adverse impact on our business and network from possible equipment failures, service outages, security breaches or similar events impacting our network; our ability to generate cash flows sufficient to fund our financial commitments and objectives, including our capital expenditures, operating costs, share repurchases, dividends, pension contributions and debt payments; changes in our operating plans, corporate strategies, dividend payment plans or other capital allocation plans, whether based upon changes in our cash flows, cash requirements, financial performance, financial position, or otherwise; our ability to effectively retain and hire key personnel and to successfully negotiate collective bargaining agreements on reasonable terms without work stoppages; increases in the costs of our pension, health, post-employment or other benefits, including those caused by changes in markets, interest rates, mortality rates, demographics or regulations; adverse changes in our access to credit markets on favorable terms, whether caused by changes in our financial position, lower debt credit ratings, unstable markets or otherwise; our ability to maintain favorable relations with our key business partners, suppliers, vendors, landlords and financial institutions; our ability to effectively manage our expansion opportunities; our ability to collect our receivables from financially troubled customers; any adverse developments in legal or regulatory proceedings involving us; changes in tax, communications, pension, healthcare or other laws or regulations, in governmental support programs, or in general government funding levels; the effects of changes in accounting policies or practices, including potential future impairment charges; the effects of adverse weather or other natural or man-made disasters; the effects of more general factors such as changes in interest rates, in operating costs, in general market, labor, economic or geo-political conditions, or in public policy; and other risks referenced from time to time in our filings with the U.S. Securities and Exchange Commission (the “SEC”). For all the reasons set forth above and in our SEC filings, you are cautioned not to place undue reliance upon any of our forward-looking statements, which speak only as of the date made. We undertake no obligation to publicly update or revise any of our forward-looking statements for any reason, whether as a result of new information, future events or developments, changed circumstances, or otherwise. Furthermore, any information about our intentions contained in any of our forward-looking statements reflects our intentions as of the date of such forward-looking statement, and is based upon, among other things, existing regulatory, technological, industry, competitive, economic and market conditions, and our assumptions as of such date. We may change our intentions, strategies or plans without notice at any time and for any reason.*

# CenturyLink, Inc.

## CONSOLIDATED STATEMENTS OF INCOME THREE MONTHS ENDED MARCH 31, 2016 AND 2015 (UNAUDITED)

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

	Three months ended March 31, 2016			Three months ended March 31, 2015				
			As adjusted excluding special items (Non-GAAP)			As adjusted excluding special items (Non-GAAP)	Increase (decrease) as reported	Increase (decrease) excluding special items
	As reported	Less special items		As reported	Less special items			
OPERATING REVENUES								
Strategic	\$ 2,354	—	2,354	2,320	—	2,320	1.5 %	1.5 %
Legacy	1,623	—	1,623	1,734	—	1,734	(6.4)%	(6.4)%
Data integration	116	—	116	140	—	140	(17.1)%	(17.1)%
Other	308	—	308	257	—	257	19.8 %	19.8 %
Total operating revenues	4,401	—	4,401	4,451	—	4,451	(1.1)%	(1.1)%
OPERATING EXPENSES								
Cost of services and products	1,900	2 (1)	1,898	1,911	3 (3)	1,908	(0.6)%	(0.5)%
Selling, general and administrative	831	18 (1)	813	851	43 (3)	808	(2.4)%	0.6 %
Depreciation and amortization	976	—	976	1,040	—	1,040	(6.2)%	(6.2)%
Total operating expenses	3,707	20	3,687	3,802	46	3,756	(2.5)%	(1.8)%
OPERATING INCOME								
	694	(20)	714	649	(46)	695	6.9 %	2.7 %
OTHER INCOME (EXPENSE)								
Interest expense	(331)	—	(331)	(328)	—	(328)	0.9 %	0.9 %
Other income, net	17	—	17	2	—	2	750.0 %	750.0 %
Income tax expense	(144)	8 (2)	(152)	(131)	12 (4)	(143)	9.9 %	6.3 %
NET INCOME	\$ 236	(12)	248	192	(34)	226	22.9 %	9.7 %
BASIC EARNINGS PER SHARE	\$ 0.44	(0.02)	0.46	0.34	(0.06)	0.40	29.4 %	15.0 %
DILUTED EARNINGS PER SHARE	\$ 0.44	(0.02)	0.46	0.34	(0.06)	0.40	29.4 %	15.0 %
AVERAGE SHARES OUTSTANDING								
Basic	538,799		538,799	561,969		561,969	(4.1)%	(4.1)%
Diluted	540,187		540,187	563,505		563,505	(4.1)%	(4.1)%
DIVIDENDS PER COMMON SHARE								
	\$ 0.54		0.54	0.54		0.54	— %	— %

### SPECIAL ITEMS

- (1) - Includes severance costs associated with recent headcount reductions (\$14 million), integration costs associated with our acquisition of Qwest (\$4 million) and a large billing system integration (\$2 million).
- (2) - Income tax benefit of Item (1).
- (3) - Includes severance costs associated with reduction in force initiatives (\$13 million), integration costs associated with our acquisition of Qwest (\$10 million), the impairment of office buildings (\$8 million) and regulatory fines associated with a 911 system outage (\$15 million).
- (4) - Income tax benefit of Item (3).

**CenturyLink, Inc.**  
CONDENSED CONSOLIDATED BALANCE SHEETS  
MARCH 31, 2016 AND DECEMBER 31, 2015  
(UNAUDITED)  
*(Dollars in millions)*

	March 31, 2016	December 31, 2015
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 438	126
Other current assets	2,488	2,524
Total current assets	2,926	2,650
<b>NET PROPERTY, PLANT AND EQUIPMENT</b>		
Property, plant and equipment	39,229	38,785
Accumulated depreciation	(21,266)	(20,716)
Net property, plant and equipment	17,963	18,069
<b>GOODWILL AND OTHER ASSETS</b>		
Goodwill	20,743	20,742
Other, net	5,885	6,143
Total goodwill and other assets	26,628	26,885
<b>TOTAL ASSETS</b>	<b>\$ 47,517</b>	<b>47,604</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Current maturities of long-term debt	\$ 517	1,503
Other current liabilities	3,309	3,101
Total current liabilities	3,826	4,604
<b>LONG-TERM DEBT</b>	<b>19,508</b>	<b>18,722</b>
<b>DEFERRED CREDITS AND OTHER LIABILITIES</b>	<b>10,147</b>	<b>10,218</b>
<b>STOCKHOLDERS' EQUITY</b>	<b>14,036</b>	<b>14,060</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 47,517</b>	<b>47,604</b>

**CenturyLink, Inc.**  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
THREE MONTHS ENDED MARCH 31, 2016 AND 2015  
(UNAUDITED)  
(Dollars in millions)

	Three months ended March 31, 2016	Three months ended March 31, 2015
<b>OPERATING ACTIVITIES</b>		
Net income	\$ 236	192
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	976	1,040
Impairment of assets	—	8
Deferred income taxes	11	37
Provision for uncollectible accounts	46	42
Share-based compensation	18	18
Changes in current assets and liabilities, net	192	13
Retirement benefits	(21)	(9)
Changes in other noncurrent assets and liabilities, net	(35)	(10)
Other, net	—	5
Net cash provided by operating activities	1,423	1,336
<b>INVESTING ACTIVITIES</b>		
Payments for property, plant and equipment and capitalized software	(611)	(616)
Proceeds from sale of property	7	14
Other, net	(1)	(8)
Net cash used in investing activities	(605)	(610)
<b>FINANCING ACTIVITIES</b>		
Net proceeds from issuance of long-term debt	227	594
Payments of long-term debt	(25)	(386)
Net payments on credit facility and revolving line of credit	(410)	(425)
Dividends paid	(290)	(304)
Net proceeds from issuance of common stock	4	8
Repurchase of common stock	(12)	(185)
Other, net	—	(1)
Net cash used in financing activities	(506)	(699)
Net increase in cash and cash equivalents	312	27
Cash and cash equivalents at beginning of period	126	128
Cash and cash equivalents at end of period	\$ 438	155

# CenturyLink, Inc.

## SELECTED SEGMENT FINANCIAL INFORMATION THREE MONTHS ENDED MARCH 31, 2016 AND 2015 (UNAUDITED) (Dollars in millions)

	Three months ended March 31,*	
	2016	2015
Total segment revenues	\$ 4,093	4,194
Total segment expenses	2,051	2,071
Total segment income	\$ 2,042	2,123
Total segment income margin (segment income divided by segment revenues)	49.9%	50.6%
<b>Business</b>		
Revenues		
Strategic services	\$ 1,580	1,582
Legacy services	909	976
Data integration	115	139
Total revenues	2,604	2,697
Expenses		
Total expenses	1,427	1,463
Segment income	\$ 1,177	1,234
Segment income margin	45.2%	45.8%
<b>Consumer</b>		
Revenues		
Strategic services	\$ 774	738
Legacy services	714	758
Data integration	1	1
Total revenues	1,489	1,497
Expenses		
Total expenses	624	608
Segment income	\$ 865	889
Segment income margin	58.1%	59.4%

\* During the first quarter of 2016, we implemented several changes with respect to the assignment of certain expenses to our reportable segments. We have recast our previously-reported segment results for the three months ended March 31, 2015, to conform to the current presentation. For the three months ended March 31, 2015, the segment expense recast resulted in an increase in consumer expenses of \$19 million and a decrease in business expenses of \$21 million.

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

	Three months ended March 31, 2016			Three months ended March 31, 2015		
	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	\$ 694	(20) (1)	714	649	(46) (2)	695
Add: Depreciation and amortization	976	—	976	1,040	—	1,040
Operating cash flow	<u>\$ 1,670</u>	<u>(20)</u>	<u>1,690</u>	<u>1,689</u>	<u>(46)</u>	<u>1,735</u>
Revenues	<u>\$ 4,401</u>	<u>—</u>	<u>4,401</u>	<u>4,451</u>	<u>—</u>	<u>4,451</u>
Operating income margin (operating income divided by revenues)	<u>15.8%</u>		<u>16.2%</u>	<u>14.6%</u>		<u>15.6%</u>
Operating cash flow margin (operating cash flow divided by revenues)	<u>37.9%</u>		<u>38.4%</u>	<u>37.9%</u>		<u>39.0%</u>
<b>Free cash flow</b>						
Operating cash flow			\$ 1,690			1,735
Less: Capital expenditures (3)			(607)			(613)
Less: Cash paid for interest, net of amounts capitalized			(262)			(270)
Less: Pension and post-retirement impacts (4)			(21)			(10)
Less: Cash paid for income taxes, net of refunds			(11)			(5)
Add: Stock-based Compensation			18			18
Add: Other income			17			2
Free cash flow (5)			<u>\$ 824</u>			<u>857</u>

**SPECIAL ITEMS**

- (1) - Includes severance costs associated with recent headcount reductions (\$14 million), integration costs associated with our acquisition of Qwest (\$4 million) and a large billing system integration (\$2 million).
- (2) - Includes severance costs associated with reduction in force initiatives (\$13 million), integration costs associated with our acquisition of Qwest (\$10 million), the impairment of office buildings (\$8 million) and regulatory fines associated with a 911 system outage (\$15 million).

**FREE CASH FLOW**

- (3) - Excludes \$4 million in first quarter 2016 and \$3 million in first quarter 2015 of capital expenditures related to the integration of Qwest and Savvis.
- (4) - 2016 includes net periodic pension benefit income of (\$20 million), net periodic post-retirement benefit expense of \$36 million and (\$2 million) of benefits paid to participants of our non-qualified pension plans. Post-retirement contributions included benefits paid by company (\$51 million) offset by participant contributions \$15 million and direct subsidy receipts \$1 million.
- 2015 includes net periodic pension benefit income of (\$24 million), net periodic post-retirement benefit expense of \$41 million and (\$1 million) of benefits paid to participants of our non-qualified pension plans. Post-retirement contributions included benefits paid by company (\$42 million) offset by participant contributions \$15 million and direct subsidy receipts \$1 million.
- (5) - Excludes special items identified in items (1) and (2).

# CenturyLink, Inc.

REVENUES  
(UNAUDITED)  
(Dollars in millions)

	Three months ended	
	March 31, 2016	March 31, 2015
Strategic services		
Business high-bandwidth data services (1)	\$ 738	687
Business low-bandwidth data services (2)	481	532
Business hosting services (3)	307	318
Other business strategic services (4)	54	45
Consumer high-speed Internet services (5)	667	635
Other consumer strategic services (6)	107	103
Total strategic services revenues	2,354	2,320
Legacy services		
Business legacy voice services (7)	622	670
Other business legacy services (8)	287	306
Consumer legacy voice services (7)	634	688
Other consumer legacy services (9)	80	70
Total legacy services revenues	1,623	1,734
Data integration		
Business data integration	115	139
Consumer data integration	1	1
Total data integration revenues	116	140
Other revenues		
High-cost support revenue (10)	174	134
Other revenue (11)	134	123
Total other revenues	308	257
Total revenues	\$ 4,401	4,451

(1) Includes MPLS and Ethernet revenue

(2) Includes private line and high-speed Internet revenue

(3) Includes colocation, hosting (including cloud hosting and managed hosting) and hosting area network revenue

(4) Includes primarily VoIP, video, IT services and deferred revenue recognition

(5) Includes high-speed Internet and related services revenue

(6) Includes video and Verizon wireless revenue

(7) Includes local and long-distance voice revenue

(8) Includes UNEs, public access, switched access and other ancillary revenue

(9) Includes other ancillary revenue

(10) Includes CAF Phase 1, CAF Phase 2 and federal and state USF support revenue

(11) Includes USF surcharges

**CenturyLink, Inc.**  
HOSTING REVENUES AND OPERATING METRICS  
(UNAUDITED)

	Three months ended	
	March 31, 2016	March 31, 2015
<b>Hosting Revenue Detail (1)</b>	<i>(In millions)</i>	
Colocation	\$ 155	156
Managed Hosting / Cloud	131	140
Hosting Area Network	21	22
Total Hosting Revenue	<u>\$ 307</u>	<u>318</u>

(1) Excludes Wide-Area Network (WAN) revenue previously reported in total Hosting revenue.

	As of March 31, 2016	As of December 31, 2015	As of March 31, 2015
<b>Hosting Data Center Metrics</b>			
Number of data centers (2)	59	59	58
Sellable square feet, million sq ft	1.57	1.58	1.53
Billed square feet, million sq ft	1.01	0.99	0.93
Utilization	65%	63%	61%

(2) We define a data center as any facility where we market, sell and deliver colocation services, managed hosting (including cloud hosting) services, multi-tenant managed services, or any combination thereof.

	As of March 31, 2016	As of December 31, 2015	As of March 31, 2015
<b>Operating Metrics</b>	<i>(In thousands)</i>		
High-speed Internet subscribers	6,056	6,048	6,117
Access lines	11,611	11,748	12,270
Prism TV subscribers	302	285	249

Our methodology for counting high-speed Internet subscribers, access lines and Prism TV subscribers may not be comparable to those of other companies.



# CenturyLink, Inc.

SUPPLEMENTAL NON-GAAP INFORMATION - ADJUSTED DILUTED EPS  
THREE MONTHS ENDED MARCH 31, 2016 AND 2015  
(UNAUDITED)  
(Dollars and shares in millions, except per share amounts)

	Three months ended	
	March 31, 2016 (excluding special items)	March 31, 2015 (excluding special items)
Net income *	\$ 248	226
Add back:		
Amortization of customer base intangibles:		
Qwest	191	205
Embarq	20	25
Savvis	15	15
Amortization of trademark intangibles	—	1
Amortization of fair value adjustment of long-term debt:		
Embarq	2	1
Qwest	(5)	(6)
Subtotal	223	241
Tax effect of above items	(85)	(92)
Net adjustment, after taxes	138	149
Net income, as adjusted for above items	\$ 386	375
Weighted average diluted shares outstanding	540.2	563.5
Diluted EPS (excluding special items)	\$ 0.46	0.40
Adjusted diluted EPS as adjusted for the above-listed purchase accounting intangible and interest amortizations (excluding special items)	\$ 0.71	0.67

The above non-GAAP schedule presents adjusted net income and adjusted diluted earnings per share (both excluding special items) by adding back to net income and diluted earnings per share certain non-cash expense items that arise as a result of the application of business combination accounting rules to our major acquisitions since mid-2009. 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.