
**UNITED STATES
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): **February 4, 2016**

Level 3 Communications, Inc.
(Exact name of Registrant as specified in its charter)

Delaware
(State or other
jurisdiction of incorporation)

001-35134
(Commission File
Number)

47-0210602
(IRS 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)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02. Results of Operations and Financial Condition

On February 4, 2016, Level 3 Communications, Inc. ("Level 3") issued a press release relating to, among other things, fourth quarter and full year 2015 financial results, including certain full year 2016 financial projections. This press release is furnished as Exhibit 99.1 to this Form 8-K and incorporated by reference as if set forth in full. The furnishing of this information shall not be deemed an admission as to the materiality of the information included in this Form 8-K. This information is not filed but is furnished to the Securities and Exchange Commission pursuant to Item 2.02 of Form 8-K.

Some statements made in Exhibit 99.1 are forward-looking in nature and are based on management's current expectations or beliefs. These forward-looking statements are not a guarantee of performance and are subject to a number of uncertainties and other factors, many of which are outside Level 3's control, which could cause actual events to differ materially from those expressed or implied by the statements. Important factors that could prevent Level 3 from achieving its stated goals include, but are not limited to, the company's ability to: successfully integrate the tw telecom acquisition; manage risks associated with continued uncertainty in the global economy; increase revenue from its services to realize its targets for financial and operating performance; maintain and increase traffic on its network; develop and maintain effective business support systems; manage system and network failures or disruptions; avert the breach of its network and computer system security measures; develop new services that meet customer demands and generate acceptable margins; manage the future expansion or adaptation of its network to remain competitive; defend intellectual property and proprietary rights; manage continued or accelerated decreases in market pricing for communications services; obtain capacity for its network from other providers and interconnect its network with other networks on favorable terms; attract and retain qualified management and other personnel; successfully integrate future acquisitions; effectively manage political, legal, regulatory, foreign currency and other risks it is exposed to due to its substantial international operations; mitigate its exposure to contingent liabilities; and meet all of the terms and conditions of its debt obligations. Additional information concerning these and other important factors can be found within Level 3's filings with the Securities and Exchange Commission. Statements in Exhibit 99.1 should be evaluated in light of these important factors. Level 3 is under no obligation to, and expressly disclaims any such obligation to, update or alter its forward-looking statements, whether as a result of new information, future events, or otherwise.

Item 9.01. Financial Statements and Exhibits

- | | |
|-----|--|
| (a) | Financial Statements of Business Acquired |
| | None |
| (b) | Pro Forma Financial Information |
| | None |
| (c) | Shell Company Transactions |
| | None |
| (d) | Exhibits |
| | 99.1 Press Release dated February 4, 2016, relating to, among other things, fourth quarter and full year 2015 financial results, including certain full year 2016 financial projections. |

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, hereunto duly authorized.

Level 3 Communications, Inc.

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

Date: February 4, 2016

Exhibit Index

| Exhibit | Description |
|---------|---------------------------------------|
| 99.1 | Press Release dated February 4, 2016. |
| 4 | |



Connecting and Protecting
the Networked World

Level 3 Reports Fourth Quarter and Full Year 2015 Results

Full Year 2015 Highlights

- Grew Core Network Services revenue by 5.3 percent for the full year 2015, on a pro forma and constant currency basis
- Grew Enterprise Core Network Services revenue by 7.2 percent for the full year 2015, on a pro forma and constant currency basis
- Grew Adjusted EBITDA by 16 percent for the full year 2015, compared to the company's outlook of 15 to 17 percent
- Generated Free Cash Flow of \$658 million for the full year 2015, which excludes accelerated cash interest payments of \$32 million related to capital markets activity in the fourth quarter 2015, and was above the company's outlook range of \$600 to \$650 million
- Achieved approximately \$216 million of annualized run-rate Adjusted EBITDA synergies since the close of the tw telecom transaction, exceeding the company's outlook of \$140 million by the end of the first quarter 2016 and a total of \$200 million

BROOMFIELD, Colo., February 4, 2016 — Level 3 Communications, Inc. (NYSE: LVLT) today reported results for the quarter and full year ending December 31, 2015.

"Our 2015 results demonstrate Level 3's solid execution and performance," said Jeff Storey, president and CEO of Level 3. "Demand for bandwidth remains very strong and the proliferation of connected devices continues. These demand drivers are creating an enterprise networking opportunity that is well suited for the depth, scale and reach of Level 3's global network and capabilities. We believe we are well positioned to continue to take enterprise market share."

Total revenue was \$2.053 billion for the fourth quarter 2015, compared to \$2.052 billion for the fourth quarter 2014 and \$8.229 billion for the full year 2015 compared to \$8.123 billion for the full year 2014. The full year 2015 and the full year 2014 results include nine months and twelve months of results from the company's Venezuelan subsidiary's operations, respectively. The full year 2014 results are presented on a pro forma basis assuming the tw telecom acquisition took place on January 1, 2014.

In the fourth quarter 2015, the company generated net income of \$3.323 billion and basic earnings per share of \$9.33. This includes a non-cash benefit to the fourth quarter Income Tax Expense of approximately \$3.3 billion related to the release of the company's valuation allowance against U.S. federal and state deferred tax assets, an expense of \$151 million for the provision for income taxes after the release of the valuation allowance and a charge of \$55 million on the modification and extinguishment of debt. Excluding all of these items, basic earnings per share were \$0.53 for the fourth quarter 2015. Net loss per share was \$0.24 for the fourth quarter 2014 on a pro forma basis.

Financial Results

| Metric (\$ in millions) | Fourth Quarter 2015 | Fourth Quarter 2014 Pro Forma(1)(2) | Full Year 2015(3) | Full Year 2014 Pro Forma(1)(2) |
|--|---------------------------|--|----------------------|--------------------------------------|
| Core Network Services Revenue(4) | \$ 1,943 | \$ 1,918 | \$ 7,757 | \$ 7,552 |
| Wholesale Voice Services and Other Revenue | \$ 110 | \$ 134 | \$ 472 | \$ 571 |
| Total Revenue | \$ 2,053 | \$ 2,052 | \$ 8,229 | \$ 8,123 |
| Network Access Costs | \$ 708 | \$ 732 | \$ 2,833 | \$ 2,894 |
| Network Access Margin | 65.5% | 64.3% | 65.6% | 64.4% |
| Network Related Expenses (NRE) (5) | \$ 337 | \$ 364 | \$ 1,403 | \$ 1,432 |
| Selling, General and Administrative Expenses (SG&A)(5) | \$ 323 | \$ 332 | \$ 1,323 | \$ 1,355 |
| Non-cash Compensation Expense | \$ 49 | \$ 93 | \$ 141 | \$ 168 |
| Adjusted EBITDA(6)(7) | \$ 681 | \$ 469 | \$ 2,638 | \$ 2,271 |
| Adjusted EBITDA Margin(6)(7) | 33.2% | 22.9% | 32.1% | 28.0% |
| Capital Expenditures | \$ 330 | \$ 346 | \$ 1,229 | \$ 1,255 |
| Unlevered Cash Flow(7) | \$ 399 | \$ 213 | \$ 1,293 | \$ 911 |
| Free Cash Flow(7)(8) | \$ 226 | \$ (9) | \$ 626 | \$ 183 |
| Net Income (Loss) | \$ 3,323 | \$ (80) | \$ 3,433 | \$ 149 |
| Net Income (Loss) per Common Share-Basic | \$ 9.33 | \$ (0.24) | \$ 9.71 | \$ 0.44 |

(1) References to "pro forma" figures assume the tw telecom acquisition took place on January 1, 2014.

(2) The reported fourth quarter 2014 and full year 2014 results include the company's Venezuelan subsidiary's operations.

(3) The reported full year 2015 results include nine months of results from the company's Venezuelan subsidiary's operations.

(4) The reported fourth quarter 2014 and full year 2014 results have been adjusted to reflect changes made to customer assignments between the wholesale and enterprise channels as of the beginning of 2015.

(5) Excludes non-cash compensation expense and integration-related expenses.

(6) Includes tw telecom acquisition related expenses of \$4 million for the fourth quarter 2015, \$32 million for the full year 2015, \$156 million for the fourth quarter 2014 and \$172 million for the full year 2014.

(7) See schedule of non-GAAP metrics for definitions and reconciliation to GAAP measures.

(8) Includes accelerated cash interest payments of \$32 million related to the capital markets transaction completed in the fourth quarter 2015.

Revenue

| Core Network Services (CNS) Revenue (\$ in millions) | Fourth Quarter 2015 | Fourth Quarter 2014 Pro Forma(1)(2) | Percent Change, Constant Currency | Full Year 2015 Pro Forma(1)(3) | Full Year 2014 Pro Forma(1)(4) | Percent Change, Constant Currency |
|--|---------------------|-------------------------------------|-----------------------------------|--------------------------------|--------------------------------|-----------------------------------|
| North America | \$ 1,571 | \$ 1,505 | 5% | \$ 6,208 | \$ 5,867 | 6% |
| Wholesale | \$ 425 | \$ 425 | —% | \$ 1,734 | \$ 1,706 | 2% |
| Enterprise | \$ 1,146 | \$ 1,080 | 6% | \$ 4,474 | \$ 4,161 | 8% |
| EMEA | \$ 212 | \$ 221 | 1% | \$ 835 | \$ 902 | —% |
| Wholesale | \$ 69 | \$ 75 | —% | \$ 275 | \$ 326 | (7)% |
| Enterprise | \$ 118 | \$ 118 | 3% | \$ 457 | \$ 461 | 6% |
| UK Government | \$ 25 | \$ 28 | (8)% | \$ 103 | \$ 115 | (4)% |
| Latin America | \$ 160 | \$ 171 | 8% | \$ 642 | \$ 696 | 7% |
| Wholesale | \$ 35 | \$ 37 | 4% | \$ 139 | \$ 147 | 7% |
| Enterprise | \$ 125 | \$ 134 | 10% | \$ 503 | \$ 549 | 7% |
| Total CNS Revenue | \$ 1,943 | \$ 1,897 | 4% | \$ 7,685 | \$ 7,465 | 5% |
| Wholesale | \$ 529 | \$ 537 | —% | \$ 2,148 | \$ 2,179 | 1% |
| Enterprise | \$ 1,414 | \$ 1,360 | 6% | \$ 5,537 | \$ 5,286 | 7% |

- (1) References to “pro forma” figures assume the tw telecom acquisition and the deconsolidation of the company’s Venezuelan subsidiary’s operations took place on January 1, 2014.
- (2) Excludes total revenue from the company’s Venezuelan subsidiary’s operations of \$21 million for the fourth quarter 2014.
- (3) Excludes total revenue from the company’s Venezuelan subsidiary’s operations of \$25 million for the third quarter 2015, \$24 million for the second quarter 2015, and \$23 million for the first quarter 2015.
- (4) Excludes total revenue from the company’s Venezuelan subsidiary’s operations of \$87 million for the full year 2014.

CNS Revenue

CNS Revenue was \$1.94 3 billion in the fourth quarter 2015, increasing 4.4 percent year-over-year on a pro forma and constant currency basis compared to the fourth quarter 2014 . For the full year 2015, CNS Revenue was \$7.685 billion, which grew 5.3 percent on a pro forma and constant currency basis compared to the full year 2014.

Deferred Revenue

The deferred revenue balance was \$ 1.244 billion at the end of the fourth quarter 201 5 , compared to \$1.208 billion at the end of the fourth quarter 201 4 .

Adjusted EBITDA

For the fourth quarter 2015, Adjusted EBITDA was \$681 million, including integration-related expenses of \$4 million. For the fourth quarter 2014, Adjusted EBITDA on a pro forma basis was \$ 469 million , which included tw telecom transaction and integration-related expenses of \$156 million.

For the full year 2015, Adjusted EBITDA was \$2.638 billion, including integration-related expenses of \$32 million, an increase of 16 percent from the starting point of \$2.271 billion for the full year 2014, on a pro forma basis, which includes \$172 million of transaction and integration-related expenses.

Capital Market Transactions and Liquidity

On December 13, 2015, the company redeemed \$900 million aggregate principal amount of Level 3 Financing, Inc.'s 8.625% Senior Notes due 2020. To fund the redemption of these notes, Level 3 Financing used the net proceeds, along with cash on hand, from the issuance of its 5.375% Senior Notes due 2024.

The loss on extinguishment and modification of debt as a result of this transaction and related redemption was \$55 million.

As of December 31, 2015, the company had cash and cash equivalents of \$854 million.

Release of Deferred Tax Valuation Allowance

With the continued expectation of generating income before taxes in the U.S., the company released a significant portion of its valuation allowance against its net U.S. and state deferred tax asset position in the fourth quarter 2015. The release of the valuation allowance in the fourth quarter benefitted Income Tax Expense and Net Income by approximately \$3.3 billion.

The company's estimated Federal net operating loss carryforward (NOL) position was \$9.9 billion as of December 31, 2015.

2016 Business Outlook

"In 2015, we met or exceeded our key outlook measures for the year," said Sunit Patel, executive vice president and CFO of Level 3. "Even with the tw telecom integration, global currency pressures driven by macroeconomic headwinds and the deconsolidation of our Venezuelan subsidiary last quarter, we had good momentum which drove revenue growth and strong profit performance for the year . We also refinanced \$4.9 billion of our debt during 2015, resulting in over \$110 million of annualized cash interest expense savings, positioning us well for 2016 and beyond.

"As we look to 2016, from a revenue perspective, we expect both total revenue and Core Network Services revenue growth, excluding UK Government revenue, to be stronger in 2016 compared to 2015, on a constant currency basis.

"We expect full year 2016 Adjusted EBITDA to grow 9 to 12 percent from a starting point of \$2.592 billion, which excludes the three quarters of Adjusted EBITDA results from our Venezuelan subsidiary's operations. For the full year 2016, we expect to generate Free Cash Flow of \$1.0 to \$1.1 billion."

| Metrics | 2015 | | 2016 | |
|-----------------|----------------------------|---------------|---------------------------|--|
| | Outlook | Results | Outlook | |
| Adjusted EBITDA | YoY growth of 15% - 17%(1) | 16% | YoY growth of 9% - 12%(2) | |
| Free Cash Flow | \$600 - \$650 million | \$658 million | \$1.0 - \$1.1 billion | |

- (1) From a starting point of \$2.271 billion, which represents pro forma 2014 Adjusted EBITDA, including tw telecom acquisition-related expenses
- (2) From a starting point of \$2.592 billion, which is adjusted to exclude Adjusted EBITDA from the company's Venezuela subsidiary.

For the full year 2016, the company also expects:

- GAAP interest expense of approximately \$570 million
- Net cash interest expense of approximately \$520 million
- Capital expenditures of approximately 15 percent of total revenue
- Depreciation and amortization of approximately \$1.230 billion
- Full year income tax rate of approximately 30 percent
- Cash income tax expense of approximately \$40 million
- Non-cash compensation expense of approximately \$130 million

Conference Call and Web Site Information

Level 3 will hold a conference call to discuss the company's Fourth Quarter and Full Year 2015 Results today at 10 a.m. ET. The call will be broadcast live on Level 3's Investor Relations website at <http://investors.level3.com>. Additional information regarding Fourth Quarter and Full Year 2015 Results, including the presentation management will review on the conference call, will be available on Level 3's Investor Relations website. If you are unable to join the call via the Web, the call can be accessed live at +1 877-283-5145 (U.S. Domestic) or +1 312-281-1200 (International). Questions should be sent to investor.relations@level3.com.

For additional information, please call +1 720-888-2518.

About Level 3 Communications

Level 3 Communications, Inc. (NYSE: LVL3) is a Fortune 500 company that provides local, national and global communications services to enterprise, government and carrier customers. Level 3's comprehensive portfolio of secure, managed solutions includes fiber and infrastructure solutions; IP-based voice and data communications; wide-area Ethernet services; video and content distribution; data center and cloud-based solutions. Level 3 serves customers in more than 500 markets in over 60 countries across a global services platform anchored by owned fiber networks on three continents and connected by extensive undersea facilities. For more information, please visit www.level3.com or get to know us on Twitter, Facebook and LinkedIn.

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Forward-Looking Statement

Some statements made in this press release are forward-looking in nature and are based on management's current expectations or beliefs. These forward-looking statements are not a

guarantee of performance and are subject to a number of uncertainties and other factors, many of which are outside Level 3's control, which could cause actual events to differ materially from those expressed or implied by the statements. Important factors that could prevent Level 3 from achieving its stated goals include, but are not limited to, the company's ability to: successfully integrate the tw telecom acquisition; manage risks associated with continued uncertainty in the global economy; increase revenue from its services to realize its targets for financial and operating performance; maintain and increase traffic on its network; develop and maintain effective business support systems; manage system and network failures or disruptions; avert the breach of its network and computer system security measures; develop new services that meet customer demands and generate acceptable margins; manage the future expansion or adaptation of its network to remain competitive; defend intellectual property and proprietary rights; manage continued or accelerated decreases in market pricing for communications services; obtain capacity for its network from other providers and interconnect its network with other networks on favorable terms; attract and retain qualified management and other personnel; successfully integrate future acquisitions; effectively manage political, legal, regulatory, foreign currency and other risks it is exposed to due to its substantial international operations; mitigate its exposure to contingent liabilities; and meet all of the terms and conditions of its debt obligations. 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 press release should be evaluated in light of these important factors. Level 3 is under no obligation to, and expressly disclaims any such obligation to, update or alter its forward-looking statements, whether as a result of new information, future events, or otherwise.

Contact Information

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Non-GAAP Metrics

Pursuant to Regulation G, the company is hereby providing definitions of non-GAAP financial metrics and reconciliations to the most directly comparable GAAP measures.

The following describes and reconciles those financial measures as reported under accounting principles generally accepted in the United States (GAAP) with those financial measures as adjusted by the items detailed below and presented in the accompanying news release. These calculations are not prepared in accordance with GAAP and should not be viewed as alternatives to GAAP. In keeping with its historical financial reporting practices, the company believes that the supplemental presentation of these calculations provides meaningful non-GAAP financial measures to help investors understand and compare business trends among different reporting periods on a consistent basis.

In addition, measures referred to in the accompanying news release as being calculated “on a constant currency basis” or “in constant currency terms” are non-GAAP metrics intended to present the relevant information assuming a constant exchange rate between the two periods being compared. Such metrics are calculated by applying the currency exchange rates used in the preparation of the prior period financial results to the subsequent period results.

Consolidated Revenue is defined as total revenue from the Consolidated Statements of Operations.

Core Network Services Revenue includes revenue from colocation and datacenter services, transport and fiber, IP and data services, and voice services (local and enterprise).

Network Access Costs includes leased capacity, right-of-way costs, access charges, satellite transponder lease costs and other third party costs directly attributable to providing access to customer locations from the Level 3 network, but excludes Network Related Expenses, and depreciation and amortization. Network Access Costs do not include any employee expenses or impairment expenses; these expenses are allocated to Network Related Expenses or Selling, General and Administrative Expenses.

Network Related Expenses includes certain expenses associated with the delivery of services to customers and the operation and maintenance of the Level 3 network, such as facility rent, utilities, maintenance and other costs, each related to the operation of its communications network, as well as salaries, wages and related benefits (including non-cash stock-based compensation expenses) associated with personnel who are responsible for the delivery of services, operation and maintenance of its communications network, and accretion expense on asset retirement obligations, but excludes depreciation and amortization.

Network Access Margin (\$) is defined as total Revenue less Network Access Costs from the Consolidated Statements of Operations, and excludes Network Related Expenses.

Network Access Margin (%) is defined as Network Access Margin (\$) divided by total Revenue. Management believes that network access margin is a relevant metric to provide to investors, as it is a metric that management uses to measure the margin available to the company after it pays third party network services costs; in essence, a measure of the efficiency of the company's network.

Adjusted EBITDA is defined as net income (loss) from the Consolidated Statements of Operations before income tax (expense) benefit, total other income (expense), non-cash impairment charges, depreciation and amortization and non-cash stock compensation expense.

Adjusted EBITDA Margin is defined as Adjusted EBITDA divided by total revenue.

**Adjusted EBITDA Metric
Q4 2015 (as reported)
(in millions)**

| | | |
|-------------------------------|-----------|--------------|
| Net Income | \$ | 3,323 |
| Income Tax Benefit | | (3,189) |
| Total Other Expense | | 204 |
| Depreciation and Amortization | | 294 |
| Non-Cash Stock Compensation | | 49 |
| Adjusted EBITDA | \$ | 681 |
| | | |
| Total Revenue | \$ | 2,053 |
| Adjusted EBITDA Margin | | 33.2% |

**Adjusted EBITDA Metric
Q4 2014 (Pro Forma) (1)
(in millions)**

| | | |
|-------------------------------|-----------|--------------|
| Net Loss | \$ | (80) |
| Income Tax Benefit | | (105) |
| Total Other Expense | | 279 |
| Depreciation and Amortization | | 281 |
| Non-Cash Stock Compensation | | 93 |
| Non-Cash Impairment | | 1 |
| Adjusted EBITDA | \$ | 469 |
| | | |
| Total Revenue | \$ | 2,052 |
| Adjusted EBITDA Margin | | 22.9% |

(1) Fourth quarter of 2014 Pro Forma Adjusted EBITDA reflects a full three months of both Level 3's and tw telecom's results.

Adjusted EBITDA Metric
Q4 2014 (as reported)
(in millions)

| | | |
|-------------------------------|-----------|--------------|
| Net Income | \$ | 66 |
| Income Tax Benefit | | (103) |
| Total Other Expense | | 268 |
| Depreciation and Amortization | | 250 |
| Non-Cash Stock Compensation | | 25 |
| Non-Cash Impairment | | 1 |
| Adjusted EBITDA | \$ | 507 |
| Total Revenue | \$ | 1,914 |
| Adjusted EBITDA Margin | | 26.5% |

Adjusted EBITDA Metric
Year Ended December 31, 2015 (as reported)
(in millions)

| | | |
|-------------------------------|-----------|--------------|
| Net Income | \$ | 3,433 |
| Income Tax Benefit | | (3,150) |
| Total Other Expense | | 1,048 |
| Depreciation and Amortization | | 1,166 |
| Non-Cash Stock Compensation | | 141 |
| Adjusted EBITDA | \$ | 2,638 |
| Total Revenue | \$ | 8,229 |
| Adjusted EBITDA Margin | | 32.1% |

Adjusted EBITDA Metric
Year Ended December 31, 2014 (as reported)
(in millions)

| | | |
|-------------------------------|-----------|--------------|
| Net Income | \$ | 314 |
| Income Tax Benefit | | (76) |
| Total Other Expense | | 775 |
| Depreciation and Amortization | | 808 |
| Non-Cash Stock Compensation | | 73 |
| Non-Cash Impairment | | 1 |
| Adjusted EBITDA | \$ | 1,895 |
| Total Revenue | \$ | 6,777 |
| Adjusted EBITDA Margin | | 28.0% |

Adjusted EBITDA Metric
Year Ended December 31, 2014 (Pro Forma) (1)
(in millions)

| | | |
|-------------------------------|-----------|--------------|
| Net Income | \$ | 149 |
| Income Tax Benefit | | (70) |
| Total Other Expense | | 905 |
| Depreciation and Amortization | | 1,118 |
| Non-Cash Stock Compensation | | 168 |
| Non-Cash Impairment | | 1 |
| Adjusted EBITDA | \$ | 2,271 |
| | | |
| Total Revenue | \$ | 8,123 |
| Adjusted EBITDA Margin | | 28.0% |

(1) Full year 2014 Pro Forma Adjusted EBITDA reflects a full year of both Level 3's and tw telecom's results.

Management believes that Adjusted EBITDA and Adjusted EBITDA Margin are relevant and useful metrics to provide to investors, as they are an important part of the company's internal reporting and are key measures used by Management to evaluate profitability and operating performance of the company and to make resource allocation decisions. Management believes such measures are especially important in a capital-intensive industry such as telecommunications. Management also uses Adjusted EBITDA and Adjusted EBITDA Margin to compare the company's performance to that of its competitors and to eliminate certain non-cash and non-operating items in order to consistently measure from period to period its ability to fund capital expenditures, fund growth, service debt and determine bonuses. Adjusted EBITDA excludes non-cash impairment charges and non-cash stock compensation expense because of the non-cash nature of these items. Adjusted EBITDA also excludes interest income, interest expense and income taxes because these items are associated with the company's capitalization and tax structures. Adjusted EBITDA also excludes depreciation and amortization expense because these non-cash expenses primarily reflect the impact of historical capital investments, as opposed to the cash impacts of capital expenditures made in recent periods, which may be evaluated through cash flow measures. Adjusted EBITDA excludes the gain (or loss) on extinguishment and modification of debt and other, net because these items are not related to the primary operations of the company.

There are limitations to using Adjusted EBITDA as a financial measure, including the difficulty associated with comparing companies that use similar performance measures whose calculations may differ from the company's calculations. Additionally, this financial measure does not include certain significant items such as interest income, interest expense, income taxes, depreciation and amortization, non-cash impairment charges, non-cash stock compensation expense, the gain (or loss) on extinguishment and modification of debt and net other income (expense). Adjusted EBITDA and Adjusted EBITDA Margin should not be considered a substitute for other measures of financial performance reported in accordance with GAAP.

Unlevered Cash Flow is defined as net cash provided by (used in) operating activities less capital expenditures, plus cash interest paid and less interest income all as disclosed in the Consolidated Statements of Cash Flows or the Consolidated Statements of Operations. Management believes that Unlevered Cash Flow is a relevant metric to provide to investors, as it is an indicator of the operational strength and performance of the company and, measured over time, provides management and investors with a sense of the underlying business' growth pattern and ability to generate cash. Unlevered Cash Flow excludes cash used for acquisitions and debt service and the impact of exchange rate changes on cash and cash equivalents balances.

There are material limitations to using Unlevered Cash Flow to measure the company's cash performance as it excludes certain material items such as payments on and repurchases of long-term debt, interest income, cash interest expense and cash used to fund acquisitions. Comparisons of Level 3's Unlevered Cash Flow to that of some of its competitors may be of limited usefulness since Level 3 does not currently pay a significant amount of income taxes due to net operating losses, and therefore, generates higher cash flow than a comparable business that does pay income taxes. Additionally, this financial measure is subject to variability quarter over quarter as a result of the timing of payments related to accounts receivable and accounts payable and capital expenditures. Unlevered Cash Flow should not be used as a substitute for net change in cash and cash equivalents in the Consolidated Statements of Cash Flows.

Free Cash Flow is defined as net cash provided by (used in) operating activities less capital expenditures as disclosed in the Consolidated Statements of Cash Flows. Management believes that Free Cash Flow is a relevant metric to provide to investors, as it is an indicator of the company's ability to generate cash to service its debt. Free Cash Flow excludes cash used for acquisitions, principal repayments and the impact of exchange rate changes on cash and cash equivalents balances.

There are material limitations to using Free Cash Flow to measure the company's performance as it excludes certain material items such as principal payments on and repurchases of long-term debt and cash used to fund acquisitions. Comparisons of Level 3's Free Cash Flow to that of some of its competitors may be of limited usefulness since Level 3 does not currently pay a significant amount of income taxes due to net operating losses, and therefore, generates higher cash flow than a comparable business that does pay income taxes. Additionally, this financial measure is subject to variability quarter over quarter as a result of the timing of payments related to interest expense, accounts receivable and accounts payable and capital expenditures. Free Cash Flow should not be used as a substitute for net change in cash and cash equivalents on the Consolidated Statements of Cash Flows.

Unlevered Cash Flow and Free Cash Flow
Three Months Ended December 31, 2015 (as reported)
(\$ in millions)

| | Unlevered Cash Flow | Free Cash Flow |
|---|--------------------------------|-----------------------|
| Net Cash Provided by Operating Activities | \$ 556 | \$ 556 |
| Capital Expenditures | (330) | (330) |
| Cash Interest Paid | 173 | N/A |
| Interest Income | — | N/A |
| Total | \$ 399 | \$ 226 |

Unlevered Cash Flow and Free Cash Flow
Three Months Ended December 31, 2014 (Pro Forma) (1)
(\$ in millions)

| | Unlevered Cash Flow | Free Cash Flow |
|---|--------------------------------|-----------------------|
| Net Cash Provided by Operating Activities | \$ 337 | \$ 337 |
| Capital Expenditures | (346) | (346) |
| Cash Interest Paid | 222 | N/A |
| Interest Income | — | N/A |
| Total | \$ 213 | \$ (9) |

(1) Fourth quarter of 2014 Pro Forma Cash Flows reflects a full three months of both Level 3's and tw telecom's results.

Unlevered Cash Flow and Free Cash Flow
Three Months Ended December 31, 2014 (as reported)
(\$ in millions)

| | Unlevered Cash Flow | Free Cash Flow |
|---|--------------------------------|-----------------------|
| Net Cash Provided by Operating Activities | \$ 396 | \$ 396 |
| Capital Expenditures | (302) | (302) |
| Cash Interest Paid | 190 | N/A |
| Interest Income | — | N/A |
| Total | \$ 284 | \$ 94 |

Unlevered Cash Flow and Free Cash Flow
Year Ended December 31, 2015 (as reported)
(\$ in millions)

| | Unlevered Cash Flow | Free Cash Flow |
|---|--------------------------------|-----------------------|
| Net Cash Provided by Operating Activities | \$ 1,855 | \$ 1,855 |
| Capital Expenditures | (1,229) | (1,229) |
| Cash Interest Paid | 668 | N/A |
| Interest Income | (1) | N/A |
| Total | \$ 1,293 | \$ 626 |

Unlevered Cash Flow and Free Cash Flow
Year Ended December 31, 2014 (as reported)
(\$ in millions)

| | Unlevered Cash Flow | Free Cash Flow |
|---|--------------------------------|-----------------------|
| Net Cash Provided by Operating Activities | \$ 1,161 | \$ 1,161 |
| Capital Expenditures | (910) | (910) |
| Cash Interest Paid | 598 | N/A |
| Interest Income | (1) | N/A |
| Total | \$ 848 | \$ 251 |

Unlevered Cash Flow and Free Cash Flow
Year Ended December 31, 2014 (Pro Forma) (1)
(\$ in millions)

| | Unlevered Cash Flow | Free Cash Flow |
|---|--------------------------------|-----------------------|
| Net Cash Provided by Operating Activities | \$ 1,438 | \$ 1,438 |
| Capital Expenditures | (1,255) | (1,255) |
| Cash Interest Paid | 729 | N/A |
| Interest Income | (1) | N/A |
| Total | \$ 911 | \$ 183 |

(1) Full year 2014 Pro Forma Cash Flows reflects a full year of both Level 3's and tw telecom's results.

4Q14 Pro Forma Combined Company Results

| (\$ in millions) | Historical Level 3 | Add: Nov and Dec Intercompany Transactions | Standalone Level 3 | Standalone tw* | Intercompany Eliminations | Pro Forma Adjustments (1) | Total |
|--|-----------------------|---|-----------------------|-------------------|------------------------------|------------------------------|----------|
| Core Network Services (CNS) Revenue | | | | | | | |
| North America | \$ 1,083 | \$ 5 | \$ 1,088 | \$ 433 | \$ (15) | \$ (1) | \$ 1,505 |
| Wholesale | \$ 359 | \$ 5 | \$ 364 | \$ 94 | \$ (15) | \$ (18) | \$ 425 |
| Enterprise | \$ 724 | \$ — | \$ 724 | \$ 339 | \$ — | \$ 17 | \$ 1,080 |
| EMEA | \$ 218 | \$ — | \$ 218 | \$ — | \$ — | \$ 3 | \$ 221 |
| Wholesale | \$ 75 | \$ — | \$ 75 | \$ — | \$ — | \$ — | \$ 75 |
| Enterprise | \$ 143 | \$ — | \$ 143 | \$ — | \$ — | \$ 3 | \$ 146 |
| Latin America | \$ 191 | \$ — | \$ 191 | \$ — | \$ — | \$ 1 | \$ 192 |
| Wholesale | \$ 41 | \$ — | \$ 41 | \$ — | \$ — | \$ — | \$ 41 |
| Enterprise | \$ 150 | \$ — | \$ 150 | \$ — | \$ — | \$ 1 | \$ 151 |
| Total CNS Revenue | \$ 1,492 | \$ 5 | \$ 1,497 | \$ 433 | \$ (15) | \$ 3 | \$ 1,918 |
| Wholesale Voice Services and Other | 137 | — | 137 | — | — | (3) | 134 |
| Total Revenue | \$ 1,629 | \$ 5 | \$ 1,634 | \$ 433 | \$ (15) | \$ — | \$ 2,052 |
| Network Access Costs | \$ (616) | \$ (4) | \$ (620) | \$ (123) | \$ 11 | \$ — | \$ (732) |
| Network Related Expenses | (303) | (1) | (304) | (77) | 3 | — | (378) |
| Selling, General and Administrative Expenses | (333) | — | (333) | (234) | — | — | (567) |
| Add back: Non-Cash Compensation Expenses | 24 | — | 24 | 69 | — | — | 93 |
| Add back: Non-Cash Impairment | 1 | — | 1 | — | — | — | 1 |
| Adjusted EBITDA Including Acquisition- Related Expenses | \$ 402 | \$ — | \$ 402 | \$ 68 | \$ (1) | \$ — | \$ 469 |
| Transaction Costs | \$ 15 | \$ — | \$ 15 | \$ 85 | \$ — | \$ — | \$ 100 |
| Integration Costs | 53 | — | 53 | 3 | — | — | 56 |
| Total Acquisition Related Costs | \$ 68 | \$ — | \$ 68 | \$ 88 | \$ — | \$ — | \$ 156 |
| Adjusted EBITDA Excluding Acquisition-Related Expenses | \$ 470 | \$ — | \$ 470 | \$ 156 | \$ (1) | \$ — | \$ 625 |
| Capital Expenditures | \$ 239 | \$ — | \$ 239 | \$ 107 | \$ — | \$ — | \$ 346 |
| Colocation and Datacenter Services | \$ 142 | \$ — | \$ 142 | \$ 14 | \$ (1) | \$ (1) | \$ 154 |
| Transport and Fiber | 521 | 4 | 525 | 72 | (12) | 3 | 588 |
| IP and Data Services | 594 | 1 | 595 | 280 | (2) | (1) | 872 |
| Voice Services (Local and Enterprise) | 235 | — | 235 | 67 | — | 2 | 304 |
| Total Core Network Services | \$ 1,492 | \$ 5 | \$ 1,497 | \$ 433 | \$ (15) | \$ 3 | \$ 1,918 |
| Wholesale Voice Services and Other | 137 | — | 137 | — | — | (3) | 134 |
| Total Revenue | \$ 1,629 | \$ 5 | \$ 1,634 | \$ 433 | \$ (15) | \$ — | \$ 2,052 |

* Certain reclassifications have been made to the historical presentation of tw telecom's historical results to conform to the presentation used by Level 3, primarily related to network access costs, network related expenses, depreciation and amortization and selling, general and administrative expenses.

(1) The 2014 quarterly results have been adjusted to reflect changes made to customer assignments between the wholesale and enterprise channels as of the beginning of 2015.

FY14 Pro Forma Combined Company Results

| | Historical Level 3 | Add: Nov and Dec Intercompany Transactions | Standalone Level 3 | Standalone tw* | Intercompany Eliminations | Pro Forma Adjustments (1) | Total |
|---|-----------------------|---|-----------------------|-------------------|------------------------------|------------------------------|------------|
| Core Network Services (CNS) Revenue | | | | | | | |
| North America | \$ 4,240 | \$ 5 | \$ 4,245 | \$ 1,685 | \$ (58) | \$ (5) | \$ 5,867 |
| Wholesale | \$ 1,462 | \$ 5 | \$ 1,467 | \$ 362 | \$ (58) | \$ (65) | \$ 1,706 |
| Enterprise | \$ 2,778 | \$ — | \$ 2,778 | \$ 1,323 | \$ — | \$ 60 | \$ 4,161 |
| EMEA | \$ 891 | \$ — | \$ 891 | \$ — | \$ — | \$ 11 | \$ 902 |
| Wholesale | \$ 328 | \$ — | \$ 328 | \$ — | \$ — | \$ (2) | \$ 326 |
| Enterprise | \$ 563 | \$ — | \$ 563 | \$ — | \$ — | \$ 13 | \$ 576 |
| Latin America | \$ 779 | \$ — | \$ 779 | \$ — | \$ — | \$ 4 | \$ 783 |
| Wholesale | \$ 165 | \$ — | \$ 165 | \$ — | \$ — | \$ (1) | \$ 164 |
| Enterprise | \$ 614 | \$ — | \$ 614 | \$ — | \$ — | \$ 5 | \$ 619 |
| Total CNS Revenue | \$ 5,910 | \$ 5 | \$ 5,915 | \$ 1,685 | \$ (58) | \$ 10 | \$ 7,552 |
| Wholesale Voice Services and Other | 582 | — | 582 | — | — | (11) | 571 |
| Total Revenue | \$ 6,492 | \$ 5 | \$ 6,497 | \$ 1,685 | \$ (58) | \$ (1) | \$ 8,123 |
| Network Access Costs | \$ (2,450) | \$ (4) | \$ (2,454) | \$ (486) | \$ 46 | \$ — | \$ (2,894) |
| Network Related Expenses | (1,204) | (1) | (1,205) | (262) | 11 | — | (1,456) |
| Selling, General and Administrative Expenses | (1,121) | — | (1,121) | (550) | — | — | (1,671) |
| Add back: Non-Cash Compensation Expenses | 72 | — | 72 | 96 | — | — | 168 |
| Add back: Non-Cash Impairment | 1 | — | 1 | — | — | — | 1 |
| Adjusted EBITDA Including Acquisition-Related Expenses | \$ 1,790 | \$ — | \$ 1,790 | \$ 483 | \$ (1) | \$ (1) | \$ 2,271 |
| Transaction Costs | \$ 22 | \$ — | \$ 22 | \$ 90 | \$ — | \$ — | \$ 112 |
| Integration Costs | 57 | — | 57 | 3 | — | — | 60 |
| Total Acquisition Related Costs | \$ 79 | \$ — | \$ 79 | \$ 93 | \$ — | \$ — | \$ 172 |
| Adjusted EBITDA Excluding Acquisition-Related Expenses | \$ 1,869 | \$ — | \$ 1,869 | \$ 576 | \$ (1) | \$ (1) | \$ 2,443 |
| Capital Expenditures | \$ 847 | \$ — | \$ 847 | \$ 408 | \$ — | \$ — | \$ 1,255 |
| Colocation and Datacenter Services | \$ 581 | \$ — | \$ 581 | \$ 49 | \$ (4) | \$ (1) | \$ 625 |
| Transport and Fiber | 2,041 | 4 | 2,045 | 299 | (48) | 9 | 2,305 |
| IP and Data Services | 2,345 | 1 | 2,346 | 1,069 | (6) | (4) | 3,405 |
| Voice Services (Local and Enterprise) | 943 | — | 943 | 268 | — | 6 | 1,217 |
| Total Core Network Services | \$ 5,910 | \$ 5 | \$ 5,915 | \$ 1,685 | \$ (58) | \$ 10 | \$ 7,552 |
| Wholesale Voice Services and Other | 582 | — | 582 | — | — | (11) | 571 |
| Total Revenue | \$ 6,492 | \$ 5 | \$ 6,497 | \$ 1,685 | \$ (58) | \$ (1) | \$ 8,123 |

* Certain reclassifications have been made to the historical presentation of tw telecom's historical results to conform to the presentation used by Level 3, primarily related to network access costs, network related expenses, depreciation and amortization and selling, general and administrative expenses.

(1) The FY14 results have been adjusted to reflect changes made to customer assignments between the wholesale and enterprise channels as of the beginning of 2015.

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

| (dollars in millions, except per share data) | Three Months Ended | | | Year Ended | |
|--|----------------------|-----------------------|----------------------|----------------------|----------------------|
| | December 31, 2015 | September 30, 2015 | December 31, 2014 | December 31, 2015 | December 31, 2014 |
| Revenue | \$ 2,053 | \$ 2,062 | \$ 1,914 | \$ 8,229 | \$ 6,777 |
| Costs and Expenses | | | | | |
| Network access costs | 708 | 706 | 695 | 2,833 | 2,529 |
| Network related expenses | 344 | 369 | 345 | 1,432 | 1,246 |
| Depreciation and amortization | 294 | 296 | 250 | 1,166 | 808 |
| Selling, general and administrative expenses | 369 | 364 | 393 | 1,467 | 1,181 |
| Total costs and expenses | 1,715 | 1,735 | 1,683 | 6,898 | 5,764 |
| Operating Income | 338 | 327 | 231 | 1,331 | 1,013 |
| Other Income (Expense): | | | | | |
| Interest income | — | — | — | 1 | 1 |
| Interest expense | (152) | (145) | (195) | (642) | (654) |
| Loss on modification and extinguishment of debt | (55) | — | (53) | (218) | (53) |
| Venezuela deconsolidation charge | — | (171) | — | (171) | — |
| Other, net | 3 | 6 | (20) | (18) | (69) |
| Total other expense | (204) | (310) | (268) | (1,048) | (775) |
| Income (Loss) Before Income Taxes | 134 | 17 | (37) | 283 | 238 |
| Income Tax (Expense) Benefit | 3,189 | (16) | 103 | 3,150 | 76 |
| Net Income | \$ 3,323 | \$ 1 | \$ 66 | \$ 3,433 | \$ 314 |
| Basic Earnings per Common Share: | | | | | |
| Net Income per Share | \$ 9.33 | \$ — | \$ 0.22 | \$ 9.71 | \$ 1.23 |
| Weighted-Average Shares Outstanding (in thousands) | 356,274 | 355,791 | 305,842 | 353,385 | 254,428 |
| Diluted Earnings per Common Share: | | | | | |
| Net Income per Share | \$ 9.24 | \$ — | \$ 0.21 | \$ 9.58 | \$ 1.21 |
| Weighted-Average Shares Outstanding (in thousands) | 359,712 | 358,714 | 309,597 | 358,593 | 258,483 |

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

| (dollars in millions) | December 31, 2015 | September 30, 2015 | December 31, 2014 |
|--|----------------------|-----------------------|----------------------|
| Assets | | | |
| Current Assets: | | | |
| Cash and cash equivalents | \$ 854 | \$ 691 | \$ 580 |
| Restricted cash and securities | 8 | 7 | 7 |
| Receivables, less allowances for doubtful accounts | 757 | 810 | 737 |
| Other | 130 | 149 | 157 |
| Total Current Assets | 1,749 | 1,657 | 1,481 |
| Property, Plant and Equipment, net | 9,878 | 9,812 | 9,860 |
| Restricted Cash and Securities | 42 | 44 | 20 |
| Goodwill | 7,749 | 7,753 | 7,689 |
| Other Intangibles, net | 1,127 | 1,182 | 1,414 |
| Deferred Tax Assets | 3,441 | 276 | 300 |
| Other Assets | 159 | 159 | 183 |
| Total Assets | <u>\$ 24,145</u> | <u>\$ 20,883</u> | <u>\$ 20,947</u> |
| Liabilities and Stockholders' Equity | | | |
| Current Liabilities: | | | |
| Accounts payable | \$ 629 | \$ 630 | \$ 664 |
| Current portion of long-term debt | 15 | 16 | 349 |
| Accrued payroll and employee benefits | 218 | 230 | 273 |
| Accrued interest | 108 | 137 | 174 |
| Current portion of deferred revenue | 267 | 273 | 287 |
| Other | 179 | 182 | 159 |
| Total Current Liabilities | 1,416 | 1,468 | 1,906 |
| Long-Term Debt, less current portion | 10,994 | 10,997 | 10,984 |
| Deferred Revenue, less current portion | 977 | 942 | 921 |
| Other Liabilities | 632 | 696 | 773 |
| Total Liabilities | 14,019 | 14,103 | 14,584 |
| Stockholders' Equity | 10,126 | 6,780 | 6,363 |
| Total Liabilities and Stockholders' Equity | <u>\$ 24,145</u> | <u>\$ 20,883</u> | <u>\$ 20,947</u> |

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

| (dollars in millions) | December 31, 2015 | Three Months Ended September 30, 2015 | December 31, 2014 |
|---|----------------------|---|----------------------|
| Cash Flows from Operating Activities: | | | |
| Net income | \$ 3,323 | \$ 1 | \$ 66 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation and amortization | 294 | 296 | 250 |
| Loss on impairment | — | | 18 |
| Non-cash compensation expense attributable to stock awards | 49 | 34 | 25 |
| Loss on modification and extinguishment of debt | 55 | — | 53 |
| Venezuela deconsolidation charge | — | 171 | — |
| Accretion of debt discount and amortization of debt issuance costs | 6 | 5 | 9 |
| Accrued interest on long-term debt | (29) | 12 | (12) |
| Non-cash tax adjustments | — | — | 2 |
| Deferred income taxes | (3,207) | 15 | (118) |
| Gain (loss) on sale of property, plant and equipment and other assets | — | — | — |
| Other, net | 3 | 2 | 25 |
| Changes in working capital items: | | | |
| Receivables | 43 | (98) | 34 |
| Other current assets | 10 | 15 | 33 |
| Payables | 5 | 21 | (56) |
| Deferred revenue | 29 | 63 | 35 |
| Other current liabilities | (25) | 38 | 32 |
| Net Cash Provided by Operating Activities | 556 | 575 | 396 |
| Cash Flows from Investing Activities: | | | |
| Capital expenditures | (330) | (328) | (302) |
| Cash related to deconsolidated Venezuela operations | — | (83) | — |
| Change in restricted cash and securities, net | 2 | — | — |
| Investment in tw telecom, net of cash acquired | — | — | (167) |
| Proceeds from sale of property, plant and equipment and other assets | 1 | 1 | — |
| Other | — | (14) | — |
| Net Cash Used in Investing Activities | (327) | (424) | (469) |
| Cash Flows from Financing Activities: | | | |
| Long-term debt borrowings, net of issuance costs | 885 | (1) | 590 |
| Payments on and repurchases of long-term debt and capital leases | (949) | (4) | (663) |
| Net Cash Used in Financing Activities | (64) | (5) | (73) |
| Effect of Exchange Rates on Cash and Cash Equivalents | (2) | (4) | (3) |
| Net Change in Cash and Cash Equivalents | 163 | 142 | (149) |
| Cash and Cash Equivalents at Beginning of Period | 691 | 549 | 729 |
| Cash and Cash Equivalents at End of Period | \$ 854 | \$ 691 | \$ 580 |
| Supplemental Disclosure of Cash Flow Information: | | | |
| Cash interest paid | \$ 173 | \$ 129 | \$ 190 |