

LEVEL 3 COMMUNICATIONS, INC. AND SUBSIDIARIES

Consolidated Statements of Income

(unaudited)

(dollars in millions, except per share data)	Three Months Ended		
	June 30, 2017	March 31, 2017	June 30, 2016
Revenue	\$ 2,061	\$ 2,048	\$ 2,056
Costs and Expenses			
Network access costs	675	691	676
Network related expenses	337	336	339
Depreciation and amortization	330	320	310
Selling, general and administrative expenses	366	364	357
Total Costs and Expenses	1,708	1,711	1,682
Operating Income	353	337	374
Other Income (Expense):			
Interest income	3	2	1
Interest expense	(132)	(134)	(140)
Loss on modification and extinguishment of debt	—	(44)	(40)
Other, net	(1)	4	(5)
Total Other Expense	(130)	(172)	(184)
Income Before Income Taxes	223	165	190
Income Tax Expense	(69)	(70)	(34)
Net Income	\$ 154	\$ 95	\$ 156
Basic Earnings per Common Share:			
Net Income per Share	\$ 0.42	\$ 0.26	\$ 0.44
Weighted-Average Shares Outstanding (in thousands)	362,385	361,461	357,924
Diluted Earnings per Common Share:			
Net Income per Share	\$ 0.42	\$ 0.26	\$ 0.43
Weighted-Average Shares Outstanding (in thousands)	365,002	364,121	361,250

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

(dollars in millions)	June 30, 2017	March 31, 2017	June 30, 2016
<i>Assets</i>			
Current Assets:			
Cash and cash equivalents	\$ 1,056	\$ 1,947	\$ 1,291
Marketable securities	1,127	—	—
Restricted cash and securities	5	7	8
Receivables, less allowances for doubtful accounts	707	712	839
Other	141	141	140
Total Current Assets	<u>3,036</u>	<u>2,807</u>	<u>2,278</u>
Property, Plant and Equipment, net	10,392	10,285	10,073
Restricted Cash and Securities	29	31	31
Goodwill	7,737	7,731	7,739
Other Intangibles, net	809	861	1,020
Deferred Tax Assets	3,235	3,305	3,395
Other Assets	49	51	50
Total Assets	<u>\$ 25,287</u>	<u>\$ 25,071</u>	<u>\$ 24,586</u>
<i>Liabilities and Stockholders' Equity</i>			
Current Liabilities:			
Accounts payable	\$ 693	\$ 750	\$ 762
Current portion of long-term debt	306	307	7
Accrued payroll and employee benefits	178	148	160
Accrued interest	97	101	131
Current portion of deferred revenue	262	275	268
Other	162	153	170
Total Current Liabilities	<u>1,698</u>	<u>1,734</u>	<u>1,498</u>
Long-Term Debt, less current portion	10,584	10,581	10,871
Deferred Revenue, less current portion	1,058	1,044	1,027
Other Liabilities	632	631	637
Total Liabilities	<u>13,972</u>	<u>13,990</u>	<u>14,033</u>
Stockholders' Equity	<u>11,315</u>	<u>11,081</u>	<u>10,553</u>
Total Liabilities and Stockholders' Equity	<u>\$ 25,287</u>	<u>\$ 25,071</u>	<u>\$ 24,586</u>

LEVEL 3 COMMUNICATIONS, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(unaudited)

(dollars in millions)	Three Months Ended		
	June 30, 2017	March 31, 2017	June 30, 2016
Cash Flows from Operating Activities:			
Net income	\$ 154	\$ 95	\$ 156
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	330	320	310
Non-cash compensation expense attributable to stock awards	39	48	31
Loss on modification and extinguishment of debt	—	44	40
Accretion of debt discount and amortization of debt issuance costs	4	5	5
Accrued interest on long-term debt, net	(4)	(28)	—
Deferred income taxes	57	62	20
Gain on sale of property, plant and equipment and other assets	—	—	(1)
Other, net	(3)	(5)	6
Changes in working capital items:			
Receivables	10	6	(25)
Other current assets	(4)	(32)	(5)
Payables	(59)	42	84
Deferred revenue	—	50	(4)
Other current liabilities	37	(68)	14
Net Cash Provided by Operating Activities	561	539	631
Cash Flows from Investing Activities:			
Capital expenditures	(328)	(368)	(367)
Change in restricted cash and securities, net	4	—	839
Purchases of marketable securities	(1,127)	—	—
Proceeds from sale of property, plant and equipment and other assets	—	—	1
Net Cash (Used in) Provided by Investing Activities	(1,451)	(368)	473
Cash Flows from Financing Activities:			
Long-term debt borrowings, net of issuance costs	—	4,569	(1)
Payments on and repurchases of long-term debt and capital leases	(2)	(4,613)	(815)
Net Cash Used in Financing Activities	(2)	(44)	(816)
Effect of Exchange Rates on Cash and Cash Equivalents	1	1	(1)
Net Change in Cash and Cash Equivalents	(891)	128	287
Cash and Cash Equivalents at Beginning of Period	1,947	1,819	1,004
Cash and Cash Equivalents at End of Period	\$ 1,056	\$ 1,947	\$ 1,291
Supplemental Disclosure of Cash Flow Information:			
Cash interest paid	\$ 129	\$ 153	\$ 133