

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, 2016	September 30, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Revenue	\$ 2,032	\$ 2,033	\$ 2,053	\$ 8,172	\$ 8,229
Costs and Expenses					
Network access costs	680	675	708	2,725	2,833
Network related expenses	332	337	344	1,346	1,432
Depreciation and amortization	320	319	294	1,250	1,166
Selling, general and administrative expenses	346	348	369	1,407	1,467
Total Costs and Expenses	1,678	1,679	1,715	6,728	6,898
Operating Income	354	354	338	1,444	1,331
Other Income (Expense):					
Interest income	1	1	—	4	1
Interest expense	(132)	(139)	(152)	(546)	(642)
Loss on modification and extinguishment of debt	—	—	(55)	(40)	(218)
Venezuela deconsolidation charge	—	—	—	—	(171)
Other, net	(6)	1	3	(20)	(18)
Total Other Expense	(137)	(137)	(204)	(602)	(1,048)
Income Before Income Taxes	217	217	134	842	283
Income Tax Benefit (Expense)	33	(74)	3,189	(165)	3,150
Net Income	\$ 250	\$ 143	\$ 3,323	\$ 677	\$ 3,433
Basic Earnings per Common Share:					
Net Income per Share	\$ 0.70	\$ 0.40	\$ 9.33	\$ 1.89	\$ 9.71
Weighted-Average Shares Outstanding (in thousands)	359,937	359,561	356,274	358,559	353,385
Diluted Earnings per Common Share:					
Net Income per Share	\$ 0.69	\$ 0.39	\$ 9.24	\$ 1.87	\$ 9.58
Weighted-Average Shares Outstanding (in thousands)	363,250	361,907	359,712	361,472	358,593

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

(dollars in millions)	December 31, 2016	September 30, 2016	December 31, 2015
<i>Assets</i>			
Current Assets:			
Cash and cash equivalents	\$ 1,819	\$ 1,569	\$ 854
Restricted cash and securities	7	8	8
Receivables, less allowances for doubtful accounts	712	749	757
Other	115	131	111
Total Current Assets	<u>2,653</u>	<u>2,457</u>	<u>1,730</u>
Property, Plant and Equipment, net	10,139	10,167	9,878
Restricted Cash and Securities	31	31	42
Goodwill	7,729	7,736	7,749
Other Intangibles, net	915	967	1,127
Deferred Tax Assets	3,370	3,339	3,441
Other Assets	51	49	50
Total Assets	<u>\$ 24,888</u>	<u>\$ 24,746</u>	<u>\$ 24,017</u>
<i>Liabilities and Stockholders' Equity</i>			
Current Liabilities:			
Accounts payable	\$ 706	\$ 728	\$ 629
Current portion of long-term debt	7	7	15
Accrued payroll and employee benefits	195	194	218
Accrued interest	129	135	108
Current portion of deferred revenue	266	263	267
Other	168	180	179
Total Current Liabilities	<u>1,471</u>	<u>1,507</u>	<u>1,416</u>
Long-Term Debt, less current portion	10,877	10,875	10,866
Deferred Revenue, less current portion	1,001	1,010	977
Other Liabilities	622	630	632
Total Liabilities	<u>13,971</u>	<u>14,022</u>	<u>13,891</u>
Stockholders' Equity	10,917	10,724	10,126
Total Liabilities and Stockholders' Equity	<u>\$ 24,888</u>	<u>\$ 24,746</u>	<u>\$ 24,017</u>

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

(dollars in millions)	Three Months Ended		
	December 31, 2016	September 30, 2016	December 31, 2015
Cash Flows from Operating Activities:			
Net income	\$ 250	\$ 143	\$ 3,323
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	320	319	294
Non-cash compensation expense attributable to stock awards	35	43	49
Loss on modification and extinguishment of debt	—	—	55
Accretion of debt discount and amortization of debt issuance costs	6	5	6
Accrued interest on long-term debt, net	(6)	4	(29)
Deferred income taxes	(40)	62	(3,207)
Gain on sale of property, plant and equipment and other assets	(1)	—	—
Other, net	(3)	(4)	3
Changes in working capital items:			
Receivables	15	85	43
Other current assets	4	—	10
Payables	(16)	(33)	5
Deferred revenue	(3)	(21)	29
Other current liabilities	(4)	42	(25)
Net Cash Provided by Operating Activities	557	645	556
Cash Flows from Investing Activities:			
Capital expenditures	(306)	(364)	(330)
Change in restricted cash and securities, net	1	—	2
Proceeds from sale of property, plant and equipment and other assets	2	—	1
Net Cash Used in Investing Activities	(303)	(364)	(327)
Cash Flows from Financing Activities:			
Long-term debt borrowings, net of issuance costs	—	—	885
Payments on and repurchases of long-term debt and capital leases	(2)	(2)	(949)
Net Cash Used in Financing Activities	(2)	(2)	(64)
Effect of Exchange Rates on Cash and Cash Equivalents	(2)	(1)	(2)
Net Change in Cash and Cash Equivalents	250	278	163
Cash and Cash Equivalents at Beginning of Period	1,569	1,291	691
Cash and Cash Equivalents at End of Period	\$ 1,819	\$ 1,569	\$ 854
Supplemental Disclosure of Cash Flow Information:			
Cash interest paid	\$ 136	\$ 127	\$ 173