



# Financial and Operating Information

As of March 31, 2018

Table of Contents

Condensed Consolidated Statements of Income	3
Condensed Consolidated Balance Sheets	5
Verizon – Selected Financial and Operating Statistics	5
Condensed Consolidated Statements of Cash Flows	7
Wireless – Selected Financial Results	10
Wireless – Selected Operating Statistics	11
Wireline – Selected Financial Results	13
Wireline – Selected Operating Statistics	14
Supplemental Information	16
Non-GAAP Reconciliations and Notes	18

## Condensed Consolidated Statements of Income

(dollars in millions, except per share amounts)

Unaudited	2016	2017	1Q '18
<b>Operating Revenues</b>			
Service revenues and other	\$ 108,468	\$ 107,145	\$ 26,732
Wireless equipment revenues	17,512	18,889	5,040
<b>Total Operating Revenues</b>	<b>125,980</b>	<b>126,034</b>	<b>31,772</b>
<b>Operating Expenses</b>			
Cost of services	30,463	30,916	7,946
Wireless cost of equipment	22,238	22,147	5,309
Selling, general and administrative expense	28,102	28,592	6,844
Depreciation and amortization expense	15,928	16,954	4,324
<b>Total Operating Expenses</b>	<b>96,731</b>	<b>98,609</b>	<b>24,423</b>
<b>Operating Income</b>	<b>29,249</b>	<b>27,425</b>	<b>7,349</b>
Equity in losses of unconsolidated businesses	(98)	(77)	(19)
Other expense, net	(3,789)	(2,021)	(75)
Interest expense	(4,376)	(4,733)	(1,201)
<b>Income Before Provision For Income Taxes</b>	<b>20,986</b>	<b>20,594</b>	<b>6,054</b>
Benefit (provision) for income taxes	(7,378)	9,956	(1,388)
<b>Net Income</b>	<b>13,608</b>	<b>30,550</b>	<b>4,666</b>
Net income attributable to noncontrolling interests	\$ 481	\$ 449	\$ 121
Net income attributable to Verizon	13,127	30,101	4,545
<b>Net Income</b>	<b>\$ 13,608</b>	<b>\$ 30,550</b>	<b>\$ 4,666</b>
<b>Basic Earnings Per Common Share</b>			
Net income attributable to Verizon	\$ 3.22	\$ 7.37	\$ 1.11
Weighted average number of common shares (in millions)	4,080	4,084	4,104
<b>Diluted Earnings Per Common Share <sup>(1)</sup></b>			
Net income attributable to Verizon	\$ 3.21	\$ 7.36	\$ 1.11
Weighted average number of common shares-assuming dilution (in millions)	4,086	4,089	4,107

**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.

Certain amounts have been reclassified to conform to the current period presentation.

## Condensed Consolidated Statements of Income

(dollars in millions, except per share amounts)

Unaudited	2016				2017				2018
	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	
Operating Revenues									
Service revenues and other	\$ 26,828	\$ 26,813	\$ 26,610	\$ 26,050	\$ 26,250	\$ 27,365	\$ 27,480	\$ 26,732	
Wireless equipment revenues	3,704	4,124	5,730	3,764	4,298	4,352	6,475	5,040	
Total Operating Revenues	30,532	30,937	32,340	29,814	30,548	31,717	33,955	31,772	
Operating Expenses									
Cost of services	7,852	7,376	7,379	7,239	7,449	8,009	8,219	7,946	
Wireless cost of equipment	4,644	5,240	7,356	4,808	5,035	4,965	7,339	5,309	
Selling, general and administrative expense	5,963	7,451	7,544	6,746	5,883	7,483	8,480	6,844	
Depreciation and amortization expense	3,982	3,942	3,987	4,059	4,167	4,272	4,456	4,324	
Total Operating Expenses	22,441	24,009	26,266	22,852	22,534	24,729	28,494	24,423	
Operating Income	8,091	6,928	6,074	6,962	8,014	6,988	5,461	7,349	
Equity in losses of unconsolidated businesses	(20)	(23)	(35)	(21)	(28)	(22)	(6)	(19)	
Other income (expense), net	(5,363)	(291)	2,047	(627)	199	(291)	(1,302)	(75)	
Interest expense	(1,013)	(1,038)	(1,137)	(1,132)	(1,218)	(1,164)	(1,219)	(1,201)	
Income Before Provision For Income Taxes	1,695	5,576	6,949	5,182	6,967	5,511	2,934	6,054	
Benefit (provision) for income taxes	(864)	(1,829)	(2,349)	(1,629)	(2,489)	(1,775)	15,849	(1,388)	
Net Income	\$ 831	\$ 3,747	\$ 4,600	\$ 3,553	\$ 4,478	\$ 3,736	\$ 18,783	\$ 4,666	
Net income attributable to noncontrolling interests	\$ 129	\$ 127	\$ 105	\$ 103	\$ 116	\$ 116	\$ 114	\$ 121	
Net income attributable to Verizon	702	3,620	4,495	3,450	4,362	3,620	18,669	4,545	
Net Income	\$ 831	\$ 3,747	\$ 4,600	\$ 3,553	\$ 4,478	\$ 3,736	\$ 18,783	\$ 4,666	
Basic Earnings Per Common Share									
Net income attributable to Verizon	\$ 0.17	\$ 0.89	\$ 1.10	\$ 0.85	\$ 1.07	\$ 0.89	\$ 4.57	\$ 1.11	
Weighted average number of common shares (in millions)	4,079	4,079	4,081	4,082	4,082	4,084	4,087	4,104	
Diluted Earnings Per Common Share <sup>(1)</sup>									
Net income attributable to Verizon	\$ 0.17	\$ 0.89	\$ 1.10	\$ 0.84	\$ 1.07	\$ 0.89	\$ 4.56	\$ 1.11	
Weighted average number of common shares-assuming dilution (in millions)	4,085	4,086	4,087	4,087	4,087	4,089	4,090	4,107	

**Footnotes:**

(1) If there is a net loss, diluted EPS is the same as basic EPS. Diluted Earnings per Common Share includes the dilutive effect of shares issuable under our stock-based compensation plans, which represents the only potential dilution.

EPS may not add due to rounding.

Certain amounts have been reclassified to conform to the current period presentation.

## Condensed Consolidated Balance Sheets

Unaudited	(dollars in millions)		
	12/31/16	12/31/17	3/31/18
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 2,880	\$ 2,079	\$ 1,923
Accounts receivable, net	17,513	23,493	22,595
Inventories	1,202	1,034	1,285
Assets held for sale	882	—	—
Prepaid expenses and other	3,918	3,307	5,222
Total current assets	26,395	29,913	31,025
Property, plant and equipment	232,215	246,498	246,877
Less accumulated depreciation	147,464	157,930	158,955
Property, plant and equipment, net	84,751	88,568	87,922
Investments in unconsolidated businesses	1,110	1,039	994
Wireless licenses	86,673	88,417	93,677
Goodwill	27,205	29,172	29,121
Other intangible assets, net	8,897	10,247	10,014
Non-current assets held for sale	613	—	—
Other assets	8,536	9,787	11,763
<b>Total assets</b>	<b>\$ 244,180</b>	<b>\$ 257,143</b>	<b>\$ 264,516</b>
<b>Liabilities and Equity</b>			
Current liabilities			
Debt maturing within one year	\$ 2,645	\$ 3,453	\$ 6,323
Accounts payable and accrued liabilities	19,593	21,232	17,052
Other current liabilities	8,102	8,352	8,240
Total current liabilities	30,340	33,037	31,615
Long-term debt	105,433	113,642	112,734
Employee benefit obligations	26,166	22,112	20,689
Deferred income taxes	45,964	31,232	34,414
Other liabilities	12,245	12,433	12,719
Total long-term liabilities	189,808	179,419	180,556
Equity			
Common stock	424	424	429
Additional paid in capital	11,182	11,101	13,437
Retained earnings	15,059	35,635	39,974
Accumulated other comprehensive income	2,673	2,659	3,705
Common stock in treasury, at cost	(7,263)	(7,139)	(6,992)
Deferred compensation – employee stock ownership plans and other	449	416	228
Noncontrolling interests	1,508	1,591	1,564
Total equity	24,032	44,687	52,345
<b>Total liabilities and equity</b>	<b>\$ 244,180</b>	<b>\$ 257,143</b>	<b>\$ 264,516</b>

## Verizon - Selected Financial and Operating Statistics

Unaudited	12/31/16	12/31/17	3/31/18
Total debt (in millions)	\$ 108,078	\$ 117,095	\$ 119,057
Net debt (in millions)	\$ 105,198	\$ 115,016	\$ 117,134
Net debt / Consolidated adjusted EBITDA <sup>(1)</sup>	2.4x	2.6x	2.6x
Common shares outstanding end of period (in millions)	4,077	4,079	4,132
Total employees ('000)	160.9	155.4	154.7
Cash dividends declared per common share	\$ 2.285	\$ 2.335	\$ 0.590

## Footnotes:

(1) Consolidated adjusted EBITDA excludes the effects of special items and operating results of divested businesses, as the Company's chief operating decision maker excludes these items in assessing business unit performance.

## Condensed Consolidated Balance Sheets

									(dollars in millions)
Unaudited	6/30/16	9/30/16	12/31/16	3/31/17	6/30/17	9/30/17	12/31/17	3/31/18	
<b>Assets</b>									
Current assets									
Cash and cash equivalents	\$ 2,857	\$ 6,441	\$ 2,880	\$ 4,307	\$ 4,583	\$ 4,487	\$ 2,079	\$ 1,923	
Accounts receivable, net	13,294	14,832	17,513	16,863	19,771	21,549	23,493	22,595	
Inventories	931	1,318	1,202	1,194	1,116	1,276	1,034	1,285	
Assets held for sale	317	—	882	149	—	275	—	—	
Prepaid expenses and other	3,445	3,030	3,918	4,645	3,353	3,280	3,307	5,222	
Total current assets	20,844	25,621	26,395	27,158	28,823	30,867	29,913	31,025	
Property, plant and equipment									
Less accumulated depreciation	225,756	228,909	232,215	235,550	239,226	242,608	246,498	246,877	
Property, plant and equipment, net	142,584	145,495	147,464	150,337	152,705	155,986	157,930	158,955	
Investments in unconsolidated businesses	83,172	83,414	84,751	85,213	86,521	86,622	88,568	87,922	
Wireless licenses	822	1,119	1,110	1,080	1,075	1,054	1,039	994	
Goodwill	86,981	87,407	86,673	87,754	88,004	87,883	88,417	93,677	
Other intangible assets, net	25,417	25,970	27,205	27,630	28,527	28,725	29,172	29,121	
Non-current assets held for sale	7,399	7,692	8,897	8,912	11,143	10,993	10,247	10,014	
Other assets	—	—	613	762	90	—	—	—	
Total assets	7,235	8,275	8,536	8,222	8,795	8,538	9,787	11,763	
	\$ 231,870	\$ 239,498	\$ 244,180	\$ 246,731	\$ 252,978	\$ 254,682	\$ 257,143	\$ 264,516	
<b>Liabilities and Equity</b>									
Current liabilities									
Debt maturing within one year	\$ 6,803	\$ 3,852	\$ 2,645	\$ 3,707	\$ 1,153	\$ 2,180	\$ 3,453	\$ 6,323	
Accounts payable and accrued liabilities	19,090	18,002	19,593	14,826	17,825	18,434	21,232	17,052	
Other current liabilities	8,515	8,444	8,102	8,131	8,780	8,316	8,352	8,240	
Total current liabilities	34,408	30,298	30,340	26,664	27,758	28,930	33,037	31,615	
Long-term debt									
Employee benefit obligations	92,922	102,739	105,433	112,839	116,390	115,317	113,642	112,734	
Deferred income taxes	28,059	28,285	26,166	22,079	21,775	21,131	22,112	20,689	
Other liabilities	43,825	44,617	45,964	47,847	47,506	48,345	31,232	34,414	
Total long-term liabilities	11,912	11,576	12,245	12,265	12,788	12,508	12,433	12,719	
	176,718	187,217	189,808	195,030	198,459	197,301	179,419	180,556	
Equity									
Common stock	424	424	424	424	424	424	424	429	
Additional paid in capital	11,192	11,179	11,182	11,161	11,099	11,098	11,101	13,437	
Retained earnings	11,652	12,918	15,059	16,153	18,159	19,373	35,635	39,974	
Accumulated other comprehensive income	2,847	2,758	2,673	2,609	2,284	2,683	2,659	3,705	
Common stock in treasury, at cost	(7,279)	(7,264)	(7,263)	(7,144)	(7,142)	(7,141)	(7,139)	(6,992)	
Deferred compensation – employee stock ownership plans and other	408	445	449	290	365	411	416	228	
Noncontrolling interests	1,500	1,523	1,508	1,544	1,572	1,603	1,591	1,564	
Total equity	20,744	21,983	24,032	25,037	26,761	28,451	44,687	52,345	
Total liabilities and equity	\$ 231,870	\$ 239,498	\$ 244,180	\$ 246,731	\$ 252,978	\$ 254,682	\$ 257,143	\$ 264,516	

## Verizon - Selected Financial and Operating Statistics

Unaudited	6/30/16	9/30/16	12/31/16	3/31/17	6/30/17	9/30/17	12/31/17	3/31/18	
Total debt (in millions)	\$ 99,725	\$ 106,591	\$ 108,078	\$ 116,546	\$ 117,543	\$ 117,497	\$ 117,095	\$ 119,057	
Net debt (in millions)	\$ 96,868	\$ 100,150	\$ 105,198	\$ 112,239	\$ 112,960	\$ 113,010	\$ 115,016	\$ 117,134	
Net debt / Consolidated adjusted EBITDA <sup>(1)</sup>				2.6x	2.6x	2.6x	2.6x	2.6x	
Common shares outstanding end of period (in millions)	4,076	4,077	4,077	4,079	4,079	4,079	4,079	4,132	
Total employees ('000)	162.7	162.0	160.9	161.0	163.4	160.1	155.4	154.7	
Quarterly cash dividends declared per common share	\$ 0.5650	\$ 0.5775	\$ 0.5775	\$ 0.5775	\$ 0.5775	\$ 0.5900	\$ 0.5900	\$ 0.5900	

## Footnotes:

(1) Consolidated adjusted EBITDA excludes the effects of special items and operating results of divested businesses, as the Company's chief operating decision maker excludes these items in assessing business unit performance.

## Condensed Consolidated Statements of Cash Flows

(dollars in millions)

Unaudited	12 Mos. Ended 12/31/16	12 Mos. Ended 12/31/17	3 Mos. Ended 3/31/18
<b>Cash Flows from Operating Activities</b>			
Net Income	\$ 13,608	\$ 30,550	\$ 4,666
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization expense	15,928	16,954	4,324
Employee retirement benefits	2,705	440	(151)
Deferred income taxes	(1,063)	(14,463)	702
Provision for uncollectible accounts	1,420	1,167	239
Equity in losses of unconsolidated businesses, net of dividends received	138	117	30
Changes in current assets and liabilities, net of effects from acquisition/disposition of businesses	(6,755)	(5,938)	(2,033)
Discretionary contributions to qualified pension plans	(186)	(3,411)	(1,000)
Net gain on sale of divested businesses	(1,007)	(1,774)	—
Other, net	(3,099)	676	(129)
Net cash provided by operating activities	21,689	24,318	6,648
<b>Cash Flows from Investing Activities</b>			
Capital expenditures (including capitalized software)	(17,059)	(17,247)	(4,552)
Acquisitions of businesses, net of cash acquired	(3,765)	(5,880)	(32)
Acquisitions of wireless licenses	(534)	(583)	(970)
Proceeds from dispositions of businesses	9,882	3,614	—
Other, net	1,602	1,640	269
Net cash used in investing activities	(9,874)	(18,456)	(5,285)
<b>Cash Flows from Financing Activities</b>			
Proceeds from long-term borrowings	12,964	27,707	1,956
Proceeds from asset-backed long-term borrowings	4,986	4,290	1,178
Repayments of long-term borrowings and capital lease obligations	(19,159)	(23,837)	(2,984)
Repayments of asset-backed long-term borrowings	—	(400)	—
Increase (decrease) in short-term obligations, excluding current maturities	(149)	(170)	1,222
Dividends paid	(9,262)	(9,472)	(2,407)
Other, net	(2,756)	(4,269)	(281)
Net cash used in financing activities	(13,376)	(6,151)	(1,316)
<b>Increase (decrease) in cash, cash equivalents and restricted cash</b>	<b>(1,561)</b>	<b>(289)</b>	<b>47</b>
<b>Cash, cash equivalents and restricted cash, beginning of period</b>	<b>4,738</b>	<b>3,177</b>	<b>2,888</b>
<b>Cash, cash equivalents and restricted cash, end of period</b>	<b>\$ 3,177</b>	<b>\$ 2,888</b>	<b>\$ 2,935</b>

**Footnotes:**

Certain amounts have been reclassified to conform to the current period presentation.

## Condensed Consolidated Statements of Cash Flows

	(dollars in millions)							
Unaudited	6 Mos. Ended 6/30/16	9 Mos. Ended 9/30/16	12 Mos. Ended 12/31/16	3 Mos. Ended 3/31/17	6 Mos. Ended 6/30/17	9 Mos. Ended 9/30/17	12 Mos. Ended 12/31/17	3 Mos. Ended 3/31/18
<b>Cash Flows from Operating Activities</b>								
Net Income	\$ 5,261	\$ 9,008	\$ 13,608	\$ 3,553	\$ 8,031	\$ 11,767	\$ 30,550	\$ 4,666
Adjustments to reconcile net income to net cash provided by operating activities:								
Depreciation and amortization expense	7,999	11,941	15,928	4,059	8,226	12,498	16,954	4,324
Employee retirement benefits	4,021	4,531	2,705	(111)	(223)	(334)	440	(151)
Deferred income taxes	(3,085)	(2,331)	(1,063)	2,025	1,880	2,577	(14,463)	702
Provision for uncollectible accounts	651	963	1,420	330	632	842	1,167	239
Equity in losses of unconsolidated businesses, net of dividends received	58	94	138	28	67	100	117	30
Changes in current assets and liabilities, net of effects from acquisition/disposition of businesses	(1,242)	(4,562)	(6,755)	(4,998)	(3,721)	(6,257)	(5,938)	(2,033)
Discretionary contributions to qualified pension plans	—	(186)	(186)	(3,411)	(3,411)	(3,411)	(3,411)	(1,000)
Net gain on sale of divested businesses	(1,007)	(1,007)	(1,007)	—	(1,774)	(1,774)	(1,774)	—
Other, net	76	(1,283)	(3,099)	(99)	(401)	467	676	(129)
Net cash provided by operating activities	12,732	17,168	21,689	1,376	9,306	16,475	24,318	6,648
<b>Cash Flows from Investing Activities</b>								
Capital expenditures (including capitalized software)	(7,273)	(11,398)	(17,059)	(3,067)	(7,011)	(11,282)	(17,247)	(4,552)
Acquisitions of businesses, net of cash acquired	(178)	(962)	(3,765)	(1,746)	(6,231)	(6,247)	(5,880)	(32)
Acquisitions of wireless licenses	(282)	(410)	(534)	(196)	(315)	(469)	(583)	(970)
Proceeds from dispositions of businesses	9,882	9,882	9,882	—	3,512	3,614	3,614	—
Other, net	680	901	1,602	459	786	1,397	1,640	269
Net cash provided by (used in) investing activities	2,829	(1,987)	(9,874)	(4,550)	(9,259)	(12,987)	(18,456)	(5,285)
<b>Cash Flows from Financing Activities</b>								
Proceeds from long-term borrowings	—	8,152	12,964	13,054	16,009	21,915	27,707	1,956
Proceeds from asset-backed long-term borrowings	—	2,594	4,986	1,283	2,878	2,878	4,290	1,178
Repayments of long-term borrowings and capital lease obligations	(11,300)	(14,510)	(19,159)	(5,592)	(10,294)	(16,457)	(23,837)	(2,984)
Repayments of asset-backed long-term borrowings	—	—	—	—	—	—	(400)	—
Increase (decrease) in short-term obligations, excluding current maturities	610	(120)	(149)	(52)	(152)	(160)	(170)	1,222
Dividends paid	(4,605)	(6,908)	(9,262)	(2,354)	(4,710)	(7,067)	(9,472)	(2,407)
Other, net	(2,129)	(2,577)	(2,756)	(1,674)	(1,831)	(2,706)	(4,269)	(281)
Net cash provided by (used in) financing activities	(17,424)	(13,369)	(13,376)	4,665	1,900	(1,597)	(6,151)	(1,316)
<b>Increase (decrease) in cash, cash equivalents and restricted cash</b>	<b>(1,863)</b>	<b>1,812</b>	<b>(1,561)</b>	<b>1,491</b>	<b>1,947</b>	<b>1,891</b>	<b>(289)</b>	<b>47</b>
<b>Cash, cash equivalents and restricted cash, beginning of period</b>	<b>4,738</b>	<b>4,738</b>	<b>4,738</b>	<b>3,177</b>	<b>3,177</b>	<b>3,177</b>	<b>3,177</b>	<b>2,888</b>
<b>Cash, cash equivalents and restricted cash, end of period</b>	<b>\$ 2,875</b>	<b>\$ 6,550</b>	<b>\$ 3,177</b>	<b>\$ 4,668</b>	<b>\$ 5,124</b>	<b>\$ 5,068</b>	<b>\$ 2,888</b>	<b>\$ 2,935</b>

## Footnotes:

Certain amounts have been reclassified to conform to the current period presentation.





**Wireless**

## Wireless - Selected Financial Results

(dollars in millions)

Unaudited	2016			2017				2018	
	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	
<b>Operating Revenues</b>									
Service	\$ 16,741	\$ 16,684	\$ 16,346	\$ 15,778	\$ 15,622	\$ 15,841	\$ 15,880	\$ 15,402	
Equipment	3,704	4,124	5,733	3,764	4,298	4,352	6,475	5,040	
Other	1,259	1,293	1,298	1,336	1,362	1,387	1,416	1,458	
<b>Total Operating Revenues</b>	<b>21,704</b>	<b>22,101</b>	<b>23,377</b>	<b>20,878</b>	<b>21,282</b>	<b>21,580</b>	<b>23,771</b>	<b>21,900</b>	
<b>Operating Expenses</b>									
Cost of services	2,249	2,266	2,298	2,187	2,219	2,270	2,210	2,215	
Cost of equipment	4,644	5,240	7,356	4,808	5,035	4,965	7,339	5,309	
Selling, general and administrative expense	4,512	4,661	5,093	4,469	4,271	4,376	4,760	3,899	
Depreciation and amortization expense	2,282	2,287	2,321	2,338	2,347	2,366	2,344	2,428	
<b>Total Operating Expenses</b>	<b>13,687</b>	<b>14,454</b>	<b>17,068</b>	<b>13,802</b>	<b>13,872</b>	<b>13,977</b>	<b>16,653</b>	<b>13,851</b>	
<b>Operating Income</b>	<b>\$ 8,017</b>	<b>\$ 7,647</b>	<b>\$ 6,309</b>	<b>\$ 7,076</b>	<b>\$ 7,410</b>	<b>\$ 7,603</b>	<b>\$ 7,118</b>	<b>\$ 8,049</b>	
<b>Operating Income Margin</b>	<b>36.9 %</b>	<b>34.6 %</b>	<b>27.0 %</b>	<b>33.9 %</b>	<b>34.8 %</b>	<b>35.2 %</b>	<b>29.9 %</b>	<b>36.8 %</b>	
<b>Segment EBITDA</b>	<b>\$ 10,299</b>	<b>\$ 9,934</b>	<b>\$ 8,630</b>	<b>\$ 9,414</b>	<b>\$ 9,757</b>	<b>\$ 9,969</b>	<b>\$ 9,462</b>	<b>\$ 10,477</b>	
<b>Segment EBITDA Margin</b>	<b>47.5 %</b>	<b>44.9 %</b>	<b>36.9 %</b>	<b>45.1 %</b>	<b>45.8 %</b>	<b>46.2 %</b>	<b>39.8 %</b>	<b>47.8 %</b>	

## Footnotes:

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

Intersegment transactions have not been eliminated.

Certain amounts have been reclassified to conform to the current period presentation.

## Wireless - Selected Operating Statistics

Unaudited	2016			2017				2018
	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
<b>Connections ('000)</b>								
Retail postpaid	107,780	108,220	108,796	108,483	109,088	109,686	110,854	111,114
Retail prepaid	5,374	5,456	5,447	5,430	5,448	5,588	5,403	5,068
Total retail	113,154	113,676	114,243	113,913	114,536	115,274	116,257	116,182
<b>Net Add Detail ('000) <sup>(1)</sup></b>								
Retail postpaid	615	442	591	(307)	614	603	1,174	260
Retail prepaid	(30)	83	(9)	(17)	19	139	(184)	(335)
Total retail	585	525	582	(324)	633	742	990	(75)
<b>Account Statistics</b>								
Retail postpaid accounts ('000) <sup>(2)</sup>	35,637	35,530	35,410	35,270	35,334	35,364	35,404	35,333
Retail postpaid connections per account <sup>(2)</sup>	3.02	3.05	3.07	3.08	3.09	3.10	3.13	3.14
Retail postpaid ARPA <sup>(3) (5)</sup>	\$ 145.09	\$ 144.94	\$ 141.89	\$ 136.98	\$ 134.89	\$ 136.31	\$ 135.78	\$ 131.71
Retail postpaid I-ARPA <sup>(4) (5)</sup>	\$ 167.18	\$ 169.49	\$ 169.10	\$ 166.01	\$ 164.94	\$ 166.98	\$ 167.19	\$ 164.72
<b>Churn Detail</b>								
Retail postpaid	0.94 %	1.04 %	1.10 %	1.15 %	0.94 %	0.97 %	1.00 %	1.04 %
Retail	1.19 %	1.28 %	1.34 %	1.39 %	1.18 %	1.19 %	1.24 %	1.28 %
<b>Retail Postpaid Connection Statistics</b>								
Total smartphone postpaid phone base <sup>(2)</sup>	85.5 %	86.3 %	87.3 %	88.1 %	88.8 %	89.4 %	90.1 %	90.7 %
Total Internet postpaid base <sup>(2)</sup>	17.7 %	18.1 %	18.3 %	18.3 %	18.4 %	18.6 %	19.0 %	19.2 %
<b>Other Operating Statistics</b>								
Capital expenditures (in millions)	\$ 2,815	\$ 2,771	\$ 3,464	\$ 1,831	\$ 2,444	\$ 2,652	\$ 3,383	\$ 2,367

**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.

(5) ARPA and I-ARPA for periods beginning after January 1, 2018 reflect the adoption of Accounting Standard Update 2014-09, "Revenue from Contracts with Customers (Topic 606)". ARPA and I-ARPA for periods ending prior to January 1, 2018 were calculated based on the guidance per ASC Topic 605, "Revenue Recognition". Accordingly, amounts are not calculated on a comparative basis.

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

Intersegment transactions have not been eliminated.



**Wireline**

## Wireline - Selected Financial Results

(dollars in millions)

Unaudited	2016			2017				2018	
	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	
<b>Operating Revenues</b>									
Consumer Markets	\$ 3,165	\$ 3,174	\$ 3,232	\$ 3,201	\$ 3,184	\$ 3,204	\$ 3,188	\$	3,150
Enterprise Solutions	2,285	2,273	2,276	2,311	2,309	2,262	2,285		2,240
Partner Solutions	1,238	1,219	1,205	1,229	1,235	1,244	1,209		1,228
Business Markets	842	834	822	879	918	903	885		871
Other	84	76	72	62	73	49	50		68
<b>Total Operating Revenues</b>	<b>7,614</b>	<b>7,576</b>	<b>7,607</b>	<b>7,682</b>	<b>7,719</b>	<b>7,662</b>	<b>7,617</b>		<b>7,557</b>
<b>Operating Expenses</b>									
Cost of services	5,045	4,369	4,357	4,419	4,542	4,496	4,465		4,475
Selling, general and administrative expense	1,590	1,667	1,478	1,582	1,582	1,552	1,558		1,479
Depreciation and amortization expense	1,530	1,467	1,435	1,475	1,548	1,549	1,532		1,534
<b>Total Operating Expenses</b>	<b>8,165</b>	<b>7,503</b>	<b>7,270</b>	<b>7,476</b>	<b>7,672</b>	<b>7,597</b>	<b>7,555</b>		<b>7,488</b>
<b>Operating Income (Loss)</b>	<b>\$ (551)</b>	<b>\$ 73</b>	<b>\$ 337</b>	<b>\$ 206</b>	<b>\$ 47</b>	<b>\$ 65</b>	<b>\$ 62</b>	<b>\$</b>	<b>69</b>
<b>Operating Income Margin</b>	<b>(7.2)%</b>	<b>1.0 %</b>	<b>4.4 %</b>	<b>2.7 %</b>	<b>0.6 %</b>	<b>0.8 %</b>	<b>0.8 %</b>		<b>0.9 %</b>
<b>Segment EBITDA</b>	<b>\$ 979</b>	<b>\$ 1,540</b>	<b>\$ 1,772</b>	<b>\$ 1,681</b>	<b>\$ 1,595</b>	<b>\$ 1,614</b>	<b>\$ 1,594</b>	<b>\$</b>	<b>1,603</b>
<b>Segment EBITDA Margin</b>	<b>12.9 %</b>	<b>20.3 %</b>	<b>23.3 %</b>	<b>21.9 %</b>	<b>20.7 %</b>	<b>21.1 %</b>	<b>20.9 %</b>		<b>21.2 %</b>

## Footnotes:

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

Intersegment transactions have not been eliminated.

## Wireline - Selected Operating Statistics

Unaudited	2016			2017				2018
	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
<b>Connections ('000)</b>								
Fios video connections	4,637	4,673	4,694	4,681	4,666	4,648	4,619	<b>4,597</b>
Fios Internet connections	5,495	5,585	5,653	5,688	5,737	5,803	5,850	<b>5,916</b>
Fios digital voice residence connections	3,879	3,882	3,895	3,887	3,909	3,920	3,905	<b>3,891</b>
Fios digital connections	14,011	14,140	14,242	14,256	14,312	14,371	14,374	<b>14,404</b>
High-speed Internet (HSI) connections	1,519	1,453	1,385	1,323	1,251	1,175	1,109	<b>1,050</b>
Total broadband connections	7,014	7,038	7,038	7,011	6,988	6,978	6,959	<b>6,966</b>
Total voice connections	14,476	14,194	13,939	13,634	13,352	13,100	12,821	<b>12,555</b>
<b>Net Add Detail ('000)</b>								
Fios video connections	(41)	36	21	(13)	(15)	(18)	(29)	<b>(22)</b>
Fios Internet connections	(13)	90	68	35	49	66	47	<b>66</b>
Fios digital voice residence connections	(38)	3	13	(8)	22	11	(15)	<b>(14)</b>
Fios digital connections	(92)	129	102	14	56	59	3	<b>30</b>
High-speed Internet (HSI) connections	(70)	(66)	(68)	(62)	(72)	(76)	(66)	<b>(59)</b>
Total broadband connections	(83)	24	—	(27)	(23)	(10)	(19)	<b>7</b>
Total voice connections	(305)	(282)	(255)	(305)	(282)	(252)	(279)	<b>(266)</b>
<b>Revenue Statistics</b>								
Fios revenues (in millions)	\$ 2,776	\$ 2,807	\$ 2,892	\$ 2,891	\$ 2,899	\$ 2,942	\$ 2,959	<b>\$ 2,951</b>
<b>Other Operating Statistics</b>								
Capital expenditures (in millions)	\$ 814	\$ 1,036	\$ 1,648	\$ 960	\$ 1,190	\$ 1,208	\$ 1,981	<b>\$ 1,673</b>
Wireline employees ('000)	58.0	57.9	57.6	59.4	58.6	58.2	57.1	<b>57.2</b>

**Footnotes:**

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

Intersegment transactions have not been eliminated.



# **Supplemental Information**

## Supplemental Information - Impacts from the adoption of Topic 606

We adopted Accounting Standard Update 2014-09, "Revenue from Contracts with Customers (Topic 606)" on January 1, 2018, using the modified retrospective application. This method does not impact the prior periods, which continue to reflect the accounting treatment prior to the adoption of Topic 606. As a result, for items that were affected by our adoption of Topic 606, financial results of periods prior to January 1, 2018 are not comparable to the current period financial results. To provide comparability to our results, we provide the following supplemental schedule which contains certain financial information on a pre adoption of Topic 606 basis.

Consolidated<sup>(3)</sup>

Unaudited	3/31/2018			3/31/2017	YoY	
	As reported	Balances without adoption of Topic 606	Adjustments	As reported	\$ Change	% Change
<b>Operating Revenues</b>						
Service revenues and other	\$ 26,732	\$ 27,133	\$ (401)	\$ 26,050	\$ 1,083	4.2
Wireless equipment revenues	5,040	4,594	446	3,764	830	22.1
<b>Total Operating Revenues</b>	<b>31,772</b>	<b>31,727</b>	<b>45</b>	<b>29,814</b>	<b>1,913</b>	<b>6.4</b>
<b>Operating Expenses</b>						
Cost of services	7,946	7,956	(10)	7,239	717	9.9
Wireless cost of equipment	5,309	5,287	22	4,808	479	10.0
Selling, general and administrative expense	6,844	7,234	(390)	6,746	488	7.2
Depreciation and amortization expense	4,324	4,324	-	4,059	265	6.5
<b>Total Operating Expenses</b>	<b>24,423</b>	<b>24,801</b>	<b>(378)</b>	<b>22,852</b>	<b>1,949</b>	<b>8.5</b>
<b>Operating Income</b>	<b>\$ 7,349</b>	<b>\$ 6,926</b>	<b>\$ 423</b>	<b>\$ 6,962</b>	<b>\$ (36)</b>	<b>(0.5)</b>

Wireless<sup>(1)(2)(3)</sup>

Unaudited	3/31/2018			3/31/2017	YoY	
	As reported	Balances without adoption of Topic 606	Adjustments	As reported	\$ Change	% Change
<b>Operating Revenues</b>						
Service	\$ 15,402	\$ 15,782	\$ (380)	\$ 15,778	\$ 4	0.0
Equipment	5,040	4,594	446	3,764	830	22.1
Other	1,458	1,489	(31)	1,336	153	11.5
<b>Total Operating Revenues</b>	<b>21,900</b>	<b>21,865</b>	<b>35</b>	<b>20,878</b>	<b>987</b>	<b>4.7</b>
<b>Operating Expenses</b>						
Cost of services	2,215	2,215	—	2,187	28	1.3
Cost of equipment	5,309	5,287	22	4,808	479	10.0
Selling, general and administrative expense	3,899	4,248	(349)	4,469	(221)	(4.9)
Depreciation and amortization expense	2,428	2,428	—	2,338	90	3.8
<b>Total Operating Expenses</b>	<b>13,851</b>	<b>14,178</b>	<b>(327)</b>	<b>13,802</b>	<b>376</b>	<b>2.7</b>
<b>Operating Income</b>	<b>\$ 8,049</b>	<b>\$ 7,687</b>	<b>\$ 362</b>	<b>\$ 7,076</b>	<b>\$ 611</b>	<b>8.6</b>

Wireline<sup>(1)(2)</sup>

Unaudited	3/31/2018			3/31/2017	YoY	
	As reported	Balances without adoption of Topic 606	Adjustments	As reported	\$ Change	% Change
<b>Operating Revenues</b>						
Consumer Markets	\$ 3,150	\$ 3,146	\$ 4	\$ 3,201	\$ (55)	(1.7)
Enterprise Solutions	2,240	2,240	—	2,311	(71)	(3.1)
Partner Solutions	1,228	1,228	—	1,229	(1)	(0.1)
Business Markets	871	870	1	879	(9)	(1.0)
Other	68	56	12	62	(6)	(9.7)
<b>Total Operating Revenues</b>	<b>7,557</b>	<b>7,540</b>	<b>17</b>	<b>7,682</b>	<b>(142)</b>	<b>(1.8)</b>
<b>Operating Expenses</b>						
Cost of services	4,475	4,485	(10)	4,419	66	1.5
Selling, general and administrative expense	1,479	1,516	(37)	1,582	(66)	(4.2)
Depreciation and amortization expense	1,534	1,534	—	1,475	59	4.0
<b>Total Operating Expenses</b>	<b>7,488</b>	<b>7,535</b>	<b>(47)</b>	<b>7,476</b>	<b>59</b>	<b>0.8</b>
<b>Operating Income</b>	<b>\$ 69</b>	<b>\$ 5</b>	<b>\$ 64</b>	<b>\$ 206</b>	<b>\$ (201)</b>	<b>(97.6)</b>

## Fios Revenues

Unaudited	3/31/2018			3/31/2017	YoY	
	As reported	Balances without adoption of Topic 606	Adjustments	As reported	\$ Change	% Change
Fios Revenues	\$ 2,951	\$ 2,945	\$ 6	\$ 2,891	\$ 54	1.9

## Footnotes:

(1) The financial results above are adjusted to exclude the effects of special items, as the Company's chief operating decision maker excludes these items in assessing business unit performance.

(2) Intersegment transactions have not been eliminated.

(3) Certain amounts have been reclassified to conform to the current period presentation.





# **Non-GAAP Reconciliations**

As of March 31, 2018

**Non-GAAP Measures**

Verizon's financial information was prepared in conformity with generally accepted accounting principles (GAAP) as well as on a non-GAAP basis. It is management's intent to provide non-GAAP financial information to enhance the understanding of Verizon's GAAP financial information and it should be considered by the reader in addition to, but not instead of, the financial statements prepared in accordance with GAAP. Each non-GAAP financial measure is presented along with the corresponding GAAP measure so as not to imply that more emphasis should be placed on the non-GAAP measure. We believe that non-GAAP measures provide relevant and useful information, which is used by management, investors and other users of our financial information in assessing both consolidated and segment performance. The non-GAAP financial information presented may be determined or calculated differently by other companies and may not be directly comparable to that of other companies.

**Consolidated Operating Revenues Excluding Oath, Divested Businesses and the Revenue Recognition Standard**

Consolidated Operating Revenues Excluding Oath, Divested Businesses and the Revenue Recognition Standard is a non-GAAP financial measure that we believe is useful to management, investors and other users of our financial information in evaluating our revenue growth and trends on a comparable basis. For the three months ended March 31, 2018, Consolidated Operating Revenues Excluding Oath, Divested Businesses and the Revenue Recognition Standard excludes (i) operating revenues from our Oath business and (ii) the impacts from our adoption of Accounting Standards Codification Topic 606, "Revenues from Contracts with Customers (Topic 606)" (ASC 606 or Revenue Recognition Standard), which we adopted effective January 1, 2018. For the three months ended March 31, 2017, Consolidated Operating Revenues Excluding Oath, Divested Businesses and the Revenue Recognition Standard excludes operating revenues from (i) our Oath business, (ii) the data center businesses divested on May 1, 2017 and (iii) insignificant divestitures completed in the third quarter of 2017.

Consolidated Operating Revenues Excluding Oath, Divested Businesses and the Revenue Recognition Standard is calculated by subtracting operating revenues from (i) Oath, (ii) divested businesses and (iii) impacts from the Revenue Recognition Standard from our consolidated operating revenues.

**EBITDA and EBITDA Margin Related Non-GAAP Measures**

Consolidated earnings before interest, taxes, depreciation and amortization (Consolidated EBITDA), Consolidated EBITDA Margin, Segment EBITDA, Segment EBITDA Margin, Pre-Topic 606 Segment EBITDA and Pre-Topic 606 Segment EBITDA Margin are non-GAAP financial measures that we believe are useful to management, investors and other users of our financial information in evaluating operating profitability on a more variable cost basis as they exclude depreciation and amortization expense related primarily to capital expenditures and acquisitions that occurred in prior periods, as well as in evaluating operating performance in relation to Verizon's competitors.

Consolidated EBITDA is calculated by adding back interest, taxes, depreciation and amortization expense, equity in losses of unconsolidated businesses and other (income) and expense, net to net income. Consolidated EBITDA Margin is calculated by dividing Consolidated EBITDA by consolidated operating revenues.

Segment EBITDA is calculated by adding back depreciation and amortization expense to segment operating income. Segment EBITDA Margin is calculated by dividing Segment EBITDA by segment total operating revenues.

Pre-Topic 606 Segment EBITDA is calculated by adding back depreciation and amortization expense to segment operating income and excluding the impacts from the adoption of Topic 606. Pre-Topic 606 Segment EBITDA Margin is calculated by dividing Pre-Topic 606 Segment EBITDA by segment total operating revenues excluding the impacts from the adoption of Topic 606.

**Consolidated Adjusted EBITDA and Consolidated Adjusted EBITDA Margin Related Non-GAAP Measures**

Consolidated Adjusted EBITDA, Consolidated Adjusted EBITDA Margin, Pre-Topic 606 Consolidated Adjusted EBITDA and Pre-Topic 606 Consolidated Adjusted EBITDA Margin are non-GAAP financial measures that we believe provide relevant and useful information to management, investors and other users of our financial information in evaluating the effectiveness of our operations and underlying business trends in a manner that is consistent with management's evaluation of business performance. We believe Consolidated Adjusted EBITDA, Consolidated Adjusted EBITDA Margin, Pre-Topic 606 Consolidated Adjusted EBITDA and Pre-Topic 606 Consolidated Adjusted EBITDA Margin are widely used by investors to compare a company's operating performance to its competitors by minimizing impacts caused by differences in capital structure, taxes and depreciation policies. Further, the exclusion of special items enables comparability to prior period performance and trend analysis.

Consolidated Adjusted EBITDA is calculated by excluding from Consolidated EBITDA the effect of the following special items: severance costs, net gain on sale of divested businesses, gain on spectrum license transactions, product realignment costs and acquisition and integration related costs. Product realignment costs primarily result in a reduction to goodwill, software and current assets. Acquisition and integration related costs represent transaction expenses related to business acquisitions and incremental expenses directly incurred to integrate the acquired businesses into our operations. We believe the exclusion of the above-noted special items enables management, investors and other users of our financial information to assess our sequential and year-over-year performance on a more comparable basis and is consistent with management's own evaluation of performance.

Consolidated Adjusted EBITDA Margin is calculated by dividing Consolidated Adjusted EBITDA by Consolidated Operating Revenues.

Consolidated Adjusted EBITDA excluding Operating Results from Divested Businesses is calculated by excluding the operating results from divested businesses from Consolidated Adjusted EBITDA. Management uses this measure to assess our ability to repay debt and we believe this measure is also useful to rating agencies, lenders and other parties in evaluating our creditworthiness.

Pre-Topic 606 Consolidated Adjusted EBITDA is calculated by subtracting impacts from the adoption of Topic 606 from Consolidated Adjusted EBITDA. Pre-Topic 606 Consolidated EBITDA Margin is calculated by dividing Pre-Topic 606 Consolidated EBITDA by Pre-Topic 606 consolidated operating revenues.

**Adjusted Earnings per Common Share (Adjusted EPS) and Adjusted Earnings per Common Share excluding the net impacts of tax reform and revenue recognition (Adjusted EPS excluding Tax Reform and Topic 606)**

Adjusted EPS and Adjusted EPS excluding Tax Reform and Topic 606 are non-GAAP financial measures that we believe are useful to management, investors and other users of our financial information in evaluating our operating results and understanding our operating trends without the effect of special items and other items that lead to non-comparable results. We believe excluding special items, and the impacts of tax reform and Topic 606 provides more comparable assessment of our financial results from period to period.

Adjusted EPS is calculated by excluding the effect of the following special items: gain on spectrum license transactions, acquisition and integration related costs and early debt redemption costs from the calculation of reported EPS.

Adjusted EPS excluding Tax Reform and Topic 606 is calculated by excluding the effects of tax reform and Topic 606, both of which impacted 1Q 2018 results but not 1Q 2017 results, from the calculation of Adjusted EPS.

**Net Debt and Net Debt to Consolidated Adjusted EBITDA Ratio**

Net Debt and Net Debt to Consolidated Adjusted EBITDA Ratio are non-GAAP financial measures that we believe are useful to management, investors and other users of our financial information in evaluating Verizon's ability to service its debt.

Net Debt is calculated by subtracting cash and cash equivalents from the sum of debt maturing within one year and long-term debt. Net Debt to Consolidated Adjusted EBITDA Ratio is calculated by dividing Net Debt by Consolidated Adjusted EBITDA excluding Operating Results from Divested Businesses. For purposes of Net Debt to Consolidated Adjusted EBITDA Ratio, Consolidated Adjusted EBITDA excluding Operating Results from Divested Businesses is calculated for the last twelve months.

**Free Cash Flow**

Free cash flow is a non-GAAP financial measure that reflects an additional way of viewing our liquidity that, when viewed with our GAAP results, provides a more complete understanding of factors and trends affecting our cash flows. We believe it is a more conservative measure of cash flow since capital expenditures are necessary for ongoing operations. Free cash flow has limitations due to the fact that it does not represent the residual cash flow available for discretionary expenditures. For example, free cash flow does not incorporate payments made on capital lease obligations or cash payments for business acquisitions. Therefore, we believe it is important to view free cash flow as a complement to our entire consolidated statements of cash flows.

Free cash flow is calculated by subtracting capital expenditures from net cash provided by operating activities.

**Wireline Operating Revenues Excluding Acquisition**

Wireline Operating Revenues Excluding Acquisition is a non-GAAP financial measure that we believe is useful to management, investors and other users of our financial information in evaluating our Wireline revenue growth and trends on a comparable basis. For the three months ended March 31, 2018, Wireline Operating Revenues Excluding Acquisition excludes (i) impacts from Topic 606 and (ii) operating revenues from XO Holdings wireline business (XO) (acquired on February 1, 2017). For the three months ended March 31, 2017, Wireline Operating Revenues Excluding Acquisition excludes operating revenues from XO.

Wireline Operating Revenues Excluding Acquisition is calculated by subtracting (i) the impacts from our adoption of Topic 606 and (ii) operating revenues from XO from Business Markets revenues.

**Enterprise Solutions Revenues Excluding Acquisition**

Enterprise Solutions Revenues Excluding Acquisition is a non-GAAP financial measure that we believe is useful to management, investors and other users of our financial information in evaluating our Enterprise Solutions revenue growth and trends on a comparable basis. For the three months ended March 31, 2018 and 2017, Enterprise Solutions Revenues Excluding Acquisition excludes operating revenues from XO (acquired on February 1, 2017). The adoption of Topic 606 did not have an impact on Enterprise Solutions Revenues Excluding Acquisition.

Enterprise Solutions Revenues Excluding Acquisition is calculated by subtracting operating revenues from XO from Enterprise Solutions revenues.

**Enterprise Solutions Constant Currency Growth Rate**

We evaluate our results of operations for Enterprise Solutions on both an as reported and a constant currency basis. The constant currency revenue growth rate, which is a non-GAAP measure, excludes the impact of fluctuations in foreign currency exchange rates. We believe providing constant currency information provides valuable supplemental information regarding our results of operations, consistent with how we evaluate our performance.

The constant currency growth rate is calculated by converting our current-period local currency operating revenues excluding revenues from XO (acquired on February 1, 2017) using the prior period exchange rates and comparing these adjusted amounts to our prior period reported results.

**Partner Solutions Revenues Excluding Acquisition**

Partner Solutions Revenues Excluding Acquisition is a non-GAAP financial measure that we believe is useful to management, investors and other users of our financial information in evaluating our Partner Solutions revenue growth and trends on a comparable basis. For the three months ended March 31, 2018 and 2017, Partner Solutions Revenues Excluding Acquisition excludes operating revenues from XO (acquired on February 1, 2017). The adoption of Topic 606 did not have an impact on Partner Solutions Revenues Excluding Acquisition.

Partner Solutions Revenues Excluding Acquisition is calculated by subtracting operating revenues from XO from Partner Solutions revenues.

**Business Markets Revenues Excluding Acquisition**

Business Markets Revenues Excluding Acquisition is a non-GAAP financial measure that we believe is useful to management, investors and other users of our financial information in evaluating our Business Markets revenue growth and trends on a comparable basis. For the three months ended March 31, 2018, Business Markets Revenues Excluding Acquisition excludes (i) impacts from our adoption of Topic 606 and (ii) operating revenues from XO (acquired on February 1, 2017). For the three months ended March 31, 2017, Business Markets Revenues Excluding Acquisition excludes operating revenues from XO.

Business Markets Revenues Excluding Acquisition is calculated by subtracting (i) the impacts from our adoption of Topic 606 and (ii) operating revenues from XO from Business Markets revenues.

## Non-GAAP Reconciliations - Consolidated

## Consolidated Operating Revenues Excluding Oath, Divested Businesses and the Revenue Recognition Standard

Unaudited	(dollars in millions)	
	3 Mos. Ended 3/31/17	3 Mos. Ended 3/31/18
<b>Consolidated Operating Revenues</b>	<b>\$ 29,814</b>	<b>\$ 31,772</b>
Less impacts of adoption of Topic 606	—	45
Less operating revenues from divested businesses	194	—
Less Oath revenues	\$ 703	\$ 1,875
<b>Consolidated Operating Revenues Excluding Oath, Divested Businesses and the Revenue Recognition Standard</b>	<b>\$ 28,917</b>	<b>\$ 29,852</b>
Year over year change		3.2 %

## Consolidated EBITDA, Consolidated Adjusted EBITDA, Consolidated Adjusted EBITDA Margin and Consolidated Adjusted EBITDA Excluding Operating Results from Divested Businesses

Unaudited	(dollars in millions)							
	3 Months Ended 6/30/16	3 Months Ended 9/30/16	3 Months Ended 12/31/16	3 Months Ended 3/31/17	3 Months Ended 6/30/17	3 Months Ended 9/30/17	3 Months Ended 12/31/17	3 Months Ended 3/31/18
<b>Consolidated Net Income</b>	<b>\$ 831</b>	<b>\$ 3,747</b>	<b>\$ 4,600</b>	<b>\$ 3,553</b>	<b>\$ 4,478</b>	<b>\$ 3,736</b>	<b>\$ 18,783</b>	<b>\$ 4,666</b>
Add/(subtract):								
Provision for income taxes	864	1,829	2,349	1,629	2,489	1,775	(15,849)	1,388
Interest expense	1,013	1,038	1,137	1,132	1,218	1,164	1,219	1,201
Other (income) expense, net	5,363	291	(2,047)	627	(199)	291	1,302	75
Equity in losses of unconsolidated businesses	20	23	35	21	28	22	6	19
<b>Operating Income</b>	<b>8,091</b>	<b>6,928</b>	<b>6,074</b>	<b>6,962</b>	<b>8,014</b>	<b>6,988</b>	<b>5,461</b>	<b>7,349</b>
Add Depreciation and amortization expense	3,982	3,942	3,987	4,059	4,167	4,272	4,456	4,324
<b>Consolidated EBITDA</b>	<b>\$ 12,073</b>	<b>\$ 10,870</b>	<b>\$ 10,061</b>	<b>\$ 11,021</b>	<b>\$ 12,181</b>	<b>\$ 11,260</b>	<b>\$ 9,917</b>	<b>\$ 11,673</b>
Add/subtract special items (before tax):								
Severance <sup>(2)</sup>	—	239	182	—	195	—	302	—
Product realignment	—	—	—	—	—	—	463	—
Gain on spectrum license transactions	—	—	—	(126)	—	—	(144)	—
Net gain on sale of divested businesses	(1,007)	—	—	—	(1,774)	—	—	—
Acquisition and integration related costs <sup>(1)(2)</sup>	—	—	—	—	559	166	154	105
<b>Consolidated Adjusted EBITDA</b>	<b>11,066</b>	<b>11,109</b>	<b>10,243</b>	<b>10,895</b>	<b>11,161</b>	<b>11,426</b>	<b>10,692</b>	<b>11,778</b>
Operating Results from divested businesses <sup>(1)</sup>	(120)	(115)	(107)	(104)	(50)	(17)	—	—
<b>Consolidated Adjusted EBITDA Excluding Operating Results From Divested Businesses</b>	<b>\$ 10,946</b>	<b>\$ 10,994</b>	<b>\$ 10,136</b>	<b>\$ 10,791</b>	<b>\$ 11,111</b>	<b>\$ 11,409</b>	<b>\$ 10,692</b>	<b>\$ 11,778</b>
<b>Consolidated Adjusted EBITDA Margin - Quarter to Date</b>				<b>36.5 %</b>				<b>37.1 %</b>
<b>Consolidated Adjusted EBITDA Margin Change</b>								<b>60 bps</b>

(1) Excludes depreciation and amortization expense.

(2) Certain amounts have been reclassified to conform to the current period presentation.

## Non-GAAP Reconciliations - Consolidated

(dollars in millions except EPS)

Unaudited	3 Mos. Ended				3 Mos. Ended			
	3/31/17				3/31/18			
	Pre-tax	Tax	After-Tax		Pre-tax	Tax	After-Tax	
<b>EPS</b>				\$ 0.84				\$ 1.11
Early debt redemption costs	\$ 848	\$ (336)	\$ 512	0.13	\$ 249	\$ (65)	\$ 184	0.04
Acquisition and integration related costs	—	—	—	—	107	(25)	82	0.02
Gain on spectrum license transactions	(126)	49	(77)	(0.02)	—	—	—	—
	\$ 722	\$ (287)	\$ 435	0.11	\$ 356	\$ (90)	\$ 266	0.06
<b>Adjusted EPS</b>				\$ 0.95				\$ 1.17
Impacts of adoption of Topic 606	\$ —	\$ —	\$ —	—	\$ 423	\$ 150	\$ 273	0.06
Impacts of Tax Reform	—	—	—	—	—	(583)	583	0.14
<b>Adjusted EPS excluding Tax Reform and Topic 606</b>	\$ —	\$ —	\$ —	—	\$ 423	\$ (433)	\$ 856	0.21
				\$ 0.95				\$ 0.96
Year over year change								1.1 %

Note:

Adjusted EPS may not add due to rounding.

## Net Debt and Net Debt to Consolidated Adjusted EBITDA Ratio

(dollars in millions)

Unaudited	6/30/16	9/30/16	12/31/16	3/31/17	6/30/17	9/30/17	12/31/17	3/31/18
<b>Net Debt</b>								
Debt maturing within one year	\$ 6,803	\$ 3,852	\$ 2,645	\$ 3,707	\$ 1,153	\$ 2,180	\$ 3,453	\$ 6,323
Long-term debt	92,922	102,739	105,433	112,839	116,390	115,317	113,642	112,734
<b>Total Debt</b>	99,725	106,591	108,078	116,546	117,543	117,497	117,095	119,057
Less Cash and cash equivalents	2,857	6,441	2,880	4,307	4,583	4,487	2,079	1,923
<b>Net Debt</b>	\$ 96,868	\$ 100,150	\$ 105,198	\$ 112,239	\$ 112,960	\$ 113,010	\$ 115,016	\$ 117,134
<b>Net Debt to Consolidated Adjusted EBITDA Ratio</b>				2.6x	2.6x	2.6x	2.6x	2.6x

## Free Cash Flow

(dollars in millions)

Unaudited	3 Months Ended	3 Months Ended
	3/31/17	3/31/18
<b>Net cash provided by operating activities</b>	\$ 1,376	\$ 6,648
Less Capital expenditures	(3,067)	(4,552)
<b>Free Cash Flow</b>	\$ (1,691)	\$ 2,096
Year over year change		\$ 3,787

## Non-GAAP Reconciliations - Segments

## Segment EBITDA and Segment EBITDA Margin

## Wireless

	(dollars in millions)							
	3 Months Ended	3 Months Ended	3 Months Ended	3 Months Ended	3 Months Ended	3 Months Ended	3 Months Ended	3 Months Ended
Unaudited	6/30/16	9/30/16	12/31/16	3/31/17	6/30/17	9/30/17	12/31/17	3/31/18
<b>Operating Income</b>	\$ 8,017	\$ 7,647	\$ 6,309	\$ 7,076	\$ 7,410	\$ 7,603	\$ 7,118	\$ 8,049
Add Depreciation and amortization expense	2,282	2,287	2,321	2,338	2,347	2,366	2,344	2,428
<b>Segment EBITDA</b>	\$ 10,299	\$ 9,934	\$ 8,630	\$ 9,414	\$ 9,757	\$ 9,969	\$ 9,462	\$ 10,477
Total operating revenues	\$ 21,704	\$ 22,101	\$ 23,377	\$ 20,878	\$ 21,282	\$ 21,580	\$ 23,771	\$ 21,900
<b>Operating Income Margin</b>	36.9 %	34.6 %	27.0 %	33.9 %	34.8 %	35.2 %	29.9 %	36.8 %
<b>Segment EBITDA Margin</b>	47.5 %	44.9 %	36.9 %	45.1 %	45.8 %	46.2 %	39.8 %	47.8 %

## Wireline

	(dollars in millions)							
	3 Months Ended	3 Months Ended	3 Months Ended	3 Months Ended	3 Months Ended	3 Months Ended	3 Months Ended	3 Months Ended
Unaudited	6/30/16	9/30/16	12/31/16	3/31/17	6/30/17	9/30/17	12/31/17	3/31/18
<b>Operating Income</b>	\$ (551)	\$ 73	\$ 337	\$ 206	\$ 47	\$ 65	\$ 62	\$ 69
Add Depreciation and amortization expense	1,530	1,467	1,435	1,475	1,548	1,549	1,532	1,534
<b>Segment EBITDA</b>	\$ 979	\$ 1,540	\$ 1,772	\$ 1,681	\$ 1,595	\$ 1,614	\$ 1,594	\$ 1,603
Total operating revenues	\$ 7,614	\$ 7,576	\$ 7,607	\$ 7,682	\$ 7,719	\$ 7,662	\$ 7,617	\$ 7,557
<b>Operating Income (Loss) Margin</b>	(7.2)%	1.0 %	4.4 %	2.7 %	0.6 %	0.8 %	0.8 %	0.9 %
<b>Segment EBITDA Margin</b>	12.9 %	20.3 %	23.3 %	21.9 %	20.7 %	21.1 %	20.9 %	21.2 %

## Wireline Operating Revenues Excluding Acquisition

	(dollars in millions)	
	3 Months Ended 3/31/17	3 Months Ended 3/31/18
Unaudited		
<b>Wireline Operating Revenues</b>	\$ 7,682	\$ 7,557
Less impacts of adoption of Topic 606	—	17
Less operating revenues from acquisition	207	272
<b>Wireline Operating Revenues Excluding Acquisition</b>	\$ 7,475	\$ 7,268
Year over year change		(2.8)%

## Enterprise Solutions Revenues Excluding Acquisition

	(dollars in millions)	
	3 Months Ended 3/31/17	3 Months Ended 3/31/18
Unaudited		
<b>Enterprise Solutions Revenues</b>	\$ 2,311	\$ 2,240
Less Enterprise Solutions Revenues from Acquisition	73	97
<b>Enterprise Solutions Revenues Excluding Acquisition</b>	\$ 2,238	\$ 2,143
Year over year change		(4.2)%

## Enterprise Solutions Constant Currency Growth Rate

	(dollars in millions)			
	<u>Reported</u>		<u>Constant Currency</u>	
	Revenues	Growth Rate	Revenues	Growth Rate
3 Months Ended March 31, 2018				
Unaudited				
Enterprise Solutions Revenues Excluding Acquisition	\$ 2,143	(4.2)%	\$ 2,110	(5.7)%

## Partner Solutions Revenues Excluding Acquisition

	(dollars in millions)	
	3 Months Ended 3/31/17	3 Months Ended 3/31/18
Unaudited		
<b>Partner Solutions Revenues</b>	\$ 1,229	\$ 1,228
Less Partner Solutions Revenues from Acquisition	56	60
<b>Partner Solutions Revenues Excluding Acquisition</b>	\$ 1,173	\$ 1,168
Year over year change		(0.4)%

## Business Markets Revenues Excluding Acquisition

	(dollars in millions)	
	3 Months Ended 3/31/17	3 Months Ended 3/31/18
Unaudited		
<b>Business Markets Revenues</b>	\$ 879	\$ 871
Less impacts of adoption of Topic 606	—	1
Less Business Markets Revenues from Acquisition	78	115
<b>Business Markets Revenues Excluding Acquisition</b>	\$ 801	\$ 755
Year over year change		(5.7)%



## EBITDA excluding impacts from the adoption of Topic 606

## Consolidated - Excluding Impacts From the Adoption of Topic 606

	(dollars in millions)	
	3 Months	3 Months
	Ended	Ended
Unaudited	3/31/17	3/31/18
<b>Consolidated Net Income</b>	\$ 3,553	\$ 4,666
Add/(subtract):		
Provision for income taxes	1,629	1,388
Interest expense	1,132	1,201
Other (income) expense, net	627	75
Equity in losses of unconsolidated businesses	21	19
<b>Operating Income</b>	6,962	7,349
Add Depreciation and amortization expense	4,059	4,324
<b>Consolidated EBITDA</b>	\$ 11,021	\$ 11,673
Add/subtract special items (before tax):		
Gain on spectrum license transactions	(126)	—
Acquisition and integration related costs	—	105
	(126)	105
<b>Consolidated Adjusted EBITDA</b>	\$ 10,895	\$ 11,778
Less Impacts from the Adoption of Topic 606 to Operating Income	—	423
<b>Consolidated Adjusted EBITDA excluding the impacts from the adoption of Topic 606</b>	\$ 10,895	\$ 11,355
<b>Total operating revenues<sup>(1)</sup></b>	\$ 29,814	\$ 31,727
<b>Consolidated Adjusted EBITDA Margin<sup>(1)</sup></b>	36.5 %	35.8 %
<b>Year over year increase to consolidated adjusted EBITDA</b>	\$ 460	
<b>Year over year change in consolidated adjusted EBITDA margin</b>	(70) bps	

## Wireless - Excluding Impacts From the Adoption of Topic 606

	(dollars in millions)	
	3 Months	3 Months
	Ended	Ended
Unaudited	3/31/17	3/31/18
<b>Operating Income<sup>(1)</sup></b>	\$ 7,076	\$ 7,687
Add Depreciation and amortization expense	2,338	2,428
<b>Segment EBITDA<sup>(1)</sup></b>	\$ 9,414	\$ 10,115
<b>Total operating revenues<sup>(1)</sup></b>	\$ 20,878	\$ 21,865
<b>Segment EBITDA Margin<sup>(1)</sup></b>	45.1 %	46.3 %
<b>Year over year change in segment EBITDA margin</b>	120 bps	

## Wireline - Excluding Impacts From the Adoption of Topic 606

	(dollars in millions)	
	3 Months	
	Ended	
Unaudited	3/31/18	
<b>Operating Income<sup>(1)</sup></b>	\$ 5	
Add Depreciation and amortization expense	1,534	
<b>Segment EBITDA<sup>(1)</sup></b>	\$ 1,539	
<b>Total operating revenues<sup>(1)</sup></b>	\$ 7,540	
<b>Segment EBITDA Margin<sup>(1)</sup></b>	20.4 %	

(1) Amounts for the three months ended March 31, 2018 exclude impacts of Accounting Standard Update 2014-09, "Revenue from Contracts with Customers (Topic 606)", which we adopted on January 1, 2018.