

Condensed Consolidated Statements of Income

(dollars in millions, except per share amounts)

Unaudited	3 Mos. Ended 3/31/17	3 Mos. Ended 3/31/16	% Change
Operating Revenues			
Service revenues and other	\$ 26,050	\$ 28,217	(7.7)
Wireless equipment revenues	3,764	3,954	(4.8)
Total Operating Revenues	<u>29,814</u>	<u>32,171</u>	(7.3)
Operating Expenses			
Cost of services	6,858	7,614	(9.9)
Wireless cost of equipment	4,808	4,998	(3.8)
Selling, general and administrative expense	6,908	7,600	(9.1)
Depreciation and amortization expense	4,059	4,017	1.0
Total Operating Expenses	<u>22,633</u>	<u>24,229</u>	(6.6)
Operating Income	7,181	7,942	(9.6)
Equity in losses of unconsolidated businesses	(21)	(20)	(5.0)
Other income and (expense), net	(846)	32	*
Interest expense	(1,132)	(1,188)	4.7
Income Before Provision for Income Taxes	5,182	6,766	(23.4)
Provision for income taxes	(1,629)	(2,336)	30.3
Net Income	<u>\$ 3,553</u>	<u>\$ 4,430</u>	(19.8)
Net income attributable to noncontrolling interests	\$ 103	\$ 120	(14.2)
Net income attributable to Verizon	3,450	4,310	(20.0)
Net Income	<u>\$ 3,553</u>	<u>\$ 4,430</u>	(19.8)
Basic Earnings per Common Share			
Net income attributable to Verizon	\$.85	\$ 1.06	(19.8)
<i>Weighted average number of common shares (in millions)</i>	<i>4,082</i>	<i>4,080</i>	
Diluted Earnings per Common Share ⁽¹⁾			
Net income attributable to Verizon	\$.84	\$ 1.06	(20.8)
<i>Weighted average number of common shares-assuming dilution (in millions)</i>	<i>4,087</i>	<i>4,085</i>	

Footnotes:

(1) Diluted Earnings per Common Share includes the dilutive effect of shares issuable under our stock-based compensation plans, which represents the only potential dilution.

* Not meaningful

Condensed Consolidated Balance Sheets

(dollars in millions)

Unaudited	3/31/17	12/31/16	\$ Change
Assets			
Current assets			
Cash and cash equivalents	\$ 4,307	\$ 2,880	\$ 1,427
Accounts receivable, net	16,863	17,513	(650)
Inventories	1,194	1,202	(8)
Assets held for sale	149	882	(733)
Prepaid expenses and other	4,645	3,918	727
Total current assets	27,158	26,395	763
Plant, property and equipment	235,550	232,215	3,335
Less accumulated depreciation	150,337	147,464	2,873
	85,213	84,751	462
Investments in unconsolidated businesses	1,080	1,110	(30)
Wireless licenses	87,754	86,673	1,081
Goodwill	27,630	27,205	425
Other intangible assets, net	8,912	8,897	15
Non-current assets held for sale	762	613	149
Other assets	8,222	8,536	(314)
Total Assets	\$ 246,731	\$ 244,180	\$ 2,551
Liabilities and Equity			
Current liabilities			
Debt maturing within one year	\$ 3,707	\$ 2,645	\$ 1,062
Accounts payable and accrued liabilities	14,826	19,593	(4,767)
Other	8,131	8,102	29
Total current liabilities	26,664	30,340	(3,676)
Long-term debt	112,839	105,433	7,406
Employee benefit obligations	22,079	26,166	(4,087)
Deferred income taxes	47,847	45,964	1,883
Other liabilities	12,265	12,245	20
Equity			
Common stock	424	424	-
Contributed capital	11,161	11,182	(21)
Reinvested earnings	16,153	15,059	1,094
Accumulated other comprehensive income	2,609	2,673	(64)
Common stock in treasury, at cost	(7,144)	(7,263)	119
Deferred compensation – employee stock ownership plans and other	290	449	(159)
Noncontrolling interests	1,544	1,508	36
Total equity	25,037	24,032	1,005
Total Liabilities and Equity	\$ 246,731	\$ 244,180	\$ 2,551

Verizon - Selected Financial and Operating Statistics

Unaudited	3/31/17	12/31/16
Total debt (in millions)	\$ 116,546	\$ 108,078
Net debt (in millions)	\$ 112,239	\$ 105,198
Net debt / Adjusted EBITDA ⁽¹⁾	2.6x	2.4x
Common shares outstanding end of period (in millions)	4,079	4,077
Total employees ('000)	161.0	160.9
Quarterly cash dividends declared per common share	\$ 0.5775	\$ 0.5775

Footnotes:

(1) Adjusted EBITDA excludes the effects of non-operational items and impact of divested businesses.

Certain reclassifications of prior period amounts have been made, where appropriate, to conform to current period presentation.

Condensed Consolidated Statements of Cash Flows

(dollars in millions)

Unaudited	3 Mos. Ended 3/31/17	3 Mos. Ended 3/31/16	\$ Change
Cash Flows from Operating Activities			
Net Income	\$ 3,553	\$ 4,430	\$ (877)
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization expense	4,059	4,017	42
Employee retirement benefits	(111)	356	(467)
Deferred income taxes	2,025	167	1,858
Provision for uncollectible accounts	330	353	(23)
Equity in losses of unconsolidated businesses, net of dividends received	28	29	(1)
Changes in current assets and liabilities, net of effects from acquisition/disposition of businesses	(4,694)	(1,162)	(3,532)
Discretionary contributions to qualified pension plans	(3,411)	-	(3,411)
Other, net	(98)	(693)	595
Net cash provided by operating activities	1,681	7,497	(5,816)
Cash Flows from Investing Activities			
Capital expenditures (including capitalized software)	(3,067)	(3,387)	320
Acquisitions of businesses, net of cash acquired	(1,746)	(161)	(1,585)
Acquisitions of wireless licenses	(196)	(131)	(65)
Other, net	176	243	(67)
Net cash used in investing activities	(4,833)	(3,436)	(1,397)
Cash Flows from Financing Activities			
Proceeds from long-term borrowings	13,054	-	13,054
Proceeds from asset-backed long-term borrowings	1,283	-	1,283
Repayments of long-term borrowings and capital lease obligations	(5,592)	(376)	(5,216)
Decrease in short-term obligations, excluding current maturities	(52)	(40)	(12)
Dividends paid	(2,354)	(2,302)	(52)
Other, net	(1,760)	33	(1,793)
Net cash provided by (used in) financing activities	4,579	(2,685)	7,264
Increase in cash and cash equivalents	1,427	1,376	51
Cash and cash equivalents, beginning of period	2,880	4,470	(1,590)
Cash and cash equivalents, end of period	\$ 4,307	\$ 5,846	\$ (1,539)

Footnotes:

Certain reclassifications of prior period amounts have been made, where appropriate, to conform to current period presentation.

Wireless - Selected Financial Results

(dollars in millions)

Unaudited	3 Mos. Ended 3/31/17	3 Mos. Ended 3/31/16	% Change
Operating Revenues			
Service	\$ 15,778	\$ 16,809	(6.1)
Equipment	3,764	3,954	(4.8)
Other	1,336	1,241	7.7
Total Operating Revenues	20,878	22,004	(5.1)
Operating Expenses			
Cost of services	1,958	1,942	0.8
Cost of equipment	4,808	4,998	(3.8)
Selling, general and administrative expense	4,698	4,891	(3.9)
Depreciation and amortization expense	2,338	2,293	2.0
Total Operating Expenses	13,802	14,124	(2.3)
Operating Income	\$ 7,076	\$ 7,880	(10.2)
Operating Income Margin	33.9%	35.8%	
Segment EBITDA	\$ 9,414	\$ 10,173	(7.5)
Segment EBITDA Margin	45.1%	46.2%	

Footnotes:

The segment financial results and metrics above are adjusted to exclude the effects of non-operational items, as the Company's chief operating decision maker excludes these items in assessing business unit performance.

Intersegment transactions have not been eliminated.

Wireless - Selected Operating Statistics

Unaudited	3/31/17	3/31/16	% Change
Connections ('000)			
Retail postpaid	108,483	107,171	1.2
Retail prepaid	5,430	5,402	0.5
Total retail	113,913	112,573	1.2

Unaudited	3 Mos. Ended 3/31/17	3 Mos. Ended 3/31/16	% Change
Net Add Detail ('000) ⁽¹⁾			
Retail postpaid	(307)	640	*
Retail prepaid	(17)	(177)	90.4
Total retail	(324)	463	*

Account Statistics

Retail Postpaid Accounts ('000) ⁽²⁾	35,270	35,720	(1.3)
Retail postpaid connections per account ⁽²⁾	3.08	3.00	2.7
Retail postpaid ARPA ⁽³⁾	136.98	145.34	(5.8)
Retail postpaid I-ARPA ⁽⁴⁾	166.01	165.03	0.6

Churn Detail

Retail postpaid	1.15%	0.96%
Retail	1.39%	1.23%

Retail Postpaid Connection Statistics

Total Smartphone postpaid % of phones activated	94.5%	92.5%
Total Smartphone postpaid phone base ⁽²⁾	88.1%	84.7%
Total Internet postpaid base ⁽²⁾	18.3%	17.3%
4G LTE devices as % of retails postpaid connections	85.9%	81.1%

Other Operating Statistics

Capital expenditures (in millions)	\$ 1,831	\$ 2,190	(16.4)
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Footnotes:

- (1) Connection net additions exclude acquisitions and adjustments.
(2) Statistics presented as of end of period.
(3) Retail postpaid ARPA - average service revenue per account from retail postpaid accounts.
(4) Retail postpaid I-ARPA - average service revenue per account from retail postpaid account plus recurring device installment billings.

The segment financial results and metrics above are adjusted to exclude the effects of non-operational items, as the Company's chief operating decision maker excludes these items in assessing business unit performance.

Intersegment transactions have not been eliminated.

* Not meaningful

Wireline - Selected Financial Results

(dollars in millions)

Unaudited	3 Mos. Ended 3/31/17	3 Mos. Ended 3/31/16	% Change
Operating Revenues			
Consumer Markets	\$ 3,201	\$ 3,180	0.7
Enterprise Solutions	2,466	2,501	(1.4)
Partner Solutions	1,256	1,292	(2.8)
Business Markets	890	870	2.3
Other	63	80	(21.3)
Total Operating Revenues	7,876	7,923	(0.6)
Operating Expenses			
Cost of services	4,480	4,644	(3.5)
Selling, general and administrative expense	1,611	1,770	(9.0)
Depreciation and amortization expense	1,492	1,576	(5.3)
Total Operating Expenses	7,583	7,990	(5.1)
Operating Income (Loss)	\$ 293	\$ (67)	*
Operating Income (Loss) Margin	3.7%	(0.8)%	
Segment EBITDA	\$ 1,785	\$ 1,509	18.3
Segment EBITDA Margin	22.7%	19.0%	

Footnotes:

The segment financial results and metrics above are adjusted to exclude the effects of non-operational items, as the Company's chief operating decision maker excludes these items in assessing business unit performance.

Intersegment transactions have not been eliminated.

* Not meaningful

Wireline - Selected Operating Statistics

Unaudited	3/31/17	3/31/16	% Change
Connections ('000)			
Fios Video Subscribers	4,681	4,678	0.1
Fios Internet Subscribers	5,688	5,508	3.3
Fios Digital voice residence connections	3,887	3,917	(0.8)
Fios Digital connections	14,256	14,103	1.1
HSI	1,323	1,589	(16.7)
Total Broadband connections	7,011	7,097	(1.2)
Primary residence switched access connections	3,095	3,643	(15.0)
Primary residence connections	6,982	7,560	(7.6)
Total retail residence voice connections	7,200	7,824	(8.0)
Total voice connections	13,634	14,781	(7.8)

Unaudited	3 Mos. Ended 3/31/17	3 Mos. Ended 3/31/16	% Change
Net Add Detail ('000)			
Fios Video Subscribers	(13)	43	*
Fios Internet Subscribers	35	90	(61.1)
Fios Digital voice residence connections	(8)	45	*
Fios Digital connections	14	178	(92.1)
HSI	(62)	(78)	20.5
Total Broadband connections	(27)	12	*
Primary residence switched access connections	(135)	(156)	13.5
Primary residence connections	(143)	(111)	(28.8)
Total retail residence voice connections	(155)	(125)	(24.0)
Total voice connections	(305)	(254)	(20.1)

Revenue Statistics

Fios revenues (in millions)	\$	2,891	\$	2,761	4.7
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Other Operating Statistics

Capital expenditures (in millions)	\$	960	\$	1,006	(4.6)
Wireline employees ('000)		60.8		59.5	
Fios Video Open for Sale ('000)		13,829		13,366	
Fios Video penetration		33.8%		35.0%	
Fios Internet Open for Sale ('000)		14,120		13,661	
Fios Internet penetration		40.3%		40.3%	

Footnotes:

The segment financial results and metrics above are adjusted to exclude the effects of non-operational items and impact of divested businesses, as the Company's chief operating decision maker excludes these items in assessing business unit performance.

Intersegment transactions have not been eliminated.

* Not meaningful