

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

(dollars in millions, except per share data)	Three Months Ended		
	March 31, 2017	December 31, 2016	March 31, 2016 ⁽¹⁾
Revenue	\$ 2,048	\$ 2,032	\$ 2,051
Costs and Expenses			
Network access costs	691	680	694
Network related expenses	336	332	338
Depreciation and amortization	320	320	301
Selling, general and administrative expenses	364	346	356
Total Costs and Expenses	1,711	1,678	1,689
Operating Income	337	354	362
Other Income (Expense):			
Interest income	2	1	1
Interest expense	(134)	(132)	(135)
Loss on modification and extinguishment of debt	(44)	—	—
Other, net	4	(6)	(10)
Total Other Expense	(172)	(137)	(144)
Income Before Income Taxes	165	217	218
Income Tax (Expense) Benefit	(70)	33	(90)
Net Income	\$ 95	\$ 250	\$ 128
Basic Earnings per Common Share:			
Net Income per Share	\$ 0.26	\$ 0.70	\$ 0.36
Weighted-Average Shares Outstanding (in thousands)	361,461	359,937	356,785
Diluted Earnings per Common Share:			
Net Income per Share	\$ 0.26	\$ 0.69	\$ 0.36
Weighted-Average Shares Outstanding (in thousands)	364,121	363,250	360,745

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

(dollars in millions)	March 31, 2017	December 31, 2016	March 31, 2016
<i>Assets</i>			
Current Assets:			
Cash and cash equivalents	\$ 1,947	\$ 1,819	\$ 1,004
Restricted cash and securities	7	7	837
Receivables, less allowances for doubtful accounts	712	712	807
Other	141	115	141
Total Current Assets	<u>2,807</u>	<u>2,653</u>	<u>2,789</u>
Property, Plant and Equipment, net	10,285	10,139	9,974
Restricted Cash and Securities	31	31	41
Goodwill	7,731	7,729	7,746
Other Intangibles, net	861	915	1,074
Deferred Tax Assets	3,305	3,370	3,411
Other Assets	51	51	50
Total Assets	<u>\$ 25,071</u>	<u>\$ 24,888</u>	<u>\$ 25,085</u>
<i>Liabilities and Stockholders' Equity</i>			
Current Liabilities:			
Accounts payable	\$ 750	\$ 706	\$ 680
Current portion of long-term debt	307	7	781
Accrued payroll and employee benefits	148	195	146
Accrued interest	101	129	131
Current portion of deferred revenue	275	266	283
Other	153	168	166
Total Current Liabilities	<u>1,734</u>	<u>1,471</u>	<u>2,187</u>
Long-Term Debt, less current portion	10,581	10,877	10,870
Deferred Revenue, less current portion	1,044	1,001	1,012
Other Liabilities	631	622	628
Total Liabilities	<u>13,990</u>	<u>13,971</u>	<u>14,697</u>
Stockholders' Equity	11,081	10,917	10,388
Total Liabilities and Stockholders' Equity	<u>\$ 25,071</u>	<u>\$ 24,888</u>	<u>\$ 25,085</u>

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

(dollars in millions)	Three Months Ended		
	March 31, 2017	December 31, 2016	March 31, 2016
Cash Flows from Operating Activities:			
Net income	\$ 95	\$ 250	\$ 128
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	320	320	301
Non-cash compensation expense attributable to stock awards	48	35	47
Loss on modification and extinguishment of debt	44	—	—
Accretion of debt discount and amortization of debt issuance costs	5	6	5
Accrued interest on long-term debt, net	(28)	(6)	23
Deferred income taxes	62	(40)	81
Gain on sale of property, plant and equipment and other assets	—	(1)	—
Other, net	(5)	(3)	(9)
Changes in working capital items:			
Receivables	6	15	(44)
Other current assets	(32)	4	(35)
Payables	42	(16)	48
Deferred revenue	50	(3)	46
Other current liabilities	(68)	(4)	(81)
Net Cash Provided by Operating Activities	539	557	510
Cash Flows from Investing Activities:			
Capital expenditures	(368)	(306)	(297)
Change in restricted cash and securities, net	—	1	(828)
Proceeds from sale of property, plant and equipment and other assets	—	2	—
Net Cash Used in Investing Activities	(368)	(303)	(1,125)
Cash Flows from Financing Activities:			
Long-term debt borrowings, net of issuance costs	4,569	—	765
Payments on and repurchases of long-term debt and capital leases	(4,613)	(2)	(1)
Net Cash (Used in) Provided by Financing Activities	(44)	(2)	764
Effect of Exchange Rates on Cash and Cash Equivalents	1	(2)	1
Net Change in Cash and Cash Equivalents	128	250	150
Cash and Cash Equivalents at Beginning of Period	1,819	1,569	854
Cash and Cash Equivalents at End of Period	\$ 1,947	\$ 1,819	\$ 1,004
Supplemental Disclosure of Cash Flow Information:			
Cash interest paid	\$ 153	\$ 136	\$ 112