

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

(dollars in millions, except per share data)	Three Months Ended		
	June 30, 2016	March 31, 2016	June 30, 2015
Revenue	\$ 2,056	\$ 2,051	\$ 2,061
Costs and Expenses			
Network access costs	676	694	696
Network related expenses	339	338	363
Depreciation and amortization	310	301	288
Selling, general and administrative expenses	357	356	364
Total Costs and Expenses	1,682	1,689	1,711
Operating Income	374	362	350
Other Income (Expense):			
Interest income	1	1	—
Interest expense	(140)	(135)	(165)
Loss on modification and extinguishment of debt	(40)	—	(163)
Other, net	(5)	(10)	(17)
Total Other Expense	(184)	(144)	(345)
Income Before Income Taxes	190	218	5
Income Tax Expense	(41)	(94)	(18)
Net Income (Loss)	\$ 149	\$ 124	\$ (13)
Basic Earnings (Loss) per Common Share:			
Net Income (Loss) per Share	\$ 0.42	\$ 0.35	\$ (0.04)
Weighted-Average Shares Outstanding (in thousands)	357,924	356,785	354,471
Diluted Earnings (Loss) per Common Share:			
Net Income (Loss) per Share	\$ 0.41	\$ 0.34	\$ (0.04)
Weighted-Average Shares Outstanding (in thousands)	360,867	360,339	354,471

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

(dollars in millions)	June 30, 2016	March 31, 2016	June 30, 2015
<i>Assets</i>			
Current Assets:			
Cash and cash equivalents	\$ 1,291	\$ 1,004	\$ 549
Restricted cash and securities	8	837	8
Receivables, less allowances for doubtful accounts	839	807	756
Other	140	141	159
Total Current Assets	<u>2,278</u>	<u>2,789</u>	<u>1,472</u>
Property, Plant and Equipment, net	10,073	9,974	9,900
Restricted Cash and Securities	31	41	43
Goodwill	7,739	7,746	7,747
Other Intangibles, net	1,020	1,074	1,240
Deferred Tax Assets	3,343	3,365	292
Other Assets	50	50	58
Total Assets	<u>\$ 24,534</u>	<u>\$ 25,039</u>	<u>\$ 20,752</u>
<i>Liabilities and Stockholders' Equity</i>			
Current Liabilities:			
Accounts payable	\$ 762	\$ 680	\$ 637
Current portion of long-term debt	7	781	17
Accrued payroll and employee benefits	160	146	202
Accrued interest	131	131	125
Current portion of deferred revenue	268	283	280
Other	171	166	177
Total Current Liabilities	<u>1,499</u>	<u>2,187</u>	<u>1,438</u>
Long-Term Debt, less current portion	10,871	10,870	10,869
Deferred Revenue, less current portion	1,027	1,012	892
Other Liabilities	637	628	736
Total Liabilities	<u>14,034</u>	<u>14,697</u>	<u>13,935</u>
Stockholders' Equity	10,500	10,342	6,817
Total Liabilities and Stockholders' Equity	<u>\$ 24,534</u>	<u>\$ 25,039</u>	<u>\$ 20,752</u>

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

(dollars in millions)	Three Months Ended		
	June 30, 2016	March 31, 2016	June 30, 2015
Cash Flows from Operating Activities:			
Net income (loss)	\$ 149	\$ 124	\$ (13)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	310	301	288
Non-cash compensation expense attributable to stock awards	31	47	27
Loss on modification and extinguishment of debt	40	—	163
Accretion of debt discount and amortization of debt issuance costs	5	5	6
Accrued interest on long-term debt, net	—	23	(62)
Deferred income taxes	26	85	—
(Gain) loss on sale of property, plant and equipment and other assets	(1)	—	2
Other, net	6	(9)	9
Changes in working capital items:			
Receivables	(25)	(44)	(9)
Other current assets	(5)	(35)	(17)
Payables	84	48	2
Deferred revenue	(4)	46	(12)
Other current liabilities	15	(81)	35
Net Cash Provided by Operating Activities	631	510	419
Cash Flows from Investing Activities:			
Capital expenditures	(367)	(297)	(317)
Change in restricted cash and securities, net	839	(828)	(25)
Proceeds from sale of property, plant and equipment and other assets	1	—	1
Net Cash Provided by (Used in) Investing Activities	473	(1,125)	(341)
Cash Flows from Financing Activities:			
Long-term debt borrowings, net of issuance costs	(1)	765	3,456
Payments on and repurchases of long-term debt and capital leases	(815)	(1)	(4,096)
Net Cash Provided by (Used in) Financing Activities	(816)	764	(640)
Effect of Exchange Rates on Cash and Cash Equivalents	(1)	1	(3)
Net Change in Cash and Cash Equivalents	287	150	(565)
Cash and Cash Equivalents at Beginning of Period	1,004	854	1,114
Cash and Cash Equivalents at End of Period	\$ 1,291	\$ 1,004	\$ 549
Supplemental Disclosure of Cash Flow Information:			
Cash interest paid	\$ 133	\$ 112	\$ 219