

# LEVEL 3 COMMUNICATIONS INC

## FORM 8-K (Current report filing)

Filed 02/05/01 for the Period Ending 01/29/01

Address	1025 ELDORADO BOULEVARD BLDG 2000 BROOMFIELD, CO 80021
Telephone	7208881000
CIK	0000794323
Symbol	LVLT
SIC Code	4813 - Telephone Communications, Except Radiotelephone
Industry	Communications Services
Sector	Services
Fiscal Year	12/31

# LEVEL 3 COMMUNICATIONS INC

## FORM 8-K

(Unscheduled Material Events)

Filed 2/5/2001 For Period Ending 1/29/2001

Address	1025 ELDORADO BOULEVARD BLDG 2000 BROOMFIELD, Colorado 80021
Telephone	720-888-1000
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# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

## FORM 8-K

### CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): January 29, 2001

## Level 3 Communications, Inc.

(Exact name of Registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

47-0210602  
(I.R.S. Employer  
Identification No.)

1025 Eldorado Blvd., Broomfield, Colorado  
(Address of principal executive offices)

80021  
(Zip code)

720-888-1000  
(Registrant's telephone number including area code)

Not applicable  
(Former name and former address, if changed since last report)

**Item 5. Other Events**

On January 29, 2001, the registrant held a conference entitled "Silicon Economics III: Breaking Away Who Wins + Who Loses + And Why." Attached to this filing as Exhibit 99.1 are the slides presented at that conference. Exhibit 99.1 is hereby incorporated herein by reference as if set forth in full herein. Attached to this filing as Exhibit 99.2 is the press release that the registrant issued in connection with the conference on January 29, 2001. Exhibit 99.2 is hereby incorporated by reference as if set forth in full herein.

**Item 7. Financial Statements and Exhibits**

(a) Financial Statements of business acquired

None

(b) Pro forma financial information

None

(c) Exhibits

99.1 Slides presented at "Silicon Economics III: Breaking Away Who Wins + Who Loses + And Why" by the registrant on January 29, 2001.

99.2 Press Release dated January 29, 2001 relating to Silicon Economics III: Breaking Away Who Wins + Who Loses + And Why

## **SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.on its behalf by the undersigned, thereunto duly authorized.

### **Level 3 Communications, Inc.**

*January 31, 2001*  
*Date*

*By:       /s/ Neil J. Eckstein*  
*Neil J. Eckstein, Vice President*

**The Level 3 Strategy**

1. Overview Jim Crowe
2. The Level 3 Network Kevin O'Hara
3. Fiber's Role In Silicon Economics Wendell Weeks
4. Our Services Overview Jim Crowe
5. - Gateway Services Carlos Lopez-Abadia
6. - Softswitch Services Ike Elliott
7. - IP & Optical Transport Services Dan Caruso
8. - Submarine Services Jim Crowe
9. Our People Doug Bradbury
10. Our Customers Kevin O'Hara
11. Competitive Assessment Kevin O'Hara
12. Financial Overview Sureel Choksi
13. Summary Jim Crowe
14. Appendices

**Q & A**

## **Forward Looking Statements**

The presentations made at Silicon Economics III: Breaking Away + Who Wins + Who Loses and Why, both oral and written, contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, among others, statements concerning:

anticipated trends in the market for communications services; the elasticity of demand for communications services; the anticipated reduction in the cost to provide communications over an IP technology based network; the anticipated Level 3 technology platform; price-performance and cost advantages of IP technology based products and services; the sources and levels of demand for communications services including colocation services; estimates of the growth of internet access markets; market share estimates; estimates of product rollout dates; expectations to disruptively price products and services; future revenues, monthly recurring revenues, revenue segments; backlog; gross margin percentages, selling general and administrative expenses as a percentage of revenues, capital requirements and levels of capital expenditures; expectations as to funding the company's capital requirements; and other statements of expectations, beliefs, future plans and strategies, anticipated developments and other matters that are not historical facts.

The forward-looking statements are based on management's beliefs as well as on a number of assumptions concerning future events. Participants at the conference and readers of these materials are cautioned not to put undue reliance on these forward looking statements, which are not a guarantee of performance and are subject to a number of uncertainties and other factors, many of which are outside the company's control, that could cause actual events or results to differ materially from those expressed or implied by the statements. The most important factors that could prevent the company from achieving its stated goals include, but are not limited to, failure by the company to: achieve and sustain profitability based on the operation of the Level 3 Network; overcome significant early operating losses; overcome difficulties in migrating customer traffic from leased facilities to owned facilities, produce sufficient capital to fund the company's business plan; develop financial and management controls, as well as additional controls of operating expenses as well as other costs; attract and retain qualified management and other personnel; and develop and implement effective internal processes and systems for processing customer orders and provisioning. For a discussion of certain of these factors, please see the Company's Current Report on Form 8-K/A filed with the Securities and Exchange Commission on November 9, 1999.

The materials presented at the Silicon Economics III: Breaking Away + Who Wins + Who Loses and Why, including materials contained in this binder, are copyrighted by Level 3 Communications, Inc. Copyright (c) Level 3 Communications, Inc. 2001

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## Overview

Jim Crowe  
Chief Executive Officer



## Information Technologies Have Improved At Very Different Rates

n Computing and information storage have improved exponentially

n Until recently communications has improved very slowly n Central planning of key communication technologies has stifled innovation

n The advent of market-based technical development has changed communication from a utility to a technology business

- IP technology
- Optical technology

[Graph: Line graph showing price improvements both historical and projection to 2020]

## The Shift From Utility to Technology Model Has Significant Implications For The Communications Industry

- n Rapid technical change has significant implications for the relationship between supply and demand
- n New information systems are required to deploy the right combination of rapidly changing network components
- n Rapid technical change has significant implications for the structure of the communication industry

## Technical Innovation and Capital Expenditure Levels Have Significant Implications For Supply And Demand

n Various studies have projected demand increases of 20x to 200x1 over the next three years

n Based on projected increases in fiber installation, some analysts have predicted a bandwidth services surplus

n These analyses do not account for capital expenditures required to deploy required opto-electronics

(1) Nortel: "Bandwidth, Boom or Glut?", RHIC, Morgan Stanley Dean Witter, McKinsey, JP Morgan

## Currently Funded Sources Of Bandwidth Services Supply

1 Company	2 Lit Fibers	3 Capacity (Gb/s)	4 Planned Fiber	5 Capacity (Gb/s)	6 Capex To Light	7 Estimated 2000 Capex	% 2000 Capex to Total	Years to Light
360Networks	1	320	35	56,000	\$31,360	\$795	2.5%	39
AT&T	9	2,880	26	41,600	23,296	2,532	10.9%	9
Sprint	5	1,600	15	24,000	13,440	1,646	12.2%	8
WorldCom	6	1,920	18	28,800	16,128	2,165	13.4%	7
Qwest	4	1,280	44	70,400	39,424	1,530	3.9%	25
Global Crossing	6	1,920	20	28,800	16,128	668	4.1%	24
GTE (Genuity)	2	640	22	35,200	19,712	480	2.4%	41
Williams	2	640	118	188,800	105,728	854	0.8%	123
IXC (Broadwing)	4	1,280	92	147,200	82,432	105	0.1%	785
Level 3 (Internal)	2	640	10	12,800	7,168	2,600	36.3%	3
Level 3 (Dark Fiber)	n/a	170	272,000	153,320	n/a	n/a	n/a	n/a
Total		13,120	570	905,600	\$507,136	\$13,375		
Normalized		1		69				

(1) Assumed planned fibers lit at 32 wavelengths at 10 Gb/s

(2) Assumed planned fibers lit at 160 wavelengths at 10 Gb/s

(3) At \$28 per Gb/s per mile. Assume average route 20,000 mi network

(4) Level 3 estimates based on public disclosures

## **Conclusion**

- n Prediction of a bandwidth services surplus do not consider cost to light planned fiber installation
- n The current shortage of bandwidth services at the right price is likely to continue
- n Much of existing planned fiber will never be lit
- Newer generations of fiber will obsolete older technology

## Level 3 Has Built the Only Multi-Conduit Continuously Upgradeable Network

n Level 3's network is designed to leverage rapid price performance improvements surpassing Moore's Law

n Implications for business model are:

- Higher absolute capital requirements -Shortened economic lives of assets
- Rapidly decreasing unit costs and prices -Rapidly increasing unit demand
- Higher cash flows and profits

[Graphic: 11 empty conduits and one additional conduit with fiber installed]

## Managing A Continuously Upgradeable Network Requires Analysis of Complex Trade-Offs

Dropping prices -> lowers per unit revenue -> but raises demand more than enough to compensate.

Pulling less fiber -> increases reliance on expensive electronics -> but provides greater upgradeability.

Establishing more channels per fiber -> increases capacity -> but decreases maximum spacing of network electronics.

## Analysis Of Trade-Offs Requires Advanced Mathematical Optimization Techniques

- n Traditional approaches of cost minimization or profit maximization replaced by maximization of NPV

- n Both market conditions and technology are uncertain

- n Demand is highly price elastic

- n Result is large, stochastic, non-linear optimization problem

- n Level 3 has developed an optimization model called Project Max



Since 1997, Level 3 Has Been Improving Project Max

n Project Max factors variables into non-linear, mixed integer optimization model

-Optimal price for each city pair and product -Demand forecasting based on price elasticity -Network design based on optimal topology and electronics configuration -Network implementation based on optimal timing of capacity installation

n Model provides insight into

-Long term conduit requirements

-Trade-offs between use of fiber and use of optronics -Phasing of new technology

-Useful life of assets

-Importance of rapidly decreasing unit price and increasing unit demand -Cash flows and profit margins

## At Level 3 Optimization Is An Enterprise-Wide Competency

n World class staff with backgrounds in operations research, computer science and economics

n Experienced in

- Stochastic optimization
- Non-linear and combinatorial optimization
- Pricing and revenue management
- E-commerce applications
- Internet engineering
- Simulation

n Team continually improves Project Max and develops models and processes for forecasting, network design, pricing and service delivery

Level 3 Has Developed A Simplified  
"Mini Max" Model To Illustrate The  
Implications Of Project Max

n NPV optimized discounted cash flow model  
n Unit price and unit demand are related by elasticity of demand function  
n Model will be available at [www.Level3.com](http://www.Level3.com)

# Representation Input to Mini Max

General Input		
Initial Demand	\$8,500,000	
Initial Price	\$200	
Annual Price Reduction	Variable	
Discount Rate	15%	
Elasticity	1.0 to 4.0	
Capital Expenses		
Initial Capex Per Incremental Unit	\$190	
Annual Capex Compression Rate	30%	
Initial Infrastructure Cost	\$10,000,000,000	
Operating Expenses		
Initial Activation Cost Per Incremental Unit	\$45	
Initial Support Cost Per Cumulative Unit	\$25	
Fixed Annual Cost	\$315,000,000	
Revenue Dependent Opex Cost	18%	
Network Expenses		
Initial Network Expense Per Incremental Unit	\$80	
Annual Opex and NetEx Compression Rate	30%	

Mini Max Illustrates The Dramatic Effect  
Of Unit Price Decrease and Elasticity Of  
Demand On Value Creation

[graph depicting Annual Price Reduction Rate results of Mini Max model with inputs on prior slides with logarithmic Net Present Value scale on the Y axis and Elasticity on the X axis]

## Implications Of Project Max Are Illustrated By The Mini Max Model

n At estimated communications demand elasticity, price reductions are key to maximizing value

n Financial implications are significant

- Rapid unit price and unit cost decreases
- Rapid unit demand increases
- Higher absolute capital levels
- Shorter asset lives
- Higher margins and profits

n Operational implications are significant

- Internal systems must scale at unprecedented rates
- External supply chains must scale at unprecedented rates

## **The Mini Max Model Is Illustrative Only**

- n Single capex price performance improvement rate
  - Networks are composed of thousands of different elements
- n Single elasticity of demand
  - Elasticity may vary over products, geography and time
- n No competition is modeled
- n No growth constraints are considered
- Internal systems
- External supply chain

The Communications Industry Is  
Visibly Moving To A Disaggregated  
Supply Chain Model

- n Technology industries are characterized by horizontal integration
- n Many communications companies are visibly disaggregating



"When a horizontal business model  
meets a vertical business model,  
horizontal wins every time."

John Chambers President and CEO Cisco Systems, Inc.

The Disaggregated Communications  
Supply Chain

Supply Chain	Example
Customers	Businesses, Consumers
Service Providers	Portals, ASPs, ISPs, Hosting
Network Providers	Level 3, DSL, Cable Modem
Equipment Providers	DWDM, SONET, Ethernet
Component Providers	Fiber, Optical, ASICs

- n Rapid technical innovation and resultant Capex requirements will limit supply
- n New systems are required to manage the interrelationship between thousands of rapidly changing network elements, product pricing and escalating demand
- n Level 3 has developed unique expertise in communications optimization systems
- n The communications industry is visibly shifting into a disaggregated supply chain
- n Level 3 is positioned to benefit from this shift

## **The Level 3 Network**

Kevin O'Hara  
President  
and Chief Operating Officer

### **Key Components of the Level 3 Network**

[graphics depicting Gateways, Metro Networks, Intercity Networks, IP Network and Softswitch Network]

## Colocation Gateway Facilities

n 50,000 to 600,000 sq. ft.

n Multiple, local and intercity network connections

n High level of physical and network security

n Level 3 has more colocation facilities than any other network services provider

n 63 Gateways

[graphic showing artists rendition of Gateway layout, not drawn to scale]

## Level 3 Is A Broadband Backbone Service Provider

- n Access networks support specific service areas and connects directly to customers

- n Backbone networks connect traffic aggregation points (TAPs) n Backbone networks can have metro and intercity components

[graphic depicting Level 3 metro network connecting to a local access networks which in turn is connected to the Level 3 intercity network]

### Level 3 Metro Networks

n	Connects traffic aggregation points
n	Colocation sites
n	ILEC COs
n	Third party hosting sites
n	Carrier hotels
n	Upgradeable multiple conduit system
n	15,000 conduit miles
n	440,000 fiber miles
n	IP and Ethernet optimized



Traffic Aggregation Points Are A  
Key To Level 3's Metro Strategy

n	Level 3 metro networks connect traffic aggregation points (TAPs)
n	Carrier hotels and data centers
n	3rd party colocation facilities
n	ILEC and CLEC central offices
n	TAPs extend Level 's service to many access networks

[graphic showing bar graph with Number of TAPs on the Y axis and ILEC Cos, Data Center POPs, etc., Projected 2001 Adds and Year End 2001 Total on the X Axis]

### The Level 3 Intercity Network

n	16,000 mile multi-conduit US intercity network
n	4,750 mile multi-conduit European intercity network
n	Connects key European markets
n	Submarine facilities
n	Transatlantic cable complete
n	North Asian cable under construction
n	Ownership positions in AC-1, TAT-14 and Japan-US cables
n	Connects 280 cities

The Level 's Multi-Conduit Design  
Ensures A Long-Term, Low Cost Position

- n Utilize new fiber generations when unit cost is lower
- n Enables opportunistic sale of dark fiber and related services
- n Level 3 has the only US and European multi-conduit networks

[graphic depicting multi-conduit network design]

Multiple Conduits Are Only One Part  
Of An Upgradeable Network Design

- n The right number of each generation of fiber in each conduit
- n The right number of wavelengths of light in each fiber
- n The right bit rate for each wavelength
- n The optimum optical amplifier site spacing
- n The optimum electrical regenerator site spacing
- n Optimally scheduled to new network topologies
- n Optimally scheduled migration to new technologies
- n Accommodation of unforeseen, disruptive technologies

Migration From ATM To  
Multi Protocol Label Switching (MPLS)

- n MPLS is an extension of IP
- n MPLS provides Quality of Service capability similar to ATM
- n MPLS enabled routers are commercially available
- n Level 3 is broadly deploying MPLS routers
- n Elimination of ATM provides substantial cost savings

[graphic showing (in order from bottom to top) fiber, WDM, SONET, ATM and IP moving toward fiber, WDM, SONET and IP w/ MPLS]

## **Migration from SONET to Ethernet**

- n Enterprise and residential traffic is rapidly migrating to IP over Ethernet
- n Subsequent encoding and decoding to and from ATM over SONET is cost inefficient
- n Ethernet components are less expensive than alternatives
- n Ethernet is cost effective in the metro area today

[graphic showing (in order from bottom to top) fiber, WDM, SONET, ATM and IP moving toward fiber, WDM, Ethernet and IP w/ MPLS]

## Migration From SONET Ring To Mesh Protection

- n Ring architectures require 50% of capacity to be reserved in case of failure

- n Mesh architectures require approximately 33% of capacity to be reserved for similar protection levels

- n While not broadly cost effective today, mesh protection is rapidly improving

- n Optical switching is a key enabling technology

[graphic showing Ring Protection and Mesh Protection designs]

## Migration From SONET To Optically Switched Protection

- n Key enabler of cost effective optical mesh protection
- n Enables wavelength on demand services
- n Operating support systems are key to rapid revenue scaling
- n Level 3's ON TAP system is key component

[graphic showing (in order from bottom to top) fiber, WDM, SONET, ATM and IP moving toward fiber, WDM with optical switching, thin SONET and IP w/ MPLS]

Note: Thin SONET required for interface to legacy systems



Level 's Near Term (2001)  
Technology Platform

n	Ethernet in metro transport
n	MPLS routing and provisioning in core network
n	Mesh technology in express routes
n	Automated network inventory
n	Automated network provisioning

Level 3's Mid Term (2002-2003)  
Technology Platform

n	Ethernet technology throughout network
n	End to end optical switching
n	End to end MPLS driven routing
n	End to end cost effective mesh protection

## Caveat

Unexpected Technology Innovations Will  
Disrupt Predicted Trends

n Dispersion managed fiber  
n Perfect mirror technology  
n Photonic crystal technology

(It's good to have an upgradeable network)

## Summary

- n Level 3 has more colocation gateways than any other carrier
- n Level 3 has the only next generation metro and intercity global network

n Level 3's network is uniquely designed to accommodate new, more cost effective technologies

## **Wendell Weeks Presentation**

[At the conference, Mr. Wendell Weeks of Corning Incorporated presented information regarding Corning Incorporated's view on the anticipated advancements of fiber optic technology. As these slides represented Corning Incorporated's views, they are not included in this filing.]

## **Our Services Overview**

**Jim Crowe**

**Chief Executive Officer**

## Overview

- n Level 3 is focused on enabling communications intensive companies
- n Level 3 has the industry's most complete set of services
  - Colocation gateway services
  - Softswitch services
  - Transport services
    - + IP service
    - + Transport service
- n Level 3 sales productivity is rapidly growing

## Product Positioning

### Product

### Positioning

Colocation Services

Enables other products

Softswitch Services

Addresses today's voice markets with IP economics

Transport Services

Key strategic services



Sales Productivity Is Rapidly Increasing

[chart showing Monthly Sales per Rep in dollars on the Y axis with points 0, 20, 40, 60 and 80 and quarters 1Q99 (between 0 and 20), 2Q99 (between 20 and 40), 3Q99 (between 20 and 40), 4Q99(between 40 and 60), 1Q00(between 40 and 60), 2Q00(between 40 and 60), 3Q00 (between 60 and 80) and 4Q00 (between 60 and 80) on the X axis]

## **Gateway Services**

Carlos Lopez-Abadia  
Senior Vice President  
Global Gateway Services

## Gateway Services

[X] Provides on ramp to the Level 3 network [X] Purchased by

-ISPs

-ASPs

-Media Distributors

-Intelligent Content Distributors

-Storage Area Networks

**-CLEC**

-Carriers

[X] US market has been supply constrained during 2000

## Projected Supply And Demand

[X] 14.6 million sq. ft. shortage is expected by 2004

Source: Demand - Salomon Smith Barney

Supply - Level 3 Estimates

## Level 3 Has More Colocation Gateways Than Any Communications Provider

[X] Colocation is a key enabler of bandwidth service sales [X] Structural limitation will constrain supply -Capital

-Metro Connectivity

-Power

[X] Level 3 has 63 facilities in 60 markets -more than any other communications provider Source: SSB, If Built...Will They Come?, August 2000; JP Morgan, European Alternative Carriers, July 2000

Access To Capital Is Constraining Colocation Supply  
[X] Colocation is capital intensive [X] Many companies are downsizing initially announced builds [X] Capital access may further reduce supply over the next 18 to 24 months

[graph showing Indexed Bond Prices for Exodus, Globix, Equinix and PSINet from 2/29/00 to 12/29/00]

Metro Connectivity Differentiates

Colocation Providers

|X| Colocation customers often spend 25% to 50% of operating expense on bandwidth services

|X| Level 3's combined metro and intercity network is a strategic advantage

[graph showing Level 3 Metro/Intercity Relative Transport Cost as significantly lower than ILEC/Leased Networks]

Power Availability Is A Significant Constraint

- |X| Over the next 3 years, average power densities are expected to grow from 20 watts per sq. ft. to 200-300 watts per sq. ft.
- |X| Many facilities cannot support higher power densities
- |X| Power shortages may constrain supply

Note: Based on 100k gross square foot facility Source: Level 3 analysis



Level 3 Is Leveraging Third Party Colocation (TPC) To Increase Scale

[graph showing gross square feet on the Y axis and Level 3 Space Controlled as of 12/31/00 at just below 6.0 million, TPC Lit Space as of 12/31/00 at just less than 1.0 million, TPC Space in Process at just less than 1.0 million, Potential 2001 Partner space at just over 1.0 million and Total at approximately 8.0 million]

Source: Level 3 actuals and projections

## Summary

[X] Level 3 has more colocation space and larger footprint than any other communications company

[X] Supply is constrained

-Capital constraints

-Metro connectivity

-Power constraints

[X] Colocation Gateways are a key enabler to other services -(3)CrossroadsSM

-Transport services

-Dark fiber sales

## **Softswitch Services**

Ike Elliott  
Senior Vice President  
Softswitch Enabled Services

Softswitch Services Address The  
Large \$700 Billion Voice Market  
With IP Economics

- n Circuit switched providers have shrinking revenue and poor economics
- n Pure IP providers have smaller market today but good economics

[graphic showing % of Global Communications Revenue with Voice Services at near 90+% and IP and Data Services at significantly less]

Source: Company estimate

## Softswitch Services

- n Softswitch architecture enables rapid, long term cost and price reductions
- n Services include
  - (3)ConnectSM Modem
  - (3)VoiceSM

(3)ConnectSM Modem

A Case Study In Silicon Economics

### What Is (3)ConnectSM Modem?

- n A fully outsourced dial-up Internet access network
- n End to end managed solution for Internet Service Providers
- n Flexible pricing
  - Per port per month
  - Per hour
- n Available in US, Asia and Europe

## The Modem Services Market

- n The US modem dial-up market is expected to grow through 2005
- n As prices drop rapidly, new services may extend life of modem market
- Bonding modems to achieve higher speeds
- Dial access to network attached devices

- + Appliances
- + Entertainment devices

n International markets are an expanding opportunity

[graphic showing actual and projected growth in Total Ports in millions from 1998 through 2005]

Source: Morgan Stanley Dean Witter 2000 Level 3 Estimates



By 4Q02, Level 3 Expects To Be The Largest Modem Services Provider

[graph showing projected market share growth from Level 3 through 2005]

Source: Level 3 estimate

As (3)ConnectSM Modem Scales, Cost  
Advantages Are Expected to Increase

- n Over 6 billion minutes per month now carried
- n Softswitch component price performance is rapidly improving
- n Leverages common IP network shared with other data traffic
- n Margins are strong and improving

[graphic showing the decrease in Indexed Costs where 1999 equals 100 over time for both Circuit Switch Modem Services and (3)Connect Modem services]

Source: Morgan Stanley Dean Witter, 2000

## Summary

n (3)ConnectSM Modem market share is expected to grow rapidly

n (3)ConnectSM Modem margins are strong

n (3)ConnectSM Modem demonstrates the leverage inherent in Level 3's silicon economic model

(3)VoiceSM Service

Addressing The Voice Market With IP Economics

### (3)VoiceSM Is A Strategic Alternative To Circuit Switched Service

n (3)VoiceSM is the industry's first commercially available Softswitch based voice service

- n Fully outsourced voice service
- Long distance calling worldwide
- Customer tools including online reporting of usage
- n Flexible pricing, fixed charge, per gigabit or per minute
- n Sold to LD carriers, ISPs, ASPs and portals
- n IP voice market expected to grow 67%1 per year through 2005
- (1) Source: Probe research

(3)VoiceSM Minutes Transport Costs  
30% Less Than Circuit Switched Voice

n (3)VoiceSM will cost 55% less by 2005

[graph showing costs per minute in US\$ for both Circuit Switched and (3)Voice]

## Summary

n Softswitch services address the large voice market with IP economics  
n Level 3 is the only national provider of scalable Softswitch services  
n (3)ConnectSM Modem is a high volume, high margin service  
n (3)VoiceSM is scaling rapidly

IP And Optical Transport  
Services

Dan Caruso  
Group Vice President  
Optical & IP Services



# IP And Transport Services Portfolio

Service	Customers	Positioning
IP Services	Communications Intensive Co's	Core
Ethernet Transport	Communications Intensive Co's	Core
Private Line	Communications Intensive Co's	Core
Wavelengths	Carriers, Communications Intensive Co's	Core
Dark Fiber and Related Services	Carriers, Data CLECs	Opportunistic
Conduit	Carriers, Data CLECs	Opportunistic

Conduit And Dark Fiber Sales And Services  
Are Opportunistic Sources Of Cashflow

[X] Level 3 is only source of continuous, national conduit and dark fiber [X] Level 3 is major supplier of metro dark fiber to Ethernet based CLECs [X] 50% of dark fiber related sales are colocation and other recurring revenue [X] To date Level 3 has sold \$4.1 billion<sup>3</sup> of dark fiber and related services

[Graphic 1: Pie chart showing Empty US Conduits<sup>1</sup> with Level 3 at 10 and Qwest at

1. Graphic 2: Pie Chart showing empty US Conduit Miles with Level 3 at 67%, Qwest at 10%, Williams at 13% and other<sup>4</sup> at 10%]

(1) Empty national, continuous conduits

(2) Percentage of empty conduit miles. See Appendix "Competitor Assessment"

(3) Through 4Q00

(4) Other regional and discontinuous national networks. See Appendix "Competitor Assessment"

## Level 3's Metro Facilities Are A Valuable Strategic Asset

6.5 Million Sq. Ft. Colocation Facilities Connections to over 300 Traffic Aggregation Points 15,000 Miles of Metro Conduit 440,000 Miles of Metro Fiber

☒ Metro facilities are key resources for Ethernet based CLECs

- Ethernet CLECs (including Level 3) have substantial cost advantages

☒ Interconnection with Ethernet based CLECs is a long term competitive advantage

☒ Metro facilities are key to IP services availability and cost ☒ Metro access is a key transport service enabler ☒ Metro capacity is supply constrained

Level 3 Core Transport Services Are The Most Comprehensive In The Industry

	Wavelengths		Private Line		IP Service	
	Metro	Intercity	Metro	Intercity	Metro	Intercity
Level 3	v	v	v	v	v	v
360Networks		v		v		v
AT&T		v	v	v		v
Broadwing		v		v		v
Global Crossing		v		v		v
Qwest		v		v		v
Sprint				v		v
Williams		v		v		v
WorldCom		v	v	v		v

Note: Checks indicated facilities based service offering

## Core Transport Services Roadmap

[X] Expensive SONET based private lines are expected to diminish [X] IP/Ethernet metro (and perhaps intercity) services are expected to increase [X] Wavelength services are expected to displace dark fiber and SONET services

[graphic showing (in order from bottom to top) fiber, wavelengths, private line, Ethernet and IP w/ MPLS moving toward fiber, wavelengths, Ethernet and IP w/  
**MPLS]**

## IP Services

- ☒ Dedicated Internet Access
- ☒ IP Over Ethernet Connectivity
- (3)CrossroadsSM

## Level 3's Peering And Interconnection Network

|X| Level 3 is a recognized Tier 1 Internet backbone provider |X| Level 3's metro networks provide low cost interconnection with its peers |X|  
35 Gbps of global peering connectivity today  
- 300% growth over previous six months |X| 400% growth expected over next 12 months

## Level 3 Is A Major Supplier To The Rapidly Growing IP Transport Market

[X] Level 3 focuses on high speed IP access -OC-3 and OC-12 today

-OC-48 in late 2001

[X] Available in US, Europe and Asia [X] Fixed rate and usage based billing options

[chart showing Total Internet Traffic in Gbps growing on the Y axis and 1998 to 2005 on the X axis]

Source: JP Morgan and McKinsey



(3)CrossroadsSM Is Level 3's IP Over Ethernet Service

[graphic showing from left to right Global Internet cloud connected to Level 3 IP Network cloud linked to a Level 3 Gateway with (3) Crossroads service which Gateway is linked to a Third Party Colocation or Carrier Hotel using (3)Crossroads service.]

### (3)CrossroadsSM Has Scaled Rapidly Since Introduction

|X| Global product launch in second half of 2000 |X| Leverages Ethernet's superior price performance ratio |X| Enables customers to manage costs using destination sensitive billing

## Destination Sensitive Billing Is A Major Feature Of (3)CrossroadsSM

### Intra-City

|X| Exchange traffic with other Level 3 customers on same metropolitan network |X| Low price facilitated by Level 3's metro networks and colocation facilities

### On-Net

|X| Exchange traffic with other Level 3 customers on Level 3's global network |X| Low price enabled by Level 3's global IP network

### Off-Net

|X| Exchange traffic anywhere on the Internet |X| Low price enabled by Level 3's settlement free peering agreements

### (3) CrossroadsSM is Highly Scalable

☒ Enables rapid and highly automated service activation ☒ Infrastructure is shared across many customers ☒ Avoids need to provision a private line for every customer activation

(3)CrossroadsSM Will Be Offered In Over 250 Locations Globally By Year End 2001

[Graphic showing bar graph with increasing # of locations through 4Q01]

Level 3 Is Able To Price (3)CrossroadsSM Disruptively While Maintaining High Margins

[graph]

Level 3 Is Uniquely Positioned To Offer  
(3)CrossroadsSM Services

- |X| Conduit and fiber rich metropolitan infrastructure required for service
- |X| Focus on extending Level 3's network to third party colocation facilities and carrier hotels
- |X| Large base of IP intensive customers in Level 3 colocation facilities is key advantage
- |X| More colocation space than any other communications company

Optical Transport Services  
(3)GlobalSM Wavelength Service  
(3)LinkSM Wavelength Services Is A New, Strategic Offering

- [X] (3)LinkSM is priced lower than other alternatives
- New construction
  - Lighting of dark fiber

[Graphic: Cost of Incremental Capacity bar graph showing Cost to Light Dark Fiber, Construction Cost and (3)Link Wavelength Service]



## Established Carriers Realize Synergies When Matching (3)LinkSM Wavelengths With Their Existing Networks

|X| Shorter diverse routes reduce cost of protection |X| Additional physical routes enable higher utilization through meshing |X| Express layers create low cost routes between top Internet markets

|X| Migration of traffic to (3)LinkSM Wavelengths extends useful life of existing networks

### (3)LinkSM Service Attributes

☒ Monthly service or multi-year contracts ☒ Industry leading pricing  
- Committed annual price declines

☒ Standardized tiered discounts according to volume purchases or take-or-pay commitments

☒ Service "portability" allows easy upgrades to higher speed services ☒ Service activation timetable commitment

### (3)LinkSM Enables Level 3 To Meet Strategic Objectives

|X| Positions Level 3 as the market leader in providing innovative, low cost optical transport services

|X| Rapid scaling of market share and revenue at high margins |X| Fully leverages Level 3's sustainable competitive advantages

|X| Provides customers with a cost effective alternative to building networks or lighting dark fiber

## **IP And Transport Service Summary**

|X| Completion of Level 3's optical network enables new IP and optical transport services

-(3)CrossroadsSM -(3)LinkSM |X| Level 3 is uniquely positioned to scale market share and revenue at high margins

-Industry leading colocation gateway space -Combined metro and intercity facilities -Upgradeable technical operational and financial model -  
ON TAP provisioning system

## **Submarine Services**

Jim Crowe  
Chief Executive Officer



## Submarine Services Are A Key Cost Component Of Level 3's Global Network

☒ Undersea facilities are built or bought to ensure low cost intercontinental connectivity

☒ Undersea capacity is matched to forecasts of Level 3 intercontinental requirements

☒ Level 3 avoids participation in standalone, undersea transmission services market

### Level 3 Avoids Participation In Standalone, Undersea Circuit Sales

- ☒ Cable construction and sales schedules are often 3 to 4 years
- ☒ Approximately 75% of cost must be invested up front, before any upgrades
- ☒ Newer cables have several times more capacity at same cost as older cables
- ☒ Inventoried capacity is susceptible to price competition from new cables with lower unit cost



Level 3 Has Low Cost Transatlantic Capacity |X| Cable completed in 4Q00

|X| Initially operates 320 gigabits (billion bits) per second |X| Upgradeable to 1.28 terabits (trillion bits) per second |X| Connects Level 3's US and European networks |X| Three-fourths of capacity was presold |X| Additional capacity through ownership in AC-1 and TAT-14

### Level 3 Is A Major Asia-Pacific Cable Owner

|X| North Asian cable under construction |X| Initially operates at 320 gigabits (billion bits) per second

|X| Upgradeable to 2.5 terabits (trillion bits) on eastern link and 3.8 terabits on western link

|X| Connects Hong Kong, Japan, Korea and Taiwan through Japan-US cable to US and Europe

|X| 50/50 partnership with FLAG Telecom |X| Ownership position in Japan-US cable connects US and North Asian markets

## Summary

☒ Submarine capacity is built or purchased to assure low cost intercontinental capacity

☒ Capacity is sized to meet Level 3 internal, intercontinental needs

- Excess is sold to partners ☒ Level 3 avoids standalone merchant undersea markets

## **Our People**

Doug Bradbury  
Vice Chairman

Level 3's First Priority Is To Attract And Keep The Best People In The Industry

- Level 3's People ☒ Entrepreneurial
- ☒ Customer focused
- ☒ High degree of technical expertise ☒ Take responsibility for continuous learning ☒ Prefer success based compensation to entitlements

## Level 3's Approach

**Think Like Owners**

### Level 3's Approach

☒ Locate in the right place

☒ Provide the right work environment ☒ Compensate in the right way

## Compensation Plan

Salary	90 - 95% of competition
Bonus	Up to 110% of competition for targeted performance
Benefits	Competitive and "market smart"
Long Term	Ownership oriented
	Shareworks
	Outperform Stock Options



Long Term Incentive Plans Have  
Several Goals

- |X| Should align employee recruitment, retention and investor goals
- |X| Should tie reward directly to level of performance

|X| Should have reasonable applicability over time and in various market conditions

|X| Non qualified stock options (NQSOS) have been the traditional answer

- Exercise price fixed at time of award
- Generally long (10 year) life

## **NQSO's Have A Structural Problem**

☒ NQSO performance is poorly related to company performance versus other investments of similar risks

-Stockholders object when market is hot -Employees object when market is depressed

☒ NQSO based employee incentives decrease in incentive value as a company matures

### **Level 3's Outperform Stock Option Program**

☒ Grants equal in initial value to competitors' grants of standard options ☒ Four year life  
☒ Granted on rolling quarterly basis ☒ Strike price indexed to S&P 500 ☒ Value at exercise equal to market price minus strike price, times multiplier

### **How Much Value is Awarded?**

☒ The decision on what dollar value to award is identical to NQSOs

☒ After the proper dollar value to be awarded is determined, value of OSO is divided into award value to determine number of OSOs to be granted

☒ Therefore OSOs grants are not worth more than NQSOs; they are more highly leveraged based on performance

[graph]

## **OSO Program Implementation Challenges**

☒ GAAP accounting requires treatment as compensation expense

☒ Proper implementation requires significant effort to ensure program fits individual company situation

☒ Uniqueness of program means extensive educational effort for both potential and existing employees

## **The Benefits of OSOs**

☒ Better aligns shareholder and employee interests ☒ Provides company with powerful recruitment and retention tool -Attracts performance oriented employees

☒ Varying the multiplier criteria and relevant index enables OSOs to adapt to different company conditions

☒ Quarterly awards adjust for changes in company's share price

### **The Level 3 Plan Is Working**

|X| Hired executive team with proven record |X| Attracted 6,200 employee-owners |X| Recruiting top talent from target undergraduate and graduate schools |X| Receiving average of 840 resumes per week |X| Current data base of 91,800 applicants

## **Our Customers**

Kevin O'Hara  
President  
And  
Chief Operating Officer



Level 3 Sells To Communications Intensive Companies and Network Providers In A Disaggregated Supply Chain

Supply Chain	Relationship	Example
Customers	End User	Businesses, Consumers
Service Providers	Customer	Portals, ASPs, ISPs, Hosting
Network Providers	Customer/Competitor	Level 3, DSL, CATV, CLEC, ILEC, Carrier
Equipment Providers	Technology/Partner	DWDM, SONET, Ethernet
Component Providers	Technology Partner/ Underlying Supplier	Fiber, Optical, ASICs

88% Of Level 3's Customers Are Communications Intensive Companies

[X] Communications intensive companies' service requirements are rapidly growing [X] Level 3 services often represent 25% to 50% of customer operating expense [X] Many customers colocate at Level 3 Gateways

[Graphic showing 88% are communications Intensive and 12% are Carriers & Enterprises]

Level 3's Strategic Assets Provide Significant Value To Customers

|X| Industry leading colocation space |X| Industry leading combined metro and intercity facilities |X| Industry's broadest service portfolio |X| Upgradeable network design ensures low cost position

### Level 3 Target Market Is Divided Into 13 Customer Segments

- ☒ Apps Managers
- ☒ Bandwidth Traders
- ☒ Broadband Access Providers
- ☒ Broadband Content Providers
- ☒ Broadband Transport Providers
- ☒ High Bandwidth Enterprises
- ☒ Internet Service Providers
- ☒ Local Wireline Service Providers ☒ Long Distance Service Providers ☒ Low Speed Content Providers
- ☒ Packet Voice Providers
- ☒ Web Enablers
- ☒ Wireless Service Providers

### Level 3's Broad Portfolio Helps Ensure A Credit Worthy Customer Base

☒ Detailed credit analysis is performed on each customer -Current financial statements

-Payment history

-Level 3 exposure to out-of-pocket cash expenditures ☒ Customers assigned to six credit categories ☒ Over 80% of revenue generated by customers rated as good credits

☒ Weaker credits are generally required to provide cash deposits to cover out-of-pocket exposure

☒ To date, bad debts and receivables aging are in line with expectations

Summary |X| Level 3's customers represent a valuable, long term asset |X| More than 70% purchase multiple services |X| Many customers colocate at Level 3 Gateways |X| Level 3 credit policies contribute to long term value creation

## **Competitive Assessment**

Kevin O'Hara  
President  
And  
Chief Operating Officer

Level 3 Has More Completed Global Colocation Space Than Any Other Carrier 1

[graph]

(1) Appendix: "Facilities Based Providers", "Data Center Overview"



Colocation is a Strategic Asset |X| Supply constrained  
|X| Colocation is key enabler of core IP and optical transport services |X| Level 3 has 6 million secured gross sq. ft. of space

Level 3's Metro Conduit And Fiber Are A Strategic Competitive Advantage [X] 15,000 metro conduit miles

[X] 440,000 metro fiber miles

[X] More fiber and conduit miles than any next generation carrier1 [X] Metro facilities are key enabler of core IP and optical transport services

(1) See "Facilities-Based Operations Metro Overview Summary" Competitive Assessment Section Level 3 2001 Investor and Analyst Conference, Jan 29, 2001

### Level 3 Owns The Only Multi-Conduit, Upgradeable Intercity Network

[X] Level 3 owns 67% of total empty US conduit miles 1 [X] Level 3 owns 10 of 12 continuous, national empty conduits 1 [X] Empty conduits are required to adopt new, low cost fiber/optronic systems

(1) See "Facilities Based Providers, Metro Overview Summary" Competitive Assessment Section Level 3 2001 Investor and Analyst Conference, Jan 29, 2001

Level 3 Is Growing More Rapidly Than Competitors

[Graphic showing % increase 2001 Projected Revenue vs. 2000 Actual Revenue on the Y axis and Level 3 (at 98% and \$842); Williams (at 93% and \$650); 360 (at 44% and \$200); Global Crossing (at 27% and \$664) and Broadwing (at 24% and \$300)]

Dollar figures indicates Projected Revenue Increase

## Summary

[X] Level 3's network assets are at strategic competitive advantage -More colocation facilities

-Multi-conduit, upgradeable metro fiber and conduit -Multi-conduit, upgradeable intercity network -Only nationally deployed Softswitch network

[X] Level 3 expects to grow more rapidly than competitors -100% revenue growth 2000 to 2001 -\$840 million increase 2000 to 2001

## Financial Overview

Sureel Choksi  
Chief Financial Officer

## Financial Strategy

☒ Business Plan Funding

☒ Financial Drivers

☒ Summary

☒ Prefund business plan to free cash flow breakeven ☒ Prudent capital structure relative to capex -Equity is appropriate for upfront expenditures -Debt is appropriate for success based expenditures ☒ Maintain portfolio approach to customer credit ☒ Ensure superior return on invested capital

## Business Plan Is Substantially Prefunded To Free Cash Flow Breakeven

☒ Business Plan requires approximately \$13 to \$14 billion

☒ Business Plan is prefunded through approximately \$14 billion raised to date

☒ Final capital requirements depend on success based expenditures matched to actual sales volume



## Capital Structure Is Appropriately Aligned With Capital Expenditures

[Graphic 1: Pie chart showing Up Front at 57% and Success Based at 43% and Graphic 2: Pie Chart showing Equity at 44% [1], Convertible Debt at 12% and Debt at 44% [2]]

(1) Does not include excess of RCNC & CTCO market value over book

(2) Assumes bank facility is fully drawn

## Communications Revenues

### GAAP Communications Revenue

#### Key Drivers

[X] Decreasing unit prices, more rapidly increasing volume [X] Current backlog is approximately 65% of 2001 projected revenue [X] Q101 communications revenue estimate of \$360-\$370 million [X] 2001 estimated revenue mix 1

-Transport 35 - 40%

-IP/Colocation 30 - 35%

-Softswitch 30 - 35%

[X] Projected percent CAGR in mid 60s from 2000 - 2005

[Graphic (\$000): bar graph showing 1999 below \$500; 2000 slightly less than \$1,000; 2001(est.) slightly more than \$1,500; 2002(est.) slightly less than \$3,000]

(1) Excludes upfront dark fiber and joint build revenue

## Communications Cash Revenue

### Communications Cash Revenue[1]

[Graphic (\$000): bar graph showing 1999 below \$500; 2000 slightly more than \$1,000; 2001(est.) approximately \$2,500; 2002(est.) slightly less than \$3,500]

Note: Cash revenue is defined as GAAP Revenue plus change in cash deferred revenue

(1) Represents midpoint of estimated range for 2001 and 2002

#### Key Drivers

[X] Sales of over \$4.1 billion in dark fiber and associated services to date [X] Significant capacity IRUs

[X] Projected percent CAGR in mid 50s from 2000 - 2005

## **Communications Revenue Backlog**

☒ Backlog is defined as expected revenue from signed contracts and current revenue run rate

☒ Communications revenue backlog totaled approximately \$5.1 billion at year end

☒ To date, Level 3 has sold over \$4.1 billion of dark fiber and related services, approximately \$3.8 billion is in backlog

☒ Services revenue backlog was approximately \$1.3 billion at year end

## Gross Margins

### Communications Gross Margin %

[Graphic: bar graph showing 1999 between -10% and -20%; 2000 between 20% and 30%; 2001(est.) between 40% and 50%; 2002(est.) approximately 50%]

### Key Drivers

[X] Migration of traffic from leased to owned facilities [X] Increase in gateway space brings more traffic on-net [X] Margins trend to 65+% over time

## SG&A Expenses

### Total SG&A as a % of Consolidated Revenue

[Graphic: bar graph showing 1999 approximately 100%; 2000 between 60% and 80%; 2001(est.) between 60% and 80%; 2002(est.) between 40% and 60%]

### Key Drivers

[X] Significant increase in annualized services revenue/employee-Q499: \$55,000 -Q400: \$193,000

-Q401: \$372,000

[X] SG&A trends to approx. 20% over time -Web enabled provisioning and customer service -Sales to bandwidth intensive customers

## Capital Expenditures

### Capital Expenditures[1]

[Graphic (\$000): bar graph showing 1999 between \$3,000 and \$4,000; 2000 between \$5,000 and \$6,000; 2001(est.) between \$3,000 and \$4,000; 2002(est.) approximately \$2,000]

(1) Represents midpoint of estimated range for 2002

#### Key Drivers

[X] \$3.4 billion estimate in 2001 includes \$400 million shift from 2000

[X] 2001 capex reflects addition of 2nd intercity fiber pull and deferral of European Ring 3

[X] Future capex is tied to revenue growth

[X] Silicon economics results in continual improvement in price performance

## Cumulative Capital Expenditures

|X| Over 85% of all expenditures invested in the network platform |X| Success based expenditures trend to 80-90% of future capex

[Graph: pie chart showing Capital Expenditures at 87% and Operating Losses and Working Capital at 13%]

Note: Cumulative uses of cash to free cash flow breakeven



### **Level 3 Financial Model Reflects Silicon Economics**

[X] Level 3's average asset lives are in line with rate of technological improvement

[Graphic: Bar graph showing Level 3 Implied Average Asset Life[1] between 6 and 8 years and Industry Average[2] between 14 and 16 years]

(1) Based on public financial statements through 9/30/00. Excludes construction in process where available.

(2) Includes T, BLS, BRW, GENU, GX, Q, FON, WCG, WCOM and TSIX

## Clear Path To Free Cash Flow Breakeven

### Key Drivers

|X| \$4.9 billion of available liquidity |X| Adjusted EBITDA positive for full year 2000 |X| Prioritize shorter payback investments |X| EBITDA positive expected during Q401 |X| Fully funded through free cash flow breakeven in first half of 2004

[Graphic showing (\$ in millions) and 2000 EBITDA negative between \$400 and \$600; with adjusted EBITDA slightly higher than \$0; 2001 (est.) with EBITDA negative between \$200 and \$400 and Adjusted EBITDA at approximately \$600 positive; 2002(est.) EBITDA slightly more than \$0 positive and Adjusted EBITDA at approximately \$800 positive.]

(1) Represents midpoint of estimated range for 2001 and 2002 Adjusted EBITDA Key Financial Drivers

## Financial Summary

☒ Business plan substantially prefunded through free cash flow breakeven ☒ Prudent use of debt  
☒ Strong revenue and EBITDA growth ☒ Cash revenues significantly in excess of GAAP reported revenue

## **Summary**

Jim Crowe  
Chief Executive Officer

## Summary

[X] Level 3's continuously upgradeable network will be substantially complete in 2001

[X] This will enable new strategic IP optical and services in 2001

[X] Level 3 has the right network, the right people and financial strength

[X] Level 3 is positioned to BREAKAWAY in 2001

## Appendices

## Level 3's Target Market Segments Definitions

Customer Sub Segments

e-Commerce

Information Search

Portals

Media

Entertainment & Gaming

Music

Events

Storage Service Providers

Web Hosting

Content Distribution Networks

Application Service Providers

Managed Service Providers

Consumer ISPs

Business ISPs

Middleman ISPs

Building LECs

Broadband Capacity Aggregators

**DLEC/DSL**

Cable Modem

NextGen Carriers

Specialized Broadband Carriers

IP Voice Carriers

IP Voice VAS Providers

**ILECs**

**Full Service Providers**

**CLECs**

**IXCs**

**PTTs**

3G/Mobile

Satellite

Fixed Wireless

High Bandwidth Enterprises

Bandwidth Traders

Wireless Business Access

Level 3 Global Market Segmentation

Market Segments		Definitions	
IP-Centric Content Providers	Broadband Content Providers	Media	Companies that distribute (and often produce) media over the Internet
		Entertainment & Gaming	Companies that distribute (and often produce) entertainment content over the Internet
		Music	Companies that distribute music via the Internet
		Events	Companies that specialize in online event broadcasts
	Web Enablers	Storage Service Providers	Services that enable off-site data storage, archival & recovery systems
		Web Hosting	Services include space and Internet connectivity for servers that host web-based applications
	Apps Managers	Content Distribution Networks	Deliver bandwidth intensive content from edge servers to optimize technical quality of distribution
		Application Service Providers	Deploy, host, and manage access to an application from a facility other than a customer's site
		Managed Service Providers	Provide comprehensive solutions to businesses including applications and internet services
	Low Speed Content Providers	e-Commerce	Enterprises that sell goods and services over the Internet, including B2B and B2C
		Information Search	Sites which resemble portals, but are optimized for finding URLs, specific content
		Portals	Gateways to general purpose and specialized internet content
IP-Centric Carriers	Broadband Transport Prov	NextGen Carriers	Carriers with large, next gen networks optimized for broadband IP & transport services
		Specialized BB Carriers	Provide specialized broadband transport
	Broadband Access Providers	Building LECs	Provide voice, IP, SONET and video communications services to large office buildings
		BB Capacity Aggregators	Serve bandwidth aggregation points such as 3rd party colo, carrier hotels, and large EUBs
		Wireless Business Access	Utilize point-to-point/multipoint GHz radio for business access at 150Mbps & higher speeds
		DLEC/DSL	Serve residential & small business customers with broadband internet access via telco twisted pair
	Internet Service Providers	Cable Modem	Last mile access via cable TV coax & fiber plant
		Consumer ISPs	Large, evolving national & regional ISPs focused on residential subscribers
		Business ISPs	Large, evolving national & regional ISPs focused on the business market
		Middleman ISPs	Provide infrastructure for branded ISPs services for clients
	Packet Voice Providers	IP Voice Carriers	Provide Voice over IP communications services to end users



		IP Voice VAS Providers	Provide voice value added services such as unified messaging and video conferencing
Other Carriers	Local Wireline Serv Providers	ILECs	The incumbent providers of local telephone service, along with evolving data services
		Full Service Providers	Provide comprehensive services to business customers incl local, long dist, internet & video
		CLECs	Serve the voice and data communications needs of business customers, competing with ILECs
	Long Dist Serv Providers	IXCs	The incumbent providers of long distance voice and data services in the US
		PTTs	The incumbent public carriers outside the US
	Wireless Service Providers	3G/Mobile	Highly mobile telecom service via cellular/handhelds; evolving to higher bandwidth
		Satellite	Broadcast and interactive services via geosynchronous and (planned) low earth orbit satellites
		Fixed Wireless	CLECs that employ point-to-multipoint rooftop-mounted digital radio technology to serve business
		Teleport	Provide IP backhaul from developing countries via satellite
	High Bandwidth Enterprises		Large industrial and service-oriented companies with extraordinary IP communications needs
	Bandwidth Traders		Members of a system that allows/promotes a more efficient means of buying & setting circuits

## Level 3 Representation Customers by Segments

### Applications Service Provider

Breakaway Solutions  
Critical Path  
Data Return Corporation  
Exodus  
Interliant  
Logictier  
NaviSite- Altavista  
NonStopNet  
Totality Inc.  
WebZone, Inc./Yipes  
Broadband Access Provider

Adelphia  
Allied Riser Communications  
Network Access Solutions  
NTL Communications LTD  
Primus Telecommunications  
Telewest Communications  
Telocity  
Telseon Dark Fiber Carrier Services Inc. Time Warner Telecom  
Yipes  
Broadband Content Provider

Atom Films  
Broadcast.com/Yahoo  
BT Broadcast Services  
Capital Interactive  
ClickRadio.com  
LandMark Communications  
Real Networks - Seattle HQ  
Sony Online Entertainment Inc  
Uproar  
WWF Entertainment Inc.  
Broadband Transport Provider

Colt Telecom  
Computer Telephone Corp  
Enron Broadband Services, Inc  
Flag Telecom Ltd  
GC Pan European Crossing Deutschland GmbH Internext, LLC  
Teleglobe Communications Corporation  
Telia North America  
Tycom Networks (UK) Ltd  
360Networks (UK) Ltd

### Level 3 Representation Customers by Segments

#### e-Commerce

Andale  
Blue Mountain Arts  
Consumer Net Marketplace  
e.Trade Magex LTD ProFlowers STARDirect StoreRunner Toys R Us World Trade Network DBA WT.Net High Bandwidth Enterprise

Blue Cross Blue Shield of Illinois  
Bardays Capital  
Dresdner Kleinwort Wasserstein  
Goldman Sachs and Company  
Hewlett-Packard  
ImageX Bellevue Corporate  
Oracle  
Sun Microsystems  
UBS Warburg  
Zurich Scudder Investments  
**ISP**

#### **AOL**

Cable & Wireless  
Concentric/XO Communications  
Earthlink Network Inc  
Energis  
Juno Online  
NaviPath  
Netzero Inc  
Savvis  
surfEU.com  
Local Wireline Service Provider  
Allegiance Telecom, Inc  
CapRock Communications  
Covista Inc.  
Focal Communications HQ  
McLeod USA Information Services  
Net 2000 Communications/ c/o Telecon LLC Network Plus Inc  
Pac West Telecom

#### **RCN**

**Tecnet, Incorporated**

## Level 3 Representation Customers by Segments

### Long Distance Service Provider

Cable & Wireless Communications Ltd  
Expresstel  
France Telecom  
**NTT**  
Sing Tel  
Telioo  
Telecom New Zealand USA  
Versatel Telecom Europe BV  
VIAG Interkom GmbH & Co.  
XO Communications  
Portal

Altavista Company  
Guardian Unlimited  
Infoseek  
**SEIU**  
Educational Networks Inc.  
Hotjobs.com  
Bloomberg NYC  
Gomez Advisors  
Jupiter Communications  
Learning Network  
Web Enabler

Akamai Technologies  
Breakaway Solutions  
Cap Gemini  
Digital Island  
InterNAP  
InterVu/Akamai Technologies  
Media Wave  
**RELERA Inc**  
Storage Networks  
Storage Way.com  
Wireless Service Provider

Advanced Radio Telecom  
Hughes Network Systems  
Metricom  
MobileStar Network  
Mobilesys Corp.  
Omnipoint Communications/VoiceStream  
Palm networking  
SkyberNet International bv  
Spacenet Inc.  
Waterfront Communication

## Facilities Based Providers

### Fiber Overview

	Region	Own, Lease, Joint	Fiber Type	Planned Route Miles	Complete Route Miles	Fiber Pairs Retained
Level 3 (logo)	North America	Own	LEAF 13	15,889 11	15,486 11	6 11
	Europe	Joint & Own	LEAF 13	4,750 11	3,591 11	7 11
			Corning Leaf	20,639	19,077	
AT&T (logo)	United States	Own & Joint	Gen 1 to 3 Corning LEAF & TrueWave 36	58,000 17	54,000 9	N/A
			Gen 1 to 3 Corning LEAF & TrueWave 11, 12, 42	58,000	54,000	
Broadwing (logo)	United States	Own		22,000 44	18,000 44	16 9
			Gen 2 Corning LEAF 1, 12	22,000	18,000	
Genuity (logo)	United States	Own (DF)	Lucent True Wave R and Corning LEAF 8	22,000 8	17,700 8	12 8
			Lucent True Wave R and Corning LEAF	22,000	17,700	
Global Crossing (logo)	NAC-North America	Own 1		20,000	20,000 9	12 18
	PEC-Europe	Own 1		15,525 6	15,525 6	N/A
			Gen 2 True Wave & Corning LEAF 11	35,525 37	35,525 2	
Qwest (logo)	North America	Own	Lucent True Wave 23	24,115 23	24,115 23	24 23
	Europe (KPNQwest)	Own	Corning Leaf	12,800 26	4,000 47	N/A
			Lucent True Wave and Corning Leaf	36,915	28,115	
Sprint (logo)	United States	Own	Gen 1 36	32,000 2	24,000 9	10 18
			Gen 1 11	32,000 2	24,000	
360 Networks (logo)	North America	Various		26,700 3	20,000 19	- 45

	United States	Lease		11,700 3	5,700 19	- 45
			Gen 1 to 3 Corning LEAF 11, 12	38,400	25,700	
Williams Communications (logo)	United States		Corning SMF, NZDSF and LEAF	34,000 47	30,489 43	24 9
	Europe	IRU Lease on Telia Ntwk	N/A	28,000 5	N/A	1 32
			Corning SMF, NZDSF and LEAF and Alcatel	62,000	30,489	
Worldcom (logo)	United States	Own		48,000 7	48,000 9	12 18
	Europe			8,694 1	6,000 47	N/A
			Gen 1 Corning LS, DSF, Gen 3 11	56,694	54,000	

Facilities Based Providers

Fiber Overview (continued)

	Fiber Pairs	Average Lit Fiber Pairs	Lit Fiber Miles (E*H*2)	Planned Fiber Miles (D*G)	Complete Fiber Miles (E*G)	Fiber Capacity
Level 3 (logo)	48 11	2 11	40,084 11	1,525,344	1,486,656	10 Gbps
	36 11	2 11	7,856 11	342,000	258,552	10 Gbps
			47,940	1,867,344	1,745,208	
AT&T (logo)	18 30	5 30	486,000	2,088,000	1,944,000	10 Gbps 17
			486,000	2,088,000	1,944,000	
Broadwing (logo)	48 18	2 18	72,000	2,112,000	1,728,000	10 Gbps 1
			72,000	2,112,000	1,728,000	
Genuity (logo)	12 8	3 8	106,200	528,000	424,800	10 Gbps 8
			106,200	528,000	424,800	
Global Crossing (logo)	12 30	2 18	80,000	480,000	480,000	1.28 Tbps 1
	24 6	N/A	N/A	745,200	745,200	10 Gbps 1
			80,000	1,225,200	1,225,200	
Qwest (logo)	48 23	2 25	96,460	2,315,040	2,315,040	10 Gbps 1
	50 26	N/A	N/A	1,280,000	400,000	10 Gbps 26

			96,460	3,595,040	2,715,040	
Sprint (logo)	12 34	3 31	144,000	768,000	576,000	N/A 34
			144,000	768,000	576,000	
360 Networks (logo)	40 18	0.5 45	20,000 3	2,136,000	1,600,000	10 Gbps 1
	14 3	0.5 45	5,700 3	327,600	159,600	10 Gbps 1
			25,700	2,463,600	1,759,600	
Williams Communications (logo)	48 5	.84 5	45,081 43	3,264,000	2,926,944	10 Gbps 1
	192 32	N/A	N/A	10,752,000	N/A	2.5 Gbps 32
			45,081	14,016,000	2,926,944	
Worldcom (logo)	12 30	3 30	288,000	1,152,000	1,152,000	N/A
	N/A	7 18	84,000	N/A	N/A	10 Gbps 1
			372,000	1,152,000	1,152,000	

Facilities Based Providers

Conduit Overview

	Region	Conduit Count	Average Empty Conduit Count	Planned Empty Conduit Miles	Planned Conduit Miles	Completed Conduit Miles
Level 3 (logo)	North America	12 11	10	158,890	190,668	185,832
	Europe	6-12 11	5-8	28,500	33,250	25,137
	Total			187,390	223,918	210,969
AT&T (logo)	United States	-	-	-	91,160 50	-
	Total				91,160	-
Broadwing (logo)	United States	0-1 11	-	-	22,000	18,000
	Total			-	22,000	18,000
Genuity (logo)	United States	- 8	- 8	- 8	- 8	-
	Total			-	-	-
Global Crossing (logo)	NAC - North America	-	-	-	-	-
	PEC - Europe	-	-	-	-	-
	Total					
Qwest (logo)	North America	2 24	1 24	24,115	48,230	48,230
	Europe (KPNQwest)	N/A	N/A	N/A	N/A	N/A
	Total			24,115	48,230	48,230
Sprint (logo)	United States	- 50	-	-	-	-
	Total			-	-	-
360 Networks (logo)	Canada	0-6 11	0-5	46,680	62,682	46,952



	United States	1 45	-	-	11,700	5,700
	Total			46,680	74,382	52,652
Williams Communications (logo)	United States	0-3 2	0-2 5	31,160	66,220	59,382
	Europe	1 32, 11	-	-	28,000	N/A
	Total			31,160	94,220	59,382
Worldcom (logo)	United States	- 50	- 50	- 50	-	-
	Europe	N/A	N/A	N/A	N/A	N/A
	Total			-	-	-

## Facilities Based Providers

### Fiber & Conduit Overview Sources

1=Ovum 2000 Wholesale Carrier Markets  
2=Bear Stearns White Pages November 2000 3=[www.360.net](http://www.360.net)  
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8=[www.genuity.com](http://www.genuity.com) (Company presentations and S 1 filing) 9=JP Morgan Industry Analysis September 2000 10=[www.enron.com](http://www.enron.com) & 3Q00 Analyst Conference Call 11=Level 3  
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**20=REMOVED**  
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22=Press Release 360  
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47=SmartMoney The one Telecom Stock to Buy Now 10/01/2000 48=Montana Power 10-Q  
49=Montana Power Investor Relations  
50=Networks Overview v1-may2000  
51=Except where otherwise indicated  
52=[www.tat-14.com](http://www.tat-14.com)

Facilities Based Providers

Metro Overview

	Region	Own, Lease, Joint	Planned Network POPs	Complete Network POPs	Planned Local Loop Miles	Complete Local Loop Miles	Conduit
Level 3 (logo)	North America	Own	488 13	238 13	1,817 13	1,601 13	8-20 13
	Europe	Own	313 13	68 13	377 13	280 13	9 13
	Other				-	-	
		Total	801 13	306 13	2,194	1,881	8-20
AT&T (logo)	United States	Own	835 9	N/A	N/A	N/A	N/A
	Europe	N/A	N/A	N/A	N/A	N/A	N/A
	Other/Unspecified	N/A	N/A	N/A	N/A	N/A	N/A
		Total	835	-	-	-	
Broadwing (logo)	United States	Own	N/A 9	300 9	-	-	-
		Total	N/A	300	-	-	-
Exodus (logo)	United States		N/A	N/A	-	-	-
	Europe		N/A	N/A	-	-	-
	Other/Unspecified		N/A	N/A	-	-	-
		Total	206 57	-	-	-	
Genuity (logo)	United States		84 8	N/A	N/A	N/A	N/A
	Europe		89 8	N/A	N/A	N/A	N/A
	Other/Unspecified		N/A	N/A	N/A	N/A	N/A
		Total	173	-	290 57	-	
Metromedia (logo)	North America	Various	900 peering points 36	N/A	5,850 51	1,600 51	6-9 13, 51
	Europe	Joint and Lease	N/A 51	N/A	18 intra-city networks (3150 Miles) 22	- 51	6-9 51
	Total		-	-	9,000 51	1,600	
Qwest (logo)	United States	Own and Joint 57	136 9	N/A	N/A	N/A	N/A
	Europe (KPNQwest)	Own	500 1	N/A	N/A	N/A	N/A
		Total	636	-	-	-	
Sprint (logo)	United States	Own 48	320 9	N/A	N/A	N/A	N/A
	Europe	N/A	N/A	N/A	N/A	N/A	N/A

		Total	320	N/A	-	-	
360 Networks (logo)	North America	O & J	65 1	N/A	400 3	N/A	1-2 50
	Europe	Lease	35 3	N/A	500 3	7 Rings 21	1-2 50
	Other/Unspecified						
		Total	100	-	900	-	
Williams Communications (logo)	United States	Own	125 2	-	3,200 40		-
		Total	125	-	3,200		
Worldcom (logo)	North America	N/A	600 9		N/A	N/A	N/A
	Europe Loops 1-6	N/A	N/A	N/A	1,987 1	N/A	N/A
	Other/Unspecified		N/A	N/A	N/A	N/A	N/A
		Total	600	-	1,987	-	

#### Facilities Based Providers

#### Metro Overview (Continued)

	Planned Fiber Miles (B*Fiber)	Complete Fiber Miles (C*Fiber)	Lit Route Miles	Capacity	Planned Metro Loop Cities
Level 3 (logo)	691,588 13	376,223 13	1,263 13	OC-3 - OC-192	Existing: San Diego, Seattle Los Angeles, San Jose, San Francisco, Phoenix, Chicago, Detroit, Denver, St. Louis, Cincinnati, Atlanta, Dallas, Houston, Orlando, Tampa, Miami, New York, Stamford, Long Island, Jersey City, Newark, Boston, Philadelphia, Baltimore, D.C. 13
	156,120 13	60,978 13	169 13	OC-12 - OC-48	Existing: London, Paris, Frankfurt, Amsterdam, Brussels, Dusseldorf 13
	-	-			
	847,708	437,201	1,432		
AT&T (logo)	N/A	N/A			
	N/A	N/A			
	N/A	N/A			
	-	-		10 Gbps 39	
Broadwing (logo)	-	-		-	Atlanta, Baltimore, Chicago, Cleveland, Dallas, Houston, LA, Miami, Phoenix, Salt Lake, SF, DC, New York and Philadelphia 22
	-	-		-	
Exodus (logo)	-	-		OC-3 & OC-12 15	

	-	-		OC-3 & OC-12 15	
	-	-			
	-	-			
	-	-			
Genuity (logo)	N/A	N/A		10 Gbps 15	Planned: Seattle, Portland, San Francisco, Los Angeles, San Diego, Phoenix, Denver, Austin, Dallas/Ft. Worth, Houston, Kansas city, St. Louis, Minneapolis, Chicago, Detroit, Cleveland, Columbus, Boston, New York, Philadelphia, Baltimore, Charlotte, Atlanta, Orlando, Tampa Bay, Fort Lauderdale, Miami 8
	N/A	N/A		10 Gbps 15	
	N/A	N/A			
	-	-			
Metromedia (logo)	N/A	1,200,000 22,		10-40 Gigabits 32	Atlanta, Boston, Chicago, Dallas, Denver, LA, NYC, San Francisco, San Jose, DC, Seattle, Phoneix, Houston, Miami, Philadelphia, Toronto, Detroit, Cleveland, St. Louis 32
		51			
	N/A	- 51		10-40 Gigabits 32	London, Zurich, Geneva, Milan, Amsterdam, Rotterdam, Brussels, Munich, Berlin, Frankfurt, Paris, Hague, Dusseldorf, Stuttgart, Cologne, Hanover, Hamburg, Ulrecht 32
	3,600,000 35	1,200,000			
Qwest (logo)	200,000 34	102,000 61	N/A	OC-192 15	Planned: Albany, Austin, Baltimore, Boston, Chicago, Cleveland, Dallas, Detroit, Houston, Indianapolis, Kansas City, Los Angeles, New York, Newark, Orange County, Philadelphia, Pittsburgh, Sacramento, San Antonio, San Diego, San Francisco, San Jose, St. Louis, Washington DC, and White Plains
	N/A	N/A	N/A	OC-192 15	N/A
	200,000	102,000			
Sprint (logo)	N/A	N/A		N/A	Existing: Sacramento, Calif. And Reston, Va. Planned: Atlanta, Boston, Chicago, Dallas, Los Angeles, New York, san Jose, Calif., Seattle, Washington D.C. and other locations 44
	N/A	N/A		N/A	
	-	-			
360 Networks (logo)	N/A 50	N/A 50		N/A	Seattle, Willows Rd, Bellevue, Redmond, Vancouver, Calgary, Winnipeg, Toronto, Ottawa, Montreal, Chicago, Dallas, Houston, Denver, New Orleans, Sacramento, Albany, DC, Detroit, Minneapolis, Portland, Miami, San Diego, and Atlanta 22, 23
	N/A 50	N/A 50		N/A	Buy conduit-London. Buy

Fiber-Paris, Copenhagen, Hamburg,  
 Amsterdam, Frankfurt, Geneva,  
 Lyon, Marseilles, Milan,  
 Strasburg 22, 23

	-	-			
Williams Communications (logo)	144,000 40	N/A		10-40 Gbps 32	Altanta, Boston, Chicago, Dallas, Denver, LA, NYC, San Francisco, San Jose, DC, Seattle 13
	144,000	N/A			
Worldcom (logo)	N/A	N/A		OC-48 15	
	N/A	1,500 53		OC-48 15	Netherlands, Dublin, Ireland, Luxembourg, and Milan, Italy, and then in Copenhagen, Denmark, Frankfurt, German, London, Manchester, England, Madrid, Spain, Stockholm, Sweden, and Zurich, Switzerland, Amsterdam, Brussels, Frankfurt, London and Paris 46
	N/A	N/A		OC-48 15	
	-	1,500			

## Facilities Based Providers

### Data Center Overview

	Region	Planned Data Centers	Data Centers In-Service	Planned Data Sq. Ft.	Complete Data Center Sq. Ft.	Planned Data Center Cities
Level 3 (logo)	North America	66 13	51 13	5,265,000 13	1,817,000 13	
	Europe	10 13	10 13	1,039,000 13	824,000 13	
	Other	2 13	2 13	196,000 13	142,000 13	
	Total	78	63	6,500,000 13	2,783,000 13	
AT&T (logo)	United States	N/A	10 15	788,000 15, 19	788,000 15, 19	NY, San Diego, San Francisco, D.C., Phoenix, Chicago, Atlanta, Dallas, Los Angeles, Seattle 15
	Europe	N/A	1 15	130,000 15, 19	130,000 15, 19	UK, Germany 15
	Other/Unspecified	N/A	2 41	1,082,000 15, 19	372,000 15, 19	Asia/Pacific, (12) Unspecified 15
	Total	44 42	13 41	2,000,000 19	1,290,000 19	
Broadwing (logo)	United States	N/A	11 52	450,000 52	90,000 52	
	Total	N/A	11	450,000	90,000	
Exodus (logo)	North America	43 45, 57	31 45, 57	2,215,000 15	2,215,000 15	(5) Santa Clara, (2) New Jersey, (2) Seattle, Irvine, Los Angeles, (2) D.C., (2) Boston, (2) Chicago, Austin,

						Atlanta, Toronto, Unspecified 15
	Europe	7 45, 57	5 45, 57	625,000 15	625,000 15	Frankfurt, (2) London, Paris, Amsterdam 15
	Other/Unspecified	8 45, 57	4 45, 57	3,860,000 13	2,260,000 13	Australia, (2) Tokyo, Unspecified 15
	Total	58 45, 57	40 60	6,700,000 13	5,100,000 60	
Genuity (logo)	United States	11 15	9 15	493,200 15, 54	233,200 15, 54	Cambridge, San Jose, Palo Alto, (2) New York, Phoenix, Chanitlly, Chicago, Los Angeles, Boston, Mountain View 15
	Europe	1 15	1 15	10,900 15, 54	10,900 15, 54	Leeds, UK 15
	Other/Unspecified	1 15	1 15	10,900 15, 54	10,900 15, 54	Tokyo, Unspecified 15
	Total	13	11 54	515,000 55	255,000 54	
Metromedia (logo)	North America	N/A	9 55	N/A	N/A	
	Europe	N/A	7 55	N/A	N/A	
	Total	-	16 55	1,000,000 33	385,000 22	
Qwest (logo)	United States	42 15	14 15	2,794,000 15	1,070,000 15	(2) Sunnyvale, Burbank, Weehawkan, San Francisco, Denver, (2) Sterling, Newark, (2) San Jose, Philadelphia, (2) Dallas, Chicago, Atlanta, Detroit, Tampa, D.C.,



						New York City, Phoenix, Seattle, Los Angeles, (18) Unspecified 15
	Europe (KPNQwest)	24 15	18 15	1,436,000 15	736,000 15	Frankfurt, Paris, London, Stockholm, Milan, Munich, (17) Unspecified
	Total	66 13	32 57	4,230,000 15	1,806,000 15	
Sprint (logo)	United States	18 2	2 44	850,000	300,000 58	Sacramento, Reston, Atlanta, Boston, Chicago, Dallas, Los Angeles, New York, San Jose, Seattle, D.C, Unspecified 48
	Europe	5 2	-	N/A	-	
	Total	23 2	2	850,000	300,000	
360 Networks (logo)	North America	24 22	N/A	2,400,000 23	N/A	
	Europe	11 22	N/A	540,000 3, 23	N/A	
	Other/Specified			760,000 3, 23		
	Total	35	-	3,700,000 21	1,450,000 15	
Williams  Communications (logo)	United States	N/A	N/A	2,000,000 49	1,300,000 5	Atlanta, Boston, Chicago, Dallas, Denver, LA, NYC, San Francisco, San Jose, DC, Seattle 13

	Total	-	-	2,000,000	1,300,000	
Worldcom (logo)	North America	N/A	6 45	120,000 15	120,000 15	Tyson Corner, San Jose, Atlanta, Columbus, Carteret, Elmsford, Unspecified 15
	Europe Loops 1-6	47 15	28 15	500,000 15	200,000 15	London, Dortmund, (2) Paris, Bursfels, Amsterdam, Dublin, Luxembourg, Milan, Stockholm,Unspecified 15
	Other/Unspecified			1,380,000 15	80,000	Hong Kong, Tokyo, Singapore, Asia Unspecified 15
	Total	50		2,000,000 57	400,000 57	
XO (logo)	United States			40,000 15	40,000 15	San Jose, Chicago, Irvine, Secaucus
	Europe			20,000 15	20,000 15	London, Almere
	Other/Unspecified			45,000 15	25,000 15	Unspecified
	Total		8 59	105,000 15	85,000 15	

## Facilities Based Providers

### Metro & Data Center Overview Sources

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2=Bear Stearns White Pages November 2000 3=www.360.net  
4=Global Crossing Network Lands in Chile (10/31/00 Press Release) 5=www.williamscommunication.com  
6=www.globalcrossing.com  
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8=www.genuity.com (Company presentations and S 1 filing) 9=JP Morgan Industry Analysis September 2000 10=Formula (Route Miles x Fiber Pairs)  
11=Formula (Route Miles x Avg. Lit Fibers) 12=www.enron.com & 3Q00 Analyst Conference Call 13=Level 3  
14=www.corningfiber.com  
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17=www.boradwing.com 3Q00 Analyst Conference Call 18=www.worldom.com 3Q00 Analyst Conference Call 19=www.att.com/network/  
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## NEWS RELEASE

For Immediate Release

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Level 3 Commissions International Network; Announces New Initiatives at Analyst and Investor Conference

Level 3 Affirms 2001 Financial Guidance with Increases to Cash Revenue and Adjusted EBITDA; Introduces New Guidance for 2002

Company Unveils New Program for Large Communications Carriers with Annual Price Decline and Service Activation Commitments

NEW YORK, January 29, 2001 -- Level 3 Communications, Inc. (Nasdaq:LVL3) announced today that it has set a new telecommunications standard with the industry's most rapidly constructed global fiber-optic network. In 30 months, Level 3 built a 20,000 mile multi-conduit intercity network and 32 multi-conduit metropolitan networks in North America and Europe. Additionally, the company constructed a transatlantic cable system connecting North America and Europe, and has secured 6 million square feet of technical space in 63 data centers serving 49 North American markets, 9 European markets and 2 Asian markets.

"The construction of our global communications network in only 30 months is an unprecedented accomplishment and a strong testament to the commitment of our employee-owners, construction and technology partners, and investors," said James Q. Crowe, chief executive officer of Level 3. "A continuously upgradeable network like ours is never truly complete, but we're extremely pleased to be able to move customer traffic from leased facilities and offer services on our own global broadband infrastructure in less than three years."

"Now that we've begun to operate our own global broadband network, we expect to achieve higher margins and greater service scalability and performance," said Kevin J. O'Hara, president and chief operating officer of Level 3. "Our continuously upgradeable multi-conduit network is unlike any communications network ever constructed. We can install new optical fiber through one of our metro or intercity network's empty conduits, rather than having to reconstruct the entire network. By properly matching new generations of fiber with rapidly improving optonics, we can reduce costs and provisioning time. This means that our customers can enjoy substantial cost advantages and bring innovative new services to market."

In a video presentation at the conference, Level 3 will demonstrate the network construction challenges that were overcome in this record setting time through the use of both conventional and innovative equipment and construction techniques, as well as the large number of permits and franchises that were required to be obtained in order to install its network. The video will also demonstrate, at actual speed, the rapid rate at which fiber can be deployed in a previously installed empty conduit. For example, whereas construction of Level 3's 16,000 mile U.S. intercity conduit system took approximately 30 months to complete, Level 3 currently estimates that it would take approximately six to nine months to fully install a second fiber optic cable in one of Level 3's empty conduits. This video will be available, along with the entire presentation from the conference, on Level 3's website [www.Level3.com](http://www.Level3.com).

### Level 3 Unveils New Pricing and Service Program

At this conference, Level 3 is focusing on its view of the competitive landscape and the company's current and anticipated new service offerings, and how these services position Level 3 to take advantage of its continuously upgradeable network.

While providing additional details of its (3)Center Colocation, (3)CrossRoads, (3)Connect Modem and (3)Voice services, Level 3 also announced an innovative new optical transport program designed initially for large communications carriers that features annual price decline and service activation commitments. The new family of global transport services, called (3)Link, will be officially launched at CompTel's 20th anniversary convention in February in Orlando, Florida. These offerings provide a cost-effective alternative for companies that might otherwise build communications networks or install electronics to "light" dark fiber.

"Construction of our continuously upgradeable global network marks a new beginning for Level 3 by giving us full control over our network operating costs, quality of service, provisioning and pricing," said O'Hara. "We believe that (3)Link services will sharpen and accelerate our focus on providing highly competitive network services on a global basis, and is illustrative of Level 3's commitment to bringing Silicon Economics to the telecommunications industry."

### Level 3 Updates Financial Guidance

Level 3 also announced today that it is affirming its 2001 financial guidance, with increases to cash revenue and adjusted EBITDA, and is

formally introducing financial guidance for 2002. The company expects communications revenue of approximately \$1.7 billion in 2001 and communications revenue of approximately \$2.9 billion in 2002.

"We are pleased to reaffirm or increase all of our 2001 financial guidance," said Sureel A. Choksi, chief financial officer of Level 3. "Industry leading revenue growth in 2001 of approximately 100 percent is an indication of our confidence in the opportunities ahead. We'd also like to reiterate that our business plan continues to be substantially prefunded through free cash flow break even."

## **Financial Projections**

**Communications Revenue:** Level 3 expects communications revenue to grow from \$858 million in 2000 to approximately \$1.7 billion in 2001 and \$2.9 billion in 2002. Of the \$1.7 billion in 2001 communications revenue, approximately \$320 million will come from non-recurring dark fiber and infrastructure sales.

Excluding non-recurring dark fiber and infrastructure sales, communications revenue falls into three categories: Transport, IP and Colocation, and Softswitch enabled services. For the year, Transport is expected to generate 35 to 40 percent of communications revenue, IP and Colocation 30 to 35 percent, and Softswitch enabled services - including reciprocal compensation - 30 to 35 percent.

Level 3 has a current backlog of approximately \$5.1 billion. Backlog is defined as total communications revenue that Level 3 expects to realize from signed contracts that have not been provisioned, as well as current revenue run-rate. Approximately 65 percent of our forecasted communications revenue for 2001 is included in the \$5.1 billion backlog.

Communications cash revenue, defined as communications revenue plus changes in cash deferred revenue, is expected to grow to approximately \$2.4 to \$2.6 billion in 2001, and \$3.4 to \$3.6 billion in 2002.

Level 3 expects communications revenue for the first quarter of 2001 to be in the range of \$360 to \$370 million. Approximately \$135 to \$145 million of this revenue is expected to come from non-recurring dark fiber and infrastructure sales.

Level 3 expects communications revenue to grow at a compounded annual percentage rate in the mid-60s and communications cash revenue to grow at a compounded annual percentage rate in the mid-50s between 2000 and 2005.

**Information Services and Other Revenue:** Total information services and other revenue was \$327 million in 2000, and is expected to decrease to \$220 million for both 2001 and 2002, primarily due to reduced shipments under long-term coal contracts and the sale of the company's 50 percent interest in Walnut Creek Mining Company in 2000.

**Gross Margin:** The gross margin for the communications business is expected to increase from 27 percent in 2000 to approximately 50 percent in 2001 and 55 percent in 2002. Consolidated gross margin is expected to be approximately 48 percent in 2001 and 53 percent in 2002.

**Selling, General and Administrative Expenses (SG&A):** Consolidated SG&A expenses for the year 2001 are expected to be approximately 65 percent of total revenues in 2001 and drop to below 50 percent of total revenues in 2002. The total number of Level 3 employees is expected to increase to approximately 7,000 by the end of 2001.

**EBITDA:** The company expects to turn consolidated EBITDA positive, excluding stock-based compensation, on a run-rate basis by the end of the year 2001, with EBITDA for the year 2002 reaching approximately \$155 to \$175 million. Consolidated adjusted EBITDA, defined as consolidated EBITDA plus changes in cash deferred revenue and adding back non-cash cost of goods sold, is expected to be approximately \$600 to \$700 million for the year 2001 and \$750 to \$850 million for 2002.

**Earnings Per Share:** The company expects that the net loss per share will increase from \$4.01 per share in 2000 to a net loss of approximately \$7.50 per share in 2001, largely as a result of increases in stock-based compensation, net interest expense and depreciation expenses.

**Capital Expenditures:** Capital expenditures for property, plant and equipment were \$5.9 billion for the year 2000. The company previously expected to spend \$6.3 billion for the year. As a result of timing differences, the remaining \$400 million is expected to shift into 2001. Including this \$400 million, total capital expenditures for the year 2001 are expected to be approximately \$3.4 billion. Aggregate capital expenditures for 2000 and 2001 are in line with previous forecasts. The company expects capital expenditures to decrease in 2002 to approximately \$2.0 to \$2.5 billion.

Capital expenditures estimates for 2001 reflect the acceleration of the second intercity fiber pull announced last year and the deferral of construction for Ring 3 of Level 3's pan-European network.

"Level 3 continually assesses the many business opportunities we have," said O'Hara. "In an effort to always deploy capital to maximize returns, we have reprioritized some of our capital projects."

The company forecasts that it will be free cash flow break even in the first half of 2004, and remains substantially prefunded to free cash flow break even.

## Analyst and Investors Conferences

The theme for Level 3's analyst and investor conference today in New York, and on January 31, 2001 in London, is "Breaking Away."

"We've said all along that the telecommunications industry is experiencing a fundamental shift from a classic monopolistic, utility-based business model to a technology-driven business model, underscored heavily by the same move toward horizontal disaggregation that occurred in computing," said Crowe. "We've also said that this dramatic shift will create clear winners and losers. We believe strongly that with our global broadband infrastructure essentially complete, we're positioned to break away this year and become one of the winners."

In addition to presentations by Level 3 executives and Corning, Inc., today's conference in New York includes a Partners Exhibit Area where a number of Level 3's top customers and strategic technology partners will be featured. Demonstrations and information in the exhibit area will focus on customers' communications intensive services that Level 3 enables and the advanced technologies deployed by Level 3 in its network.

Exhibiting companies for the New York conference include Akamai Technologies; Corning Incorporated; Data Return Corporation; Enron Communications; Logictier; NaviPath, Inc.; Nortel Networks; RCN Corporation; Rhythms NetConnections, Inc.; Telseon; Yahoo! Inc.; and Yipes Communications.

Exhibiting companies for the London conference on January 31 include Cap Gemini Ernst & Young; Data Return Corporation; Enron Communications; IC3; Hewlett-Packard Company; Nortel Networks; and surfEU.com Ltd.

## About Level 3 Communications

Level 3 (Nasdaq:LVLT) is a global communications and information services company offering a wide selection of services including IP services, broadband transport, colocation services and the industry's first Softswitch based services. Level 3 offers services primarily to communications intensive companies that deliver their services over the Level 3 Network. Its Web address is [www.Level3.com](http://www.Level3.com).

(3)Center Colocation, (3)CrossRoads, (3)Connect Modem, (3)Voice and (3)Link are service marks of Level 3 Communications, Inc.

Some of the statements made by Level 3 in this press release are forward-looking in nature. Actual results may differ materially from those projected in forward-looking statements. Level 3 believes that its primary risk factors include, but are not limited to: substantial capital requirements; development of effective internal processes and systems; the ability to attract and retain high quality employees; changes in the overall economy; technology; the number and size of competitors in its markets; law and regulatory policy; and the mix of products and services offered in the company's target markets. Additional information concerning these and other important factors can be found within Level 3's filings with the Securities and Exchange Commission. Statements in this release should be evaluated in light of these important factors.

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