

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

(dollars in millions, except per share data)	Three Months Ended		
	September 30, 2016	June 30, 2016 <sup>(1)</sup>	September 30, 2015
Revenue	\$ 2,033	\$ 2,056	\$ 2,062
Costs and Expenses			
Network access costs	675	676	706
Network related expenses	337	339	369
Depreciation and amortization	319	310	296
Selling, general and administrative expenses	348	357	364
Total Costs and Expenses	1,679	1,682	1,735
Operating Income	354	374	327
Other Income (Expense):			
Interest income	1	1	—
Interest expense	(139)	(140)	(145)
Loss on modification and extinguishment of debt	—	(40)	—
Venezuela deconsolidation charge	—	—	(171)
Other, net	1	(5)	6
Total Other Expense	(137)	(184)	(310)
Income Before Income Taxes	217	190	17
Income Tax Expense	(74)	(34)	(16)
Net Income	\$ 143	\$ 156	\$ 1
Basic Earnings per Common Share:			
Net Income per Share	\$ 0.40	\$ 0.44	\$ 0.00
Weighted-Average Shares Outstanding (in thousands)	359,561	357,924	355,791
Diluted Earnings per Common Share:			
Net Income per Share	\$ 0.39	\$ 0.43	\$ 0.00
Weighted-Average Shares Outstanding (in thousands)	361,907	361,250	358,714

<sup>(1)</sup>Results have been adjusted to reflect the Company's adoption of Accounting Standards Update 2016-09, *Improvements to Employee Share-Based Payment Accounting*.

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

(dollars in millions)	September 30, 2016	June 30, 2016 <sup>(1)</sup>	September 30, 2015
<i>Assets</i>			
Current Assets:			
Cash and cash equivalents	\$ 1,569	\$ 1,291	\$ 691
Restricted cash and securities	8	8	7
Receivables, less allowances for doubtful accounts	749	839	810
Other	131	140	130
Total Current Assets	<u>2,457</u>	<u>2,278</u>	<u>1,638</u>
Property, Plant and Equipment, net	10,167	10,073	9,812
Restricted Cash and Securities	31	31	44
Goodwill	7,736	7,739	7,753
Other Intangibles, net	967	1,020	1,182
Deferred Tax Assets	3,339	3,395	276
Other Assets	49	50	51
Total Assets	<u>\$ 24,746</u>	<u>\$ 24,586</u>	<u>\$ 20,756</u>
<i>Liabilities and Stockholders' Equity</i>			
Current Liabilities:			
Accounts payable	\$ 728	\$ 762	\$ 630
Current portion of long-term debt	7	7	16
Accrued payroll and employee benefits	194	160	230
Accrued interest	135	131	137
Current portion of deferred revenue	263	268	273
Other	180	170	182
Total Current Liabilities	<u>1,507</u>	<u>1,498</u>	<u>1,468</u>
Long-Term Debt, less current portion	10,875	10,871	10,870
Deferred Revenue, less current portion	1,010	1,027	942
Other Liabilities	630	637	696
Total Liabilities	<u>14,022</u>	<u>14,033</u>	<u>13,976</u>
Stockholders' Equity	10,724	10,553	6,780
Total Liabilities and Stockholders' Equity	<u>\$ 24,746</u>	<u>\$ 24,586</u>	<u>\$ 20,756</u>

<sup>(1)</sup>Results have been adjusted to reflect the Company's adoption of Accounting Standards Update 2016-09, *Improvements to Employee Share-Based Payment Accounting*.

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

(dollars in millions)	Three Months Ended		
	September 30, 2016	June 30, 2016 <sup>(1)</sup>	September 30, 2015
<b>Cash Flows from Operating Activities:</b>			
Net income	\$ 143	\$ 156	\$ 1
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	319	310	296
Non-cash compensation expense attributable to stock awards	43	31	34
Loss on modification and extinguishment of debt	—	40	—
Accretion of debt discount and amortization of debt issuance costs	5	5	5
Accrued interest on long-term debt, net	4	—	12
Venezuela deconsolidation charge	—	—	171
Deferred income taxes	62	20	15
Gain on sale of property, plant and equipment and other assets	—	(1)	—
Other, net	(4)	6	2
Changes in working capital items:			
Receivables	85	(25)	(98)
Other current assets	—	(5)	15
Payables	(33)	84	21
Deferred revenue	(21)	(4)	63
Other current liabilities	42	14	38
<b>Net Cash Provided by Operating Activities</b>	<b>645</b>	<b>631</b>	<b>575</b>
<b>Cash Flows from Investing Activities:</b>			
Capital expenditures	(364)	(367)	(328)
Cash related to deconsolidated Venezuela operations	—	—	(83)
Change in restricted cash and securities, net	—	839	—
Proceeds from sale of property, plant and equipment and other assets	—	1	1
Other	—	—	(14)
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>(364)</b>	<b>473</b>	<b>(424)</b>
<b>Cash Flows from Financing Activities:</b>			
Long-term debt borrowings, net of issuance costs	—	(1)	(1)
Payments on and repurchases of long-term debt and capital leases	(2)	(815)	(4)
<b>Net Cash Used in Financing Activities</b>	<b>(2)</b>	<b>(816)</b>	<b>(5)</b>
Effect of Exchange Rates on Cash and Cash Equivalents	(1)	(1)	(4)
<b>Net Change in Cash and Cash Equivalents</b>	<b>278</b>	<b>287</b>	<b>142</b>
<b>Cash and Cash Equivalents at Beginning of Period</b>	<b>1,291</b>	<b>1,004</b>	<b>549</b>
<b>Cash and Cash Equivalents at End of Period</b>	<b>\$ 1,569</b>	<b>\$ 1,291</b>	<b>\$ 691</b>
<b>Supplemental Disclosure of Cash Flow Information:</b>			
Cash interest paid	\$ 127	\$ 133	\$ 129

<sup>(1)</sup>Results have been adjusted to reflect the Company's adoption of Accounting Standards Update 2016-09, *Improvements to Employee Share-Based Payment Accounting*.