

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

(dollars in millions, except per share data)	Three Months Ended		
	March 31, 2016	December 31, 2015	March 31, 2015
Revenue	\$ 2,051	\$ 2,053	\$ 2,053
Costs and Expenses			
Network access costs	694	708	723
Network related expenses	338	344	356
Depreciation and amortization	301	294	288
Selling, general and administrative expenses	356	369	370
Total costs and expenses	1,689	1,715	1,737
Operating Income	362	338	316
Other Income (Expense):			
Interest income	1	—	1
Interest expense	(135)	(152)	(180)
Loss on modification and extinguishment of debt	—	(55)	—
Other, net	(10)	3	(10)
Total other expense	(144)	(204)	(189)
Income Before Income Taxes	218	134	127
Income Tax (Expense) Benefit	(94)	3,189	(5)
Net Income	\$ 124	\$ 3,323	\$ 122
Basic Earnings per Common Share:			
Net Income per Share	\$ 0.35	\$ 9.33	\$ 0.35
Weighted-Average Shares Outstanding (in thousands)	356,785	356,274	346,874
Diluted Earnings per Common Share:			
Net Income per Share	\$ 0.34	\$ 9.24	\$ 0.35
Weighted-Average Shares Outstanding (in thousands)	360,339	359,712	350,832

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

(dollars in millions)	March 31, 2016	December 31, 2015	March 31, 2015
<i>Assets</i>			
Current Assets:			
Cash and cash equivalents	\$ 1,004	\$ 854	\$ 1,114
Restricted cash and securities	837	8	7
Receivables, less allowances for doubtful accounts	807	757	743
Other	141	111	151
Total Current Assets	<u>2,789</u>	<u>1,730</u>	<u>2,015</u>
Property, Plant and Equipment, net	9,974	9,878	9,744
Restricted Cash and Securities	41	42	19
Goodwill	7,746	7,749	7,740
Other Intangibles, net	1,074	1,127	1,298
Deferred Tax Assets	3,365	3,441	284
Other Assets	50	50	55
Total Assets	<u>\$ 25,039</u>	<u>\$ 24,017</u>	<u>\$ 21,155</u>
<i>Liabilities and Stockholders' Equity</i>			
Current Liabilities:			
Accounts payable	\$ 680	\$ 629	\$ 629
Current portion of long-term debt	781	15	503
Accrued payroll and employee benefits	146	218	177
Accrued interest	131	108	187
Current portion of deferred revenue	283	267	300
Other	166	179	148
Total Current Liabilities	<u>2,187</u>	<u>1,416</u>	<u>1,944</u>
Long-Term Debt, less current portion	10,870	10,866	10,849
Deferred Revenue, less current portion	1,012	977	895
Other Liabilities	628	632	750
Total Liabilities	<u>14,697</u>	<u>13,891</u>	<u>14,438</u>
Stockholders' Equity	10,342	10,126	6,717
Total Liabilities and Stockholders' Equity	<u>\$ 25,039</u>	<u>\$ 24,017</u>	<u>\$ 21,155</u>

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

(dollars in millions)	Three Months Ended		
	March 31, 2016	December 31, 2015	March 31, 2015
Cash Flows from Operating Activities:			
Net income	\$ 124	\$ 3,323	\$ 122
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	301	294	288
Non-cash compensation expense attributable to stock awards	47	49	31
Loss on modification and extinguishment of debt	—	55	—
Accretion of debt discount and amortization of debt issuance costs	5	6	7
Accrued interest on long-term debt, net	23	(29)	22
Deferred income taxes	85	(3,207)	(10)
Gain on sale of property, plant and equipment and other assets	—	—	(1)
Other, net	(9)	3	21
Changes in working capital items:			
Receivables	(44)	43	(23)
Other current assets	(35)	10	(19)
Payables	48	5	(24)
Deferred revenue	46	29	8
Other current liabilities	(81)	(25)	(117)
Net Cash Provided by Operating Activities	510	556	305
Cash Flows from Investing Activities:			
Capital expenditures	(297)	(330)	(254)
Change in restricted cash and securities, net	(828)	2	1
Proceeds from sale of property, plant and equipment and other assets	—	1	1
Net Cash Used in Investing Activities	(1,125)	(327)	(252)
Cash Flows from Financing Activities:			
Long-term debt borrowings, net of issuance costs	765	885	492
Payments on and repurchases of long-term debt and capital leases	(1)	(949)	(2)
Net Cash Provided by (Used in) Financing Activities	764	(64)	490
Effect of Exchange Rates on Cash and Cash Equivalents	1	(2)	(9)
Net Change in Cash and Cash Equivalents	150	163	534
Cash and Cash Equivalents at Beginning of Period	854	691	580
Cash and Cash Equivalents at End of Period	\$ 1,004	\$ 854	\$ 1,114
Supplemental Disclosure of Cash Flow Information:			
Cash interest paid	\$ 112	\$ 173	\$ 147