

LEVEL 3 COMMUNICATIONS, INC. AND SUBSIDIARIES

Consolidated Statements of Operations

(unaudited)

(dollars in millions, except per share data)	Three Months Ended		
	June 30, 2015	March 31, 2015	June 30, 2014
Revenue	\$ 2,061	\$ 2,053	\$ 1,625
Costs and Expenses			
Network Access Costs	696	723	613
Network Related Expenses	363	356	302
Depreciation and Amortization	288	288	187
Selling, General and Administrative Expenses	364	370	267
Total Costs and Expenses	1,711	1,737	1,369
Operating Income	350	316	256
Other Income (Expense):			
Interest income	—	1	—
Interest expense	(165)	(180)	(149)
Loss on modification and extinguishment of debt	(163)	—	—
Other, net	(17)	(10)	(44)
Total Other Expense	(345)	(189)	(193)
Income Before Income Taxes	5	127	63
Income Tax Expense	(18)	(5)	(12)
Net Income (Loss)	\$ (13)	\$ 122	\$ 51
Basic Earnings per Common Share:			
Net Income (Loss) per Share	\$ (0.04)	\$ 0.35	\$ 0.21
Weighted-Average Shares Outstanding (in thousands)	354,471	346,874	237,376
Diluted Earnings per Common Share:			
Net Income (Loss) per Share	\$ (0.04)	\$ 0.35	\$ 0.21
Weighted-Average Shares Outstanding (in thousands)	354,471	350,832	241,406

LEVEL 3 COMMUNICATIONS, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

(unaudited)

(dollars in millions)	June 30, 2015	December 31, 2014	June 30, 2014
<i>Assets</i>			
Current Assets:			
Cash and cash equivalents	\$ 549	\$ 580	\$ 637
Restricted cash and securities	8	7	6
Receivables, less allowances for doubtful accounts	756	737	722
Other	190	165	174
Total Current Assets	1,503	1,489	1,539
Property, Plant and Equipment, net	9,900	9,860	8,355
Restricted Cash and Securities	43	20	23
Goodwill	7,747	7,689	2,578
Other Intangibles, net	1,240	1,414	169
Other Assets	451	475	364
Total Assets	\$ 20,884	\$ 20,947	\$ 13,028
<i>Liabilities and Stockholders' Equity</i>			
Current Liabilities:			
Accounts payable	\$ 637	\$ 664	\$ 613
Current portion of long-term debt	17	349	503
Accrued payroll and employee benefits	202	273	145
Accrued interest	125	174	166
Current portion of deferred revenue	280	287	258
Other	179	167	139
Total Current Liabilities	1,440	1,914	1,824
Long-Term Debt, less current portion	11,001	10,984	7,855
Deferred Revenue, less current portion	892	921	885
Other Liabilities	734	765	785
Total Liabilities	14,067	14,584	11,349
Stockholders' Equity	6,817	6,363	1,679
Total Liabilities and Stockholders' Equity	\$ 20,884	\$ 20,947	\$ 13,028

LEVEL 3 COMMUNICATIONS, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(unaudited)

(dollars in millions)	Three Months Ended		
	June 30, 2015	March 31, 2015	June 30, 2014
Cash Flows from Operating Activities:			
Net income (loss)	\$ (13)	\$ 122	\$ 51
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	288	288	187
Non-cash compensation expense attributable to stock awards	27	31	16
Loss on modification and extinguishment of debt	163	—	—
Accretion of debt discount and amortization of debt issuance costs	6	7	8
Accrued interest on long-term debt	(62)	22	(8)
Non-cash tax adjustments	—	—	1
Deferred income taxes	—	(10)	7
Gain on sale of property, plant and equipment and other assets	2	(1)	—
Other, net	9	21	12
Changes in working capital items:			
Receivables	(9)	(23)	(23)
Other current assets	(17)	(19)	(12)
Payables	2	(24)	51
Deferred revenue	(12)	8	(23)
Other current liabilities	35	(117)	36
Net Cash Provided by Operating Activities	419	305	303
Cash Flows from Investing Activities:			
Capital expenditures	(317)	(254)	(241)
Change in restricted cash and securities, net	(25)	1	1
Proceeds from sale of property, plant and equipment and other assets	1	1	—
Net Cash Used in Investing Activities	(341)	(252)	(240)
Cash Flows from Financing Activities:			
Long-term debt borrowings, net of issuance costs	3,456	492	—
Payments on and repurchases of long-term debt and capital leases	(4,096)	(2)	(3)
Net Cash Provided by (Used in) Financing Activities	(640)	490	(3)
Effect of Exchange Rates on Cash and Cash Equivalents	(3)	(9)	(30)
Net Change in Cash and Cash Equivalents	(565)	534	30
Cash and Cash Equivalents at Beginning of Period	1,114	580	607
Cash and Cash Equivalents at End of Period	\$ 549	\$ 1,114	\$ 637
Supplemental Disclosure of Cash Flow Information:			
Cash interest paid	\$ 219	\$ 147	\$ 149