

**LEVEL 3 COMMUNICATIONS, INC. AND SUBSIDIARIES**  
**Consolidated Statements of Operations**  
(unaudited)

| (dollars in millions, except per share data)         | Three Months Ended |                  |                       |                      |                   |
|--|--------------------|------------------|-----------------------|----------------------|-------------------|
|  | March 31,<br>2014  | June 30,<br>2014 | September 30,<br>2014 | December 31,<br>2014 | March 31,<br>2015 |
| Revenue  | \$ 1,609           | \$ 1,625         | \$ 1,629              | \$ 1,914             | \$ 2,053          |
| Costs and Expenses                                   |                    |                  |                       |                      |                   |
| Network Access Costs                                 | 614                | 613              | 607                   | 695                  | 723               |
| Network Related Expenses                             | 292                | 302              | 307                   | 345                  | 356               |
| Depreciation and Amortization                        | 184                | 187              | 187                   | 250                  | 288               |
| Selling, General and Administrative Expenses         | 255                | 267              | 266                   | 393                  | 370               |
| Total Costs and Expenses                             | 1,345              | 1,369            | 1,367                 | 1,683                | 1,737             |
| Operating Income                                     | 264                | 256              | 262                   | 231                  | 316               |
| Other Income (Expense):                              |                    |                  |                       |                      |                   |
| Interest income                                      | —                  | —                | 1                     | —                    | 1                 |
| Interest expense                                     | (151)              | (149)            | (159)                 | (195)                | (180)             |
| Loss on modification and extinguishment of debt, net | —                  | —                | —                     | (53)                 | —                 |
| Other, net   | 6                  | (44)             | (11)                  | (20)                 | (10)              |
| Total Other Expense                                  | (145)              | (193)            | (169)                 | (268)                | (189)             |
| Income (Loss) Before Income Taxes                    | 119                | 63               | 93                    | (37)                 | 127               |
| Income Tax (Expense) Benefit                         | (7)                | (12)             | (8)                   | 103                  | (5)               |
| Net Income   | \$ 112             | \$ 51            | \$ 85                 | \$ 66                | \$ 122            |
| Basic Earnings per Common Share:                     |                    |                  |                       |                      |                   |
| Net Income per Share                                 | \$ 0.48            | \$ 0.21          | \$ 0.36               | \$ 0.22              | \$ 0.35           |
| Weighted-Average Shares Outstanding (in thousands)   | 235,635            | 237,376          | 238,265               | 305,842              | 346,874           |
| Diluted Earnings per Common Share:                   |                    |                  |                       |                      |                   |
| Net Income per Share                                 | \$ 0.47            | \$ 0.21          | \$ 0.35               | \$ 0.21              | \$ 0.35           |
| Weighted-Average Shares Outstanding (in thousands)   | 239,294            | 241,406          | 242,464               | 309,597              | 350,832           |

**LEVEL 3 COMMUNICATIONS, INC. AND SUBSIDIARIES**  
**Consolidated Balance Sheets**  
(unaudited)

| (dollars in millions)                              | March 31,<br>2015 | December 31,<br>2014 | March 31,<br>2014 |
|--|-------------------|----------------------|-------------------|
| <i>Assets</i>                                      |                   |                      |                   |
| Current Assets:                                    |                   |                      |                   |
| Cash and cash equivalents                          | \$ 1,114          | \$ 580               | \$ 607            |
| Restricted cash and securities                     | 7                 | 7                    | 7                 |
| Receivables, less allowances for doubtful accounts | 743               | 737                  | 699               |
| Other  | 188               | 165                  | 159               |
| Total Current Assets                               | <u>2,052</u>      | <u>1,489</u>         | <u>1,472</u>      |
| Property, Plant and Equipment, net                 | 9,744             | 9,860                | 8,260             |
| Restricted Cash and Securities                     | 19                | 20                   | 22                |
| Goodwill   | 7,740             | 7,689                | 2,575             |
| Other Intangibles, net                             | 1,298             | 1,414                | 186               |
| Other Assets                                       | 450               | 475                  | 374               |
| Total Assets                                       | <u>\$ 21,303</u>  | <u>\$ 20,947</u>     | <u>\$ 12,889</u>  |
| <i>Liabilities and Stockholders' Equity</i>        |                   |                      |                   |
| Current Liabilities:                               |                   |                      |                   |
| Accounts payable                                   | \$ 629            | \$ 664               | \$ 561            |
| Current portion of long-term debt                  | 510               | 349                  | 503               |
| Accrued payroll and employee benefits              | 177               | 273                  | 114               |
| Accrued interest                                   | 187               | 174                  | 174               |
| Current portion of deferred revenue                | 300               | 287                  | 262               |
| Other  | 150               | 167                  | 142               |
| Total Current Liabilities                          | <u>1,953</u>      | <u>1,914</u>         | <u>1,756</u>      |
| Long-Term Debt, less current portion               | 10,990            | 10,984               | 7,856             |
| Deferred Revenue, less current portion             | 895               | 921                  | 901               |
| Other Liabilities                                  | 748               | 765                  | 778               |
| Total Liabilities                                  | <u>14,586</u>     | <u>14,584</u>        | <u>11,291</u>     |
| Stockholders' Equity                               | 6,717             | 6,363                | 1,598             |
| Total Liabilities and Stockholders' Equity         | <u>\$ 21,303</u>  | <u>\$ 20,947</u>     | <u>\$ 12,889</u>  |

**LEVEL 3 COMMUNICATIONS, INC. AND SUBSIDIARIES**  
**Consolidated Statements of Cash Flows**  
(unaudited)

| (dollars in millions)   | Three Months Ended |                  |                       |                      |                   |
|---|--------------------|------------------|-----------------------|----------------------|-------------------|
|   | March 31,<br>2014  | June 30,<br>2014 | September 30,<br>2014 | December 31,<br>2014 | March 31,<br>2015 |
| <b>Cash Flows from Operating Activities:</b>                                      |                    |                  |                       |                      |                   |
| Net income  | \$ 112             | \$ 51            | \$ 85                 | \$ 66                | \$ 122            |
| Adjustments to reconcile net income to net cash provided by operating activities: |                    |                  |                       |                      |                   |
| Depreciation and amortization   | 184                | 187              | 187                   | 250                  | 288               |
| Loss on impairment  | —                  | —                | —                     | 18                   | —                 |
| Non-cash compensation expense attributable to stock awards                        | 10                 | 16               | 22                    | 25                   | 31                |
| Loss on modification and extinguishment of debt, net                              | —                  | —                | —                     | 53                   | —                 |
| Accretion of debt discount and amortization of debt issuance costs                | 9                  | 8                | 10                    | 9                    | 7                 |
| Accrued interest on long-term debt  | 14                 | (8)              | 18                    | (12)                 | 22                |
| Non-cash tax adjustments  | (5)                | 1                | (5)                   | 2                    | —                 |
| Deferred income taxes   | 7                  | 7                | (12)                  | (118)                | (10)              |
| Gain on sale of property, plant and equipment and other assets                    | (1)                | —                | (2)                   | —                    | (1)               |
| Other, net  | (12)               | 12               | (19)                  | 25                   | 21                |
| Changes in working capital items:   |                    |                  |                       |                      |                   |
| Receivables   | (26)               | (23)             | 24                    | 34                   | (23)              |
| Other current assets  | (18)               | (12)             | (1)                   | 33                   | (19)              |
| Payables  | (69)               | 51               | (17)                  | (56)                 | (24)              |
| Deferred revenue  | 1                  | (23)             | (7)                   | 35                   | 8                 |
| Other current liabilities   | (65)               | 36               | 38                    | 32                   | (117)             |
| <b>Net Cash Provided by Operating Activities</b>                                  | <b>141</b>         | <b>303</b>       | <b>321</b>            | <b>396</b>           | <b>305</b>        |
| <b>Cash Flows from Investing Activities:</b>                                      |                    |                  |                       |                      |                   |
| Capital expenditures  | (163)              | (241)            | (204)                 | (302)                | (254)             |
| Change in restricted cash and securities, net                                     | 1                  | 1                | (12)                  | —                    | 1                 |
| Investment in tw telecom, net of cash acquired                                    | —                  | —                | —                     | (167)                | —                 |
| Proceeds from sale of property, plant and equipment and other assets              | 1                  | —                | 2                     | —                    | 1                 |
| Other   | (1)                | —                | (1)                   | —                    | —                 |
| <b>Net Cash Used in Investing Activities</b>                                      | <b>(162)</b>       | <b>(240)</b>     | <b>(215)</b>          | <b>(469)</b>         | <b>(252)</b>      |
| <b>Cash Flows from Financing Activities:</b>                                      |                    |                  |                       |                      |                   |
| Long-term debt borrowings, net of issuance costs                                  | —                  | —                | (1)                   | 590                  | 492               |
| Payments on and repurchases of long-term debt and capital leases                  | (3)                | (3)              | (2)                   | (663)                | (2)               |
| <b>Net Cash Provided by (Used in) Financing Activities</b>                        | <b>(3)</b>         | <b>(3)</b>       | <b>(3)</b>            | <b>(73)</b>          | <b>490</b>        |
| Effect of Exchange Rates on Cash and Cash Equivalents                             | —                  | (30)             | (11)                  | (3)                  | (9)               |
| <b>Net Change in Cash and Cash Equivalents</b>                                    | <b>(24)</b>        | <b>30</b>        | <b>92</b>             | <b>(149)</b>         | <b>534</b>        |
| Cash and Cash Equivalents at Beginning of Period                                  | 631                | 607              | 637                   | 729                  | 580               |
| <b>Cash and Cash Equivalents at End of Period</b>                                 | <b>\$ 607</b>      | <b>\$ 637</b>    | <b>\$ 729</b>         | <b>\$ 580</b>        | <b>\$ 1,114</b>   |
| <b>Supplemental Disclosure of Cash Flow Information:</b>                          |                    |                  |                       |                      |                   |
| Cash interest paid  | \$ 128             | \$ 149           | \$ 131                | \$ 190               | \$ 147            |