

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

(dollars in millions, except per share data)	Three Months Ended			Year Ended	
	December 31, 2015	September 30, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Revenue	\$ 2,053	\$ 2,062	\$ 1,914	\$ 8,229	\$ 6,777
Costs and Expenses					
Network access costs	708	706	695	2,833	2,529
Network related expenses	344	369	345	1,432	1,246
Depreciation and amortization	294	296	250	1,166	808
Selling, general and administrative expenses	369	364	393	1,467	1,181
Total costs and expenses	1,715	1,735	1,683	6,898	5,764
Operating Income	338	327	231	1,331	1,013
Other Income (Expense):					
Interest income	—	—	—	1	1
Interest expense	(152)	(145)	(195)	(642)	(654)
Loss on modification and extinguishment of debt	(55)	—	(53)	(218)	(53)
Venezuela deconsolidation charge	—	(171)	—	(171)	—
Other, net	3	6	(20)	(18)	(69)
Total other expense	(204)	(310)	(268)	(1,048)	(775)
Income (Loss) Before Income Taxes	134	17	(37)	283	238
Income Tax (Expense) Benefit	3,189	(16)	103	3,150	76
Net Income	\$ 3,323	\$ 1	\$ 66	\$ 3,433	\$ 314
Basic Earnings per Common Share:					
Net Income per Share	\$ 9.33	\$ —	\$ 0.22	\$ 9.71	\$ 1.23
Weighted-Average Shares Outstanding (in thousands)	356,274	355,791	305,842	353,385	254,428
Diluted Earnings per Common Share:					
Net Income per Share	\$ 9.24	\$ —	\$ 0.21	\$ 9.58	\$ 1.21
Weighted-Average Shares Outstanding (in thousands)	359,712	358,714	309,597	358,593	258,483

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

(dollars in millions)	December 31, 2015	September 30, 2015	December 31, 2014
<i>Assets</i>			
Current Assets:			
Cash and cash equivalents	\$ 854	\$ 691	\$ 580
Restricted cash and securities	8	7	7
Receivables, less allowances for doubtful accounts	757	810	737
Other	130	149	157
Total Current Assets	<u>1,749</u>	<u>1,657</u>	<u>1,481</u>
Property, Plant and Equipment, net	9,878	9,812	9,860
Restricted Cash and Securities	42	44	20
Goodwill	7,749	7,753	7,689
Other Intangibles, net	1,127	1,182	1,414
Deferred Tax Assets	3,441	276	300
Other Assets	159	159	183
Total Assets	<u>\$ 24,145</u>	<u>\$ 20,883</u>	<u>\$ 20,947</u>
<i>Liabilities and Stockholders' Equity</i>			
Current Liabilities:			
Accounts payable	\$ 629	\$ 630	\$ 664
Current portion of long-term debt	15	16	349
Accrued payroll and employee benefits	218	230	273
Accrued interest	108	137	174
Current portion of deferred revenue	267	273	287
Other	179	182	159
Total Current Liabilities	<u>1,416</u>	<u>1,468</u>	<u>1,906</u>
Long-Term Debt, less current portion	10,994	10,997	10,984
Deferred Revenue, less current portion	977	942	921
Other Liabilities	632	696	773
Total Liabilities	<u>14,019</u>	<u>14,103</u>	<u>14,584</u>
Stockholders' Equity	10,126	6,780	6,363
Total Liabilities and Stockholders' Equity	<u>\$ 24,145</u>	<u>\$ 20,883</u>	<u>\$ 20,947</u>

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

(dollars in millions)	Three Months Ended		
	December 31, 2015	September 30, 2015	December 31, 2014
Cash Flows from Operating Activities:			
Net income	\$ 3,323	\$ 1	\$ 66
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	294	296	250
Loss on impairment	—		18
Non-cash compensation expense attributable to stock awards	49	34	25
Loss on modification and extinguishment of debt	55	—	53
Venezuela deconsolidation charge	—	171	—
Accretion of debt discount and amortization of debt issuance costs	6	5	9
Accrued interest on long-term debt	(29)	12	(12)
Non-cash tax adjustments	—	—	2
Deferred income taxes	(3,207)	15	(118)
Gain (loss) on sale of property, plant and equipment and other assets	—	—	—
Other, net	3	2	25
Changes in working capital items:			
Receivables	43	(98)	34
Other current assets	10	15	33
Payables	5	21	(56)
Deferred revenue	29	63	35
Other current liabilities	(25)	38	32
Net Cash Provided by Operating Activities	556	575	396
Cash Flows from Investing Activities:			
Capital expenditures	(330)	(328)	(302)
Cash related to deconsolidated Venezuela operations	—	(83)	—
Change in restricted cash and securities, net	2	—	—
Investment in tw telecom, net of cash acquired	—	—	(167)
Proceeds from sale of property, plant and equipment and other assets	1	1	—
Other	—	(14)	—
Net Cash Used in Investing Activities	(327)	(424)	(469)
Cash Flows from Financing Activities:			
Long-term debt borrowings, net of issuance costs	885	(1)	590
Payments on and repurchases of long-term debt and capital leases	(949)	(4)	(663)
Net Cash Used in Financing Activities	(64)	(5)	(73)
Effect of Exchange Rates on Cash and Cash Equivalents	(2)	(4)	(3)
Net Change in Cash and Cash Equivalents	163	142	(149)
Cash and Cash Equivalents at Beginning of Period	691	549	729
Cash and Cash Equivalents at End of Period	\$ 854	\$ 691	\$ 580
Supplemental Disclosure of Cash Flow Information:			
Cash interest paid	\$ 173	\$ 129	\$ 190