



# Financial and Operating Information

As of June 30, 2018

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## Condensed Consolidated Statements of Income

(dollars in millions, except per share amounts)

Unaudited	2016	2017	6 Mos. Ended 6/30/18
<b>Operating Revenues</b>			
Service revenues and other	\$ 108,468	\$ 107,145	\$ 53,891
Wireless equipment revenues	17,512	18,889	10,084
<b>Total Operating Revenues</b>	<b>125,980</b>	<b>126,034</b>	<b>63,975</b>
<b>Operating Expenses</b>			
Cost of services	30,463	30,916	16,180
Wireless cost of equipment	22,238	22,147	10,706
Selling, general and administrative expense	28,102	28,592	14,449
Depreciation and amortization expense	15,928	16,954	8,674
<b>Total Operating Expenses</b>	<b>96,731</b>	<b>98,609</b>	<b>50,009</b>
<b>Operating Income</b>	<b>29,249</b>	<b>27,425</b>	<b>13,966</b>
Equity in losses of unconsolidated businesses	(98)	(77)	(247)
Other income (expense), net	(3,789)	(2,021)	285
Interest expense	(4,376)	(4,733)	(2,423)
<b>Income Before Provision For Income Taxes</b>	<b>20,986</b>	<b>20,594</b>	<b>11,581</b>
Benefit (provision) for income taxes	(7,378)	9,956	(2,669)
<b>Net Income</b>	<b>\$ 13,608</b>	<b>\$ 30,550</b>	<b>\$ 8,912</b>
Net income attributable to noncontrolling interests	\$ 481	\$ 449	\$ 247
Net income attributable to Verizon	13,127	30,101	8,665
<b>Net Income</b>	<b>\$ 13,608</b>	<b>\$ 30,550</b>	<b>\$ 8,912</b>
<b>Basic Earnings Per Common Share</b>			
Net income attributable to Verizon	\$ 3.22	\$ 7.37	\$ 2.10
Weighted average number of common shares (in millions)	4,080	4,084	4,120
<b>Diluted Earnings Per Common Share <sup>(1)</sup></b>			
Net income attributable to Verizon	\$ 3.21	\$ 7.36	\$ 2.10
Weighted average number of common shares-assuming dilution (in millions)	4,086	4,089	4,123

**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.

## Condensed Consolidated Statements of Income

(dollars in millions, except per share amounts)

Unaudited	2016		2017				2018	
	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
<b>Operating Revenues</b>								
Service revenues and other	\$ 26,813	\$ 26,610	\$ 26,050	\$ 26,250	\$ 27,365	\$ 27,480	\$ 26,732	\$ 27,159
Wireless equipment revenues	4,124	5,730	3,764	4,298	4,352	6,475	5,040	5,044
<b>Total Operating Revenues</b>	<b>30,937</b>	<b>32,340</b>	<b>29,814</b>	<b>30,548</b>	<b>31,717</b>	<b>33,955</b>	<b>31,772</b>	<b>32,203</b>
<b>Operating Expenses</b>								
Cost of services	7,376	7,379	7,239	7,449	8,009	8,219	7,946	8,234
Wireless cost of equipment	5,240	7,356	4,808	5,035	4,965	7,339	5,309	5,397
Selling, general and administrative expense	7,451	7,544	6,746	5,883	7,483	8,480	6,844	7,605
Depreciation and amortization expense	3,942	3,987	4,059	4,167	4,272	4,456	4,324	4,350
<b>Total Operating Expenses</b>	<b>24,009</b>	<b>26,266</b>	<b>22,852</b>	<b>22,534</b>	<b>24,729</b>	<b>28,494</b>	<b>24,423</b>	<b>25,586</b>
<b>Operating Income</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>	<b>6,617</b>
Equity in losses of unconsolidated businesses	(23)	(35)	(21)	(28)	(22)	(6)	(19)	(228)
Other income (expense), net	(291)	2,047	(627)	199	(291)	(1,302)	(75)	360
Interest expense	(1,038)	(1,137)	(1,132)	(1,218)	(1,164)	(1,219)	(1,201)	(1,222)
<b>Income Before Provision For Income Taxes</b>	<b>5,576</b>	<b>6,949</b>	<b>5,182</b>	<b>6,967</b>	<b>5,511</b>	<b>2,934</b>	<b>6,054</b>	<b>5,527</b>
Benefit (provision) for income taxes	(1,829)	(2,349)	(1,629)	(2,489)	(1,775)	15,849	(1,388)	(1,281)
<b>Net Income</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>	<b>\$ 4,246</b>
Net income attributable to noncontrolling interests	\$ 127	\$ 105	\$ 103	\$ 116	\$ 116	\$ 114	\$ 121	\$ 126
Net income attributable to Verizon	3,620	4,495	3,450	4,362	3,620	18,669	4,545	4,120
<b>Net Income</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>	<b>\$ 4,246</b>
<b>Basic Earnings Per Common Share</b>								
Net income attributable to Verizon	\$ 0.89	\$ 1.10	\$ 0.85	\$ 1.07	\$ 0.89	\$ 4.57	\$ 1.11	\$ 1.00
<i>Weighted average number of common shares (in millions)</i>	<i>4,079</i>	<i>4,081</i>	<i>4,082</i>	<i>4,082</i>	<i>4,084</i>	<i>4,087</i>	<i>4,104</i>	<i>4,135</i>
<b>Diluted Earnings Per Common Share <sup>(1)</sup></b>								
Net income attributable to Verizon	\$ 0.89	\$ 1.10	\$ 0.84	\$ 1.07	\$ 0.89	\$ 4.56	\$ 1.11	\$ 1.00
<i>Weighted average number of common shares-assuming dilution (in millions)</i>	<i>4,086</i>	<i>4,087</i>	<i>4,087</i>	<i>4,087</i>	<i>4,089</i>	<i>4,090</i>	<i>4,107</i>	<i>4,139</i>

## 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.

## Condensed Consolidated Balance Sheets

Unaudited	(dollars in millions)		
	12/31/16	12/31/17	6/30/18
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 2,880	\$ 2,079	\$ 1,750
Accounts receivable, net	17,513	23,493	23,099
Inventories	1,202	1,034	1,102
Assets held for sale	882	—	—
Prepaid expenses and other	3,918	3,307	4,925
Total current assets	26,395	29,913	30,876
Property, plant and equipment	232,215	246,498	249,294
Less accumulated depreciation	147,464	157,930	161,513
Property, plant and equipment, net	84,751	88,568	87,781
Investments in unconsolidated businesses	1,110	1,039	787
Wireless licenses	86,673	88,417	93,855
Goodwill	27,205	29,172	29,200
Other intangible assets, net	8,897	10,247	9,861
Non-current assets held for sale	613	—	—
Other assets	8,536	9,787	10,943
<b>Total assets</b>	<b>\$ 244,180</b>	<b>\$ 257,143</b>	<b>\$ 263,303</b>
<b>Liabilities and Equity</b>			
Current liabilities			
Debt maturing within one year	\$ 2,645	\$ 3,453	\$ 5,466
Accounts payable and accrued liabilities	19,593	21,232	18,560
Other current liabilities	8,102	8,352	8,303
Total current liabilities	30,340	33,037	32,329
Long-term debt	105,433	113,642	109,174
Employee benefit obligations	26,166	22,112	19,955
Deferred income taxes	45,964	31,232	35,069
Other liabilities	12,245	12,433	13,201
Total long-term liabilities	189,808	179,419	177,399
Equity			
Common stock	424	424	429
Additional paid in capital	11,182	11,101	13,438
Retained earnings	15,059	35,635	41,657
Accumulated other comprehensive income	2,673	2,659	3,205
Common stock in treasury, at cost	(7,263)	(7,139)	(6,990)
Deferred compensation – employee stock ownership plans and other	449	416	285
Noncontrolling interests	1,508	1,591	1,551
Total equity	24,032	44,687	53,575
<b>Total liabilities and equity</b>	<b>\$ 244,180</b>	<b>\$ 257,143</b>	<b>\$ 263,303</b>

## Verizon - Selected Financial and Operating Statistics

Unaudited	12/31/16	12/31/17	6/30/18
Total debt (in millions)	\$ 108,078	\$ 117,095	\$ 114,640
Net debt (in millions)	\$ 105,198	\$ 115,016	\$ 112,890
Net debt / Consolidated adjusted EBITDA <sup>(1)</sup>	2.4x	2.6x	2.5x
Common shares outstanding end of period (in millions)	4,077	4,079	4,132
Total employees ('000)	160.9	155.4	153.1
Cash dividends declared per common share	\$ 2.285	\$ 2.335	\$ 1.180

## Footnotes:

(1) Consolidated adjusted EBITDA excludes the effects of special items and operating results of divested businesses.

Condensed Consolidated Balance Sheets

(dollars in millions)								
Unaudited	9/30/16	12/31/16	3/31/17	6/30/17	9/30/17	12/31/17	3/31/18	6/30/18
<b>Assets</b>								
Current assets								
Cash and cash equivalents	\$ 6,441	\$ 2,880	\$ 4,307	\$ 4,583	\$ 4,487	\$ 2,079	\$ 1,923	\$ 1,750
Accounts receivable, net	14,832	17,513	16,863	19,771	21,549	23,493	22,595	23,099
Inventories	1,318	1,202	1,194	1,116	1,276	1,034	1,285	1,102
Assets held for sale	—	882	149	—	275	—	—	—
Prepaid expenses and other	3,030	3,918	4,645	3,353	3,280	3,307	5,222	4,925
Total current assets	25,621	26,395	27,158	28,823	30,867	29,913	31,025	30,876
Property, plant and equipment	228,909	232,215	235,550	239,226	242,608	246,498	246,877	249,294
Less accumulated depreciation	145,495	147,464	150,337	152,705	155,986	157,930	158,955	161,513
Property, plant and equipment, net	83,414	84,751	85,213	86,521	86,622	88,568	87,922	87,781
Investments in unconsolidated businesses	1,119	1,110	1,080	1,075	1,054	1,039	994	787
Wireless licenses	87,407	86,673	87,754	88,004	87,883	88,417	93,677	93,855
Goodwill	25,970	27,205	27,630	28,527	28,725	29,172	29,121	29,200
Other intangible assets, net	7,692	8,897	8,912	11,143	10,993	10,247	10,014	9,861
Non-current assets held for sale	—	613	762	90	—	—	—	—
Other assets	8,275	8,536	8,222	8,795	8,538	9,787	11,763	10,943
Total assets	\$ 239,498	\$ 244,180	\$ 246,731	\$ 252,978	\$ 254,682	\$ 257,143	\$ 264,516	\$ 263,303
<b>Liabilities and Equity</b>								
Current liabilities								
Debt maturing within one year	\$ 3,852	\$ 2,645	\$ 3,707	\$ 1,153	\$ 2,180	\$ 3,453	\$ 6,323	\$ 5,466
Accounts payable and accrued liabilities	18,002	19,593	14,826	17,825	18,434	21,232	17,052	18,560
Other current liabilities	8,444	8,102	8,131	8,780	8,316	8,352	8,240	8,303
Total current liabilities	30,298	30,340	26,664	27,758	28,930	33,037	31,615	32,329
Long-term debt	102,739	105,433	112,839	116,390	115,317	113,642	112,734	109,174
Employee benefit obligations	28,285	26,166	22,079	21,775	21,131	22,112	20,689	19,955
Deferred income taxes	44,617	45,964	47,847	47,506	48,345	31,232	34,414	35,069
Other liabilities	11,576	12,245	12,265	12,788	12,508	12,433	12,719	13,201
Total long-term liabilities	187,217	189,808	195,030	198,459	197,301	179,419	180,556	177,399
Equity								
Common stock	424	424	424	424	424	424	429	429
Additional paid in capital	11,179	11,182	11,161	11,099	11,098	11,101	13,437	13,438
Retained earnings	12,918	15,059	16,153	18,159	19,373	35,635	39,974	41,657
Accumulated other comprehensive income	2,758	2,673	2,609	2,284	2,683	2,659	3,705	3,205
Common stock in treasury, at cost	(7,264)	(7,263)	(7,144)	(7,142)	(7,141)	(7,139)	(6,992)	(6,990)
Deferred compensation – employee stock ownership plans and other	445	449	290	365	411	416	228	285
Noncontrolling interests	1,523	1,508	1,544	1,572	1,603	1,591	1,564	1,551
Total equity	21,983	24,032	25,037	26,761	28,451	44,687	52,345	53,575
Total liabilities and equity	\$ 239,498	\$ 244,180	\$ 246,731	\$ 252,978	\$ 254,682	\$ 257,143	\$ 264,516	\$ 263,303

Verizon - Selected Financial and Operating Statistics

Unaudited	9/30/16	12/31/16	3/31/17	6/30/17	9/30/17	12/31/17	3/31/18	6/30/18
Total debt (in millions)	\$ 106,591	\$ 108,078	\$ 116,546	\$ 117,543	\$ 117,497	\$ 117,095	\$ 119,057	\$ 114,640
Net debt (in millions)	\$ 100,150	\$ 105,198	\$ 112,239	\$ 112,960	\$ 113,010	\$ 115,016	\$ 117,134	\$ 112,890
Net debt / Consolidated adjusted EBITDA <sup>(1)</sup>				2.6x	2.6x	2.6x	2.6x	2.5x
Common shares outstanding end of period (in millions)	4,077	4,077	4,079	4,079	4,079	4,079	4,132	4,132
Total employees ('000)	162.0	160.9	161.0	163.4	160.1	155.4	154.7	153.1
Quarterly cash dividends declared per common share	\$ 0.5775	\$ 0.5775	\$ 0.5775	\$ 0.5775	\$ 0.5900	\$ 0.5900	\$ 0.5900	\$ 0.5900

Footnotes:  
(1) Consolidated adjusted EBITDA excludes the effects of special items and operating results of divested businesses.

## Condensed Consolidated Statements of Cash Flows

Unaudited	(dollars in millions)		
	12 Mos. Ended 12/31/16	12 Mos. Ended 12/31/17	6 Mos. Ended 6/30/18
<b>Cash Flows from Operating Activities</b>			
Net Income	\$ 13,608	\$ 30,550	\$ 8,912
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization expense	15,928	16,954	8,674
Employee retirement benefits	2,705	440	(300)
Deferred income taxes	(1,063)	(14,463)	1,354
Provision for uncollectible accounts	1,420	1,167	462
Equity in losses of unconsolidated businesses, net of dividends received	138	117	268
Changes in current assets and liabilities, net of effects from acquisition/disposition of businesses	(6,755)	(5,938)	(1,538)
Discretionary employee benefits contributions	(186)	(3,411)	(1,679)
Net gain on sale of divested businesses	(1,007)	(1,774)	—
Other, net	(3,099)	676	280
Net cash provided by operating activities	21,689	24,318	16,433
<b>Cash Flows from Investing Activities</b>			
Capital expenditures (including capitalized software)	(17,059)	(17,247)	(7,838)
Acquisitions of businesses, net of cash acquired	(3,765)	(5,880)	(38)
Acquisitions of wireless licenses	(534)	(583)	(1,155)
Proceeds from dispositions of businesses	9,882	3,614	—
Other, net	1,602	1,640	303
Net cash used in investing activities	(9,874)	(18,456)	(8,728)
<b>Cash Flows from Financing Activities</b>			
Proceeds from long-term borrowings	12,964	27,707	4,584
Proceeds from asset-backed long-term borrowings	4,986	4,290	1,716
Repayments of long-term borrowings and capital lease obligations	(19,159)	(23,837)	(6,568)
Repayments of asset-backed long-term borrowings	—	(400)	(2,000)
Decrease in short-term obligations, excluding current maturities	(149)	(170)	(210)
Dividends paid	(9,262)	(9,472)	(4,845)
Other, net	(2,756)	(4,269)	(542)
Net cash used in financing activities	(13,376)	(6,151)	(7,865)
<b>Decrease in cash, cash equivalents and restricted cash</b>	<b>(1,561)</b>	<b>(289)</b>	<b>(160)</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>\$ 2,728</b>

Condensed Consolidated Statements of Cash Flows

(dollars in millions)																
Unaudited	9 Mos. Ended		12 Mos. Ended		3 Mos. Ended		6 Mos. Ended		9 Mos. Ended		12 Mos. Ended		3 Mos. Ended		6 Mos. Ended	
	9/30/16		12/31/16		3/31/17		6/30/17		9/30/17		12/31/17		3/31/18		6/30/18	
<b>Cash Flows from Operating Activities</b>																
Net Income	\$	9,008	\$	13,608	\$	3,553	\$	8,031	\$	11,767	\$	30,550	\$	4,666	\$	8,912
Adjustments to reconcile net income to net cash provided by operating activities:																
Depreciation and amortization expense		11,941		15,928		4,059		8,226		12,498		16,954		4,324		8,674
Employee retirement benefits		4,531		2,705		(111)		(223)		(334)		440		(151)		(300)
Deferred income taxes		(2,331)		(1,063)		2,025		1,880		2,577		(14,463)		702		1,354
Provision for uncollectible accounts		963		1,420		330		632		842		1,167		239		462
Equity in losses of unconsolidated businesses, net of dividends received		94		138		28		67		100		117		30		268
Changes in current assets and liabilities, net of effects from acquisition/disposition of businesses		(4,562)		(6,755)		(4,998)		(3,721)		(6,257)		(5,938)		(2,033)		(1,538)
Discretionary employee benefits contributions		(186)		(186)		(3,411)		(3,411)		(3,411)		(3,411)		(1,000)		(1,679)
Net gain on sale of divested businesses		(1,007)		(1,007)		—		(1,774)		(1,774)		(1,774)		—		—
Other, net		(1,283)		(3,099)		(99)		(401)		467		676		(129)		280
Net cash provided by operating activities		17,168		21,689		1,376		9,306		16,475		24,318		6,648		16,433
<b>Cash Flows from Investing Activities</b>																
Capital expenditures (including capitalized software)		(11,398)		(17,059)		(3,067)		(7,011)		(11,282)		(17,247)		(4,552)		(7,838)
Acquisitions of businesses, net of cash acquired		(962)		(3,765)		(1,746)		(6,231)		(6,247)		(5,880)		(32)		(38)
Acquisitions of wireless licenses		(410)		(534)		(196)		(315)		(469)		(583)		(970)		(1,155)
Proceeds from dispositions of businesses		9,882		9,882		—		3,512		3,614		3,614		—		—
Other, net		901		1,602		459		786		1,397		1,640		269		303
Net cash used in investing activities		(1,987)		(9,874)		(4,550)		(9,259)		(12,987)		(18,456)		(5,285)		(8,728)
<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		4,584
Proceeds from asset-backed long-term borrowings		2,594		4,986		1,283		2,878		2,878		4,290		1,178		1,716
Repayments of long-term borrowings and capital lease obligations		(14,510)		(19,159)		(5,592)		(10,294)		(16,457)		(23,837)		(2,984)		(6,568)
Repayments of asset-backed long-term borrowings		—		—		—		—		—		(400)		—		(2,000)
Increase (decrease) in short-term obligations, excluding current maturities		(120)		(149)		(52)		(152)		(160)		(170)		1,222		(210)
Dividends paid		(6,908)		(9,262)		(2,354)		(4,710)		(7,067)		(9,472)		(2,407)		(4,845)
Other, net		(2,577)		(2,756)		(1,674)		(1,831)		(2,706)		(4,269)		(281)		(542)
Net cash provided by (used in) financing activities		(13,369)		(13,376)		4,665		1,900		(1,597)		(6,151)		(1,316)		(7,865)
<b>Increase (decrease) in cash, cash equivalents and restricted cash</b>		1,812		(1,561)		1,491		1,947		1,891		(289)		47		(160)
<b>Cash, cash equivalents and restricted cash, beginning of period</b>		4,738		4,738		3,177		3,177		3,177		3,177		2,888		2,888
<b>Cash, cash equivalents and restricted cash, end of period</b>	\$	6,550	\$	3,177	\$	4,668	\$	5,124	\$	5,068	\$	2,888	\$	2,935	\$	2,728





**Wireless**

Wireless - Selected Financial Results

(dollars in millions)									
Unaudited	2016		2017				2018		
	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	
Operating Revenues									
Service	\$ 16,684	\$ 16,346	\$ 15,778	\$ 15,622	\$ 15,841	\$ 15,880	\$ 15,402	\$ 15,754	
Equipment	4,124	5,733	3,764	4,298	4,352	6,475	5,040	5,044	
Other	1,293	1,298	1,336	1,362	1,387	1,416	1,458	1,651	
Total Operating Revenues	22,101	23,377	20,878	21,282	21,580	23,771	21,900	22,449	
Operating Expenses									
Cost of services	2,266	2,298	2,187	2,219	2,270	2,210	2,215	2,335	
Cost of equipment	5,240	7,356	4,808	5,035	4,965	7,339	5,309	5,397	
Selling, general and administrative expense	4,661	5,093	4,469	4,271	4,376	4,760	3,899	3,984	
Depreciation and amortization expense	2,287	2,321	2,338	2,347	2,366	2,344	2,428	2,459	
Total Operating Expenses	14,454	17,068	13,802	13,872	13,977	16,653	13,851	14,175	
Operating Income	\$ 7,647	\$ 6,309	\$ 7,076	\$ 7,410	\$ 7,603	\$ 7,118	\$ 8,049	\$ 8,274	
Operating Income Margin	34.6 %	27.0 %	33.9 %	34.8 %	35.2 %	29.9 %	36.8 %	36.9 %	
Segment EBITDA	\$ 9,934	\$ 8,630	\$ 9,414	\$ 9,757	\$ 9,969	\$ 9,462	\$ 10,477	\$ 10,733	
Segment EBITDA Margin	44.9 %	36.9 %	45.1 %	45.8 %	46.2 %	39.8 %	47.8 %	47.8 %	

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.

Wireless - Selected Operating Statistics

Unaudited	2016		2017				2018	
	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
<b>Connections ('000)</b>								
Retail postpaid	108,220	108,796	108,483	109,088	109,686	110,854	111,114	111,622
Retail prepaid	5,456	5,447	5,430	5,448	5,588	5,403	5,068	4,832
Total retail	113,676	114,243	113,913	114,536	115,274	116,257	116,182	116,454
<b>Net Add Detail ('000) <sup>(1)</sup></b>								
Retail postpaid	442	591	(307)	614	603	1,174	260	531
Retail prepaid	83	(9)	(17)	19	139	(184)	(335)	(236)
Total retail	525	582	(324)	633	742	990	(75)	295
<b>Account Statistics</b>								
Retail postpaid accounts ('000) <sup>(2)</sup>	35,530	35,410	35,270	35,334	35,364	35,404	35,333	35,309
Retail postpaid connections per account <sup>(2)</sup>	3.05	3.07	3.08	3.09	3.10	3.13	3.14	3.16
Retail postpaid ARPA <sup>(3) (5)</sup>	\$ 144.94	\$ 141.89	\$ 136.98	\$ 134.89	\$ 136.31	\$ 135.78	\$ 131.71	\$ 134.56
Retail postpaid I-ARPA <sup>(4) (5)</sup>	\$ 169.49	\$ 169.10	\$ 166.01	\$ 164.94	\$ 166.98	\$ 167.19	\$ 164.72	\$ 168.30
<b>Churn Detail</b>								
Retail postpaid	1.04 %	1.10 %	1.15 %	0.94 %	0.97 %	1.00 %	1.04 %	0.97 %
Retail	1.28 %	1.34 %	1.39 %	1.18 %	1.19 %	1.24 %	1.28 %	1.18 %
<b>Retail Postpaid Connection Statistics <sup>(2)</sup></b>								
Total smartphone postpaid phone base	86.3 %	87.3 %	88.1 %	88.8 %	89.4 %	90.1 %	90.7 %	91.2 %
Total Internet postpaid base	18.1 %	18.3 %	18.3 %	18.4 %	18.6 %	19.0 %	19.2 %	19.4 %
<b>Other Operating Statistics</b>								
Capital expenditures (in millions)	\$ 2,771	\$ 3,464	\$ 1,831	\$ 2,444	\$ 2,652	\$ 3,383	\$ 2,367	\$ 1,650

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	
	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
<b>Operating Revenues</b>								
Consumer Markets	\$ 3,174	\$ 3,232	\$ 3,201	\$ 3,184	\$ 3,204	\$ 3,188	\$ 3,150	\$ 3,132
Enterprise Solutions	2,273	2,276	2,311	2,309	2,262	2,285	2,240	2,211
Partner Solutions	1,219	1,205	1,229	1,235	1,244	1,209	1,228	1,200
Business Markets	834	822	879	918	903	885	871	850
Other	76	72	62	73	49	50	68	66
<b>Total Operating Revenues</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>7,459</b>
<b>Operating Expenses</b>								
Cost of services	4,369	4,357	4,419	4,542	4,496	4,465	4,475	4,377
Selling, general and administrative expense	1,667	1,478	1,582	1,582	1,552	1,558	1,479	1,577
Depreciation and amortization expense	1,467	1,435	1,475	1,548	1,549	1,532	1,534	1,524
<b>Total Operating Expenses</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>7,478</b>
<b>Operating Income (Loss)</b>	<b>\$ 73</b>	<b>\$ 337</b>	<b>\$ 206</b>	<b>\$ 47</b>	<b>\$ 65</b>	<b>\$ 62</b>	<b>\$ 69</b>	<b>\$ (19)</b>
<b>Operating Income (Loss) Margin</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>(0.3)%</b>
<b>Segment EBITDA</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>\$ 1,603</b>	<b>\$ 1,505</b>
<b>Segment EBITDA Margin</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>	<b>20.2 %</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	
	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
<b>Connections ('000)</b>								
Fios video connections	4,673	4,694	4,681	4,666	4,648	4,619	4,597	<b>4,560</b>
Fios Internet connections	5,585	5,653	5,688	5,737	5,803	5,850	5,916	<b>5,959</b>
Fios digital voice residence connections	3,882	3,895	3,887	3,909	3,920	3,905	3,891	<b>3,863</b>
Fios digital connections	14,140	14,242	14,256	14,312	14,371	14,374	14,404	<b>14,382</b>
High-speed Internet (HSI) connections	1,453	1,385	1,323	1,251	1,175	1,109	1,050	<b>997</b>
Total broadband connections	7,038	7,038	7,011	6,988	6,978	6,959	6,966	<b>6,956</b>
Total voice connections	14,194	13,939	13,634	13,352	13,100	12,821	12,555	<b>12,270</b>
<b>Net Add Detail ('000)</b>								
Fios video connections	36	21	(13)	(15)	(18)	(29)	(22)	<b>(37)</b>
Fios Internet connections	90	68	35	49	66	47	66	<b>43</b>
Fios digital voice residence connections	3	13	(8)	22	11	(15)	(14)	<b>(28)</b>
Fios digital connections	129	102	14	56	59	3	30	<b>(22)</b>
High-speed Internet (HSI) connections	(66)	(68)	(62)	(72)	(76)	(66)	(59)	<b>(53)</b>
Total broadband connections	24	—	(27)	(23)	(10)	(19)	7	<b>(10)</b>
Total voice connections	(282)	(255)	(305)	(282)	(252)	(279)	(266)	<b>(285)</b>
<b>Revenue Statistics</b>								
Fios revenues (in millions)	\$ 2,807	\$ 2,892	\$ 2,891	\$ 2,899	\$ 2,942	\$ 2,959	\$ 2,951	<b>\$ 2,956</b>
<b>Other Operating Statistics</b>								
Capital expenditures (in millions)	\$ 1,036	\$ 1,648	\$ 960	\$ 1,190	\$ 1,208	\$ 1,981	\$ 1,673	<b>\$ 1,176</b>
Wireline employees ('000)	57.9	57.6	59.4	58.6	58.2	57.1	57.2	<b>56.9</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 - Impact 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

Unaudited	3 Mos. Ended 6/30/18			3 Mos. Ended 6/30/17	YoY	
	As reported	Balances without adoption of Topic 606	Adjustments	As reported	\$ Change	% Change
<b>Operating Revenues</b>						
Service revenues and other	\$ 27,159	\$ 27,469	\$ (310)	\$ 26,250	\$ 1,219	4.6
Wireless equipment revenues	5,044	4,590	454	4,298	292	6.8
<b>Total Operating Revenues</b>	<u>32,203</u>	<u>32,059</u>	<u>144</u>	<u>30,548</u>	<u>1,511</u>	4.9
<b>Operating Expenses</b>						
Cost of services	8,234	8,251	(17)	7,449	802	10.8
Wireless cost of equipment	5,397	5,351	46	5,035	316	6.3
Selling, general and administrative expense	7,605	7,948	(343)	5,883	2,065	35.1
Depreciation and amortization expense	4,350	4,350	—	4,167	183	4.4
<b>Total Operating Expenses</b>	<u>25,586</u>	<u>25,900</u>	<u>(314)</u>	<u>22,534</u>	<u>3,366</u>	14.9
<b>Operating Income</b>	<u>\$ 6,617</u>	<u>\$ 6,159</u>	<u>\$ 458</u>	<u>\$ 8,014</u>	<u>\$ (1,855)</u>	(23.1)

Unaudited	6 Mos. Ended 6/30/18			6 Mos. Ended 6/30/17	YoY	
	As reported	Balances without adoption of Topic 606	Adjustments	As reported	\$ Change	% Change
<b>Operating Revenues</b>						
Service revenues and other	\$ 53,891	\$ 54,602	\$ (711)	\$ 52,300	\$ 2,302	4.4
Wireless equipment revenues	10,084	9,184	900	8,062	1,122	13.9
<b>Total Operating Revenues</b>	<u>63,975</u>	<u>63,786</u>	<u>189</u>	<u>60,362</u>	<u>3,424</u>	5.7
<b>Operating Expenses</b>						
Cost of services	16,180	16,207	(27)	14,688	1,519	10.3
Wireless cost of equipment	10,706	10,638	68	9,843	795	8.1
Selling, general and administrative expense	14,449	15,182	(733)	12,629	2,553	20.2
Depreciation and amortization expense	8,674	8,674	—	8,226	448	5.4
<b>Total Operating Expenses</b>	<u>50,009</u>	<u>50,701</u>	<u>(692)</u>	<u>45,386</u>	<u>5,315</u>	11.7
<b>Operating Income</b>	<u>\$ 13,966</u>	<u>\$ 13,085</u>	<u>\$ 881</u>	<u>\$ 14,976</u>	<u>\$ (1,891)</u>	(12.6)



## Supplemental Information - Impact of Topic 606

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

Unaudited	3 Mos. Ended 6/30/18			3 Mos. Ended 6/30/17	YoY	
	As reported	Balances without adoption of Topic 606	Adjustments	As reported	\$ Change	% Change
<b>Operating Revenues</b>						
Service	\$ 15,754	\$ 16,012	\$ (258)	\$ 15,622	\$ 390	2.5
Equipment	5,044	4,590	454	4,298	292	6.8
Other	1,651	1,689	(38)	1,362	327	24.0
<b>Total Operating Revenues</b>	<b>22,449</b>	<b>22,291</b>	<b>158</b>	<b>21,282</b>	<b>1,009</b>	<b>4.7</b>
<b>Operating Expenses</b>						
Cost of services	2,335	2,335	—	2,219	116	5.2
Cost of equipment	5,397	5,351	46	5,035	316	6.3
Selling, general and administrative expense	3,984	4,310	(326)	4,271	39	0.9
Depreciation and amortization expense	2,459	2,459	—	2,347	112	4.8
<b>Total Operating Expenses</b>	<b>14,175</b>	<b>14,455</b>	<b>(280)</b>	<b>13,872</b>	<b>583</b>	<b>4.2</b>
<b>Operating Income</b>	<b>\$ 8,274</b>	<b>\$ 7,836</b>	<b>\$ 438</b>	<b>\$ 7,410</b>	<b>\$ 426</b>	<b>5.7</b>
Unaudited	6 Mos. Ended 6/30/18			6 Mos. Ended 6/30/17	YoY	
	As reported	Balances without adoption of Topic 606	Adjustments	As reported	\$ Change	% Change
<b>Operating Revenues</b>						
Service	\$ 31,156	\$ 31,794	\$ (638)	\$ 31,400	\$ 394	1.3
Equipment	10,084	9,184	900	8,062	1,122	13.9
Other	3,109	3,178	(69)	2,698	480	17.8
<b>Total Operating Revenues</b>	<b>44,349</b>	<b>44,156</b>	<b>193</b>	<b>42,160</b>	<b>1,996</b>	<b>4.7</b>
<b>Operating Expenses</b>						
Cost of services	4,550	4,550	—	4,406	144	3.3
Cost of equipment	10,706	10,638	68	9,843	795	8.1
Selling, general and administrative expense	7,883	8,558	(675)	8,740	(182)	(2.1)
Depreciation and amortization expense	4,887	4,887	—	4,685	202	4.3
<b>Total Operating Expenses</b>	<b>28,026</b>	<b>28,633</b>	<b>(607)</b>	<b>27,674</b>	<b>959</b>	<b>3.5</b>
<b>Operating Income</b>	<b>\$ 16,323</b>	<b>\$ 15,523</b>	<b>\$ 800</b>	<b>\$ 14,486</b>	<b>\$ 1,037</b>	<b>7.2</b>

## Supplemental Information - Impact of Topic 606

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

	3 Mos. Ended 6/30/18			3 Mos. Ended 6/30/17	YoY	
	As reported	Balances without adoption of Topic 606	Adjustments	As reported	\$ Change	% Change
Unaudited						
<b>Operating Revenues</b>						
Consumer Markets	\$ 3,132	\$ 3,140	\$ (8)	\$ 3,184	\$ (44)	(1.4)
Enterprise Solutions	2,211	2,211	—	2,309	(98)	(4.2)
Partner Solutions	1,200	1,200	—	1,235	(35)	(2.8)
Business Markets	850	850	—	918	(68)	(7.4)
Other	66	52	14	73	(21)	(28.8)
<b>Total Operating Revenues</b>	<b>7,459</b>	<b>7,453</b>	<b>6</b>	<b>7,719</b>	<b>(266)</b>	<b>(3.4)</b>
<b>Operating Expenses</b>						
Cost of services	4,377	4,390	(13)	4,542	(152)	(3.3)
Selling, general and administrative expense	1,577	1,600	(23)	1,582	18	1.1
Depreciation and amortization expense	1,524	1,524	—	1,548	(24)	(1.6)
<b>Total Operating Expenses</b>	<b>7,478</b>	<b>7,514</b>	<b>(36)</b>	<b>7,672</b>	<b>(158)</b>	<b>(2.1)</b>
<b>Operating Income (Loss)</b>	<b>\$ (19)</b>	<b>\$ (61)</b>	<b>\$ 42</b>	<b>\$ 47</b>	<b>\$ (108)</b>	<b>*</b>

	6 Mos. Ended 6/30/18			6 Mos. Ended 6/30/17	YoY	
	As reported	Balances without adoption of Topic 606	Adjustments	As reported	\$ Change	% Change
Unaudited						
<b>Operating Revenues</b>						
Consumer Markets	\$ 6,282	\$ 6,286	\$ (4)	\$ 6,385	\$ (99)	(1.6)
Enterprise Solutions	4,451	4,451	—	4,620	(169)	(3.7)
Partner Solutions	2,428	2,428	—	2,464	(36)	(1.5)
Business Markets	1,721	1,720	1	1,797	(77)	(4.3)
Other	134	108	26	135	(27)	(20.0)
<b>Total Operating Revenues</b>	<b>15,016</b>	<b>14,993</b>	<b>23</b>	<b>15,401</b>	<b>(408)</b>	<b>(2.6)</b>
<b>Operating Expenses</b>						
Cost of services	8,852	8,875	(23)	8,961	(86)	(1.0)
Selling, general and administrative expense	3,056	3,116	(60)	3,164	(48)	(1.5)
Depreciation and amortization expense	3,058	3,058	—	3,023	35	1.2
<b>Total Operating Expenses</b>	<b>14,966</b>	<b>15,049</b>	<b>(83)</b>	<b>15,148</b>	<b>(99)</b>	<b>(0.7)</b>
<b>Operating Income (Loss)</b>	<b>\$ 50</b>	<b>\$ (56)</b>	<b>\$ 106</b>	<b>\$ 253</b>	<b>\$ (309)</b>	<b>*</b>

Verizon Communications Inc.

# Supplemental Information - Impact of Topic 606

Fios Revenues

	3 Mos. Ended 6/30/18			3 Mos. Ended 6/30/17	YoY	
	As reported	Balances without adoption of Topic 606	Adjustments	As reported	\$ Change	% Change
Unaudited						
Fios Revenues	\$ 2,956	\$ 2,967	\$ (11)	\$ 2,899	\$ 68	2.3

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.

\* Not meaningful



# **Non-GAAP Reconciliations**

**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 June 30, 2018, Consolidated Operating Revenues Excluding Oath, Divested Businesses and the Revenue Recognition Standard excludes (i) operating revenues from our Oath business and (ii) the impact of Accounting Standards Codification Topic 606, "Revenues from Contracts with Customers (Topic 606)" (Topic 606, ASC 606 or Revenue Recognition Standard), which we adopted effective January 1, 2018. For the three months ended June 30, 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), 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. Further, the exclusion of the impact of Topic 606 enables comparability to prior period performance and trend analysis.

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.

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 impact 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 impact of Topic 606.

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

Consolidated Adjusted EBITDA, Consolidated Adjusted EBITDA Margin, Consolidated Adjusted EBITDA excluding Operating Results from Divested Businesses, 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 that Consolidated Adjusted EBITDA, Consolidated Adjusted EBITDA Margin, Pre-Topic 606 Consolidated Adjusted EBITDA and Pre-Topic 606 Consolidated Adjusted EBITDA Margin are 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 and the impact of Topic 606 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: net gain on sale of divested businesses, severance charges, gain on spectrum license transactions, product realignment charges and acquisition and integration related charges. Product realignment charges primarily relate to the discontinuation of the go90 platform and associated content and other early-stage developmental technologies. Acquisition and integration related charges represent transaction expenses related to business acquisitions and incremental expenses directly incurred to integrate the acquired businesses into our operations. We believe that 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 that 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 the impact 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 affect comparability. We believe excluding special items, and the net 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: net gain on sale of divested businesses, severance charges, acquisition and integration related charges, product realignment charges and early debt redemption costs.

Adjusted EPS excluding Tax Reform and Topic 606 is calculated by excluding the net impacts of tax reform and the revenue recognition accounting standard, both of which impacted 2018 results but not 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.

**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.

We calculate constant currency growth rate by converting our current-period local currency operating revenues using the prior period exchange rates and comparing these adjusted amounts to our prior period reported results.

Non-GAAP Reconciliations - Consolidated

Consolidated Operating Revenues Excluding Oath, Divested Businesses and the Revenue Recognition Standard			(dollars in millions)	
			3 Mos. Ended	3 Mos. Ended
Unaudited			6/30/17	6/30/18
Consolidated Operating Revenues			\$ 30,548	\$ 32,203
Less Oath operating revenues			\$ 994	\$ 1,874
Less Operating revenues from divested businesses			120	—
Less Impact of Topic 606			—	144
Consolidated Operating Revenues Excluding Oath, Divested Businesses and the Revenue Recognition Standard			\$ 29,434	\$ 30,185
Year over year change				2.6 %

Consolidated EBITDA, Consolidated EBITDA Margin, Consolidated Adjusted EBITDA, Consolidated Adjusted EBITDA Margin and Consolidated Adjusted EBITDA Excluding Operating Results from Divested Businesses										(dollars in millions)	
Unaudited	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	3 Months Ended 6/30/18			
<b>Consolidated Net Income</b>	\$ 3,747	\$ 4,600	\$ 3,553	\$ 4,478	\$ 3,736	\$ 18,783	\$ 4,666	\$ 4,246			
Add/(subtract):											
Provision (benefit) for income taxes	1,829	2,349	1,629	2,489	1,775	(15,849)	1,388	1,281			
Interest expense	1,038	1,137	1,132	1,218	1,164	1,219	1,201	1,222			
Other (income) expense, net	291	(2,047)	627	(199)	291	1,302	75	(360)			
Equity in losses of unconsolidated businesses	23	35	21	28	22	6	19	228			
<b>Operating Income</b>	6,928	6,074	6,962	8,014	6,988	5,461	7,349	6,617			
Add Depreciation and amortization expense	3,942	3,987	4,059	4,167	4,272	4,456	4,324	4,350			
<b>Consolidated EBITDA</b>	\$ 10,870	\$ 10,061	\$ 11,021	\$ 12,181	\$ 11,260	\$ 9,917	\$ 11,673	\$ 10,967			
Add/subtract special items (before tax):											
Severance charges	239	182	—	195	—	302	—	339			
Product realignment charges	—	—	—	—	—	463	—	450			
Gain on spectrum license transactions	—	—	(126)	—	—	(144)	—	—			
Net gain on sale of divested businesses	—	—	—	(1,774)	—	—	—	—			
Acquisition and integration related charges <sup>(1)</sup>	—	—	—	559	166	154	105	109			
<b>Consolidated Adjusted EBITDA</b>	11,109	10,243	10,895	11,161	11,426	10,692	11,778	11,865			
Operating results from divested businesses <sup>(1)</sup>	(115)	(107)	(104)	(50)	(17)	—	—	—			
<b>Consolidated Adjusted EBITDA Excluding Operating Results from Divested Businesses</b>	\$ 10,994	\$ 10,136	\$ 10,791	\$ 11,111	\$ 11,409	\$ 10,692	\$ 11,778	\$ 11,865			
<b>Consolidated Adjusted EBITDA Margin - Quarter to Date</b>				36.5 %				36.8 %			
<b>Consolidated Adjusted EBITDA Margin - Year to Date</b>								37.0 %			

(1) Excludes depreciation and amortization expense.



Non-GAAP Reconciliations - Consolidated

Adjusted Earnings per Common Share (Adjusted EPS)

(dollars in millions except EPS)

Unaudited				3 Mos. Ended						3 Mos. Ended		
				6/30/17						6/30/18		
	Pre-tax	Tax	After-Tax				Pre-tax	Tax	After-Tax			
<b>EPS</b>				\$	1.07					\$	1.00	
Net gain on sale of divested businesses	\$ (1,774)	\$ 843	\$ (931)		(0.23)		\$ —	\$ —	\$ —		—	
Severance charges	195	(77)	118		0.03		339	(89)	250		0.06	
Product realignment charges	—	—	—		—		658	(149)	509		0.12	
Acquisition and integration related charges	564	(209)	355		0.09		120	(28)	92		0.02	
	\$ (1,015)	\$ 557	\$ (458)		(0.11)		\$ 1,117	\$ (266)	\$ 851		0.20	
<b>Adjusted EPS</b>				\$	0.96					\$	1.20	
Year over year change											25.0 %	
Impact of Topic 606	\$ —	\$ —	\$ —	\$	—		\$ 458	\$ (163)	\$ 295	\$	0.07	
Net Impact of Tax Reform	—	—	—		—		—	592	592		0.14	
	\$ —	\$ —	\$ —		—		\$ 458	\$ 429	\$ 887		0.21	
<b>Adjusted EPS excluding Tax Reform and Topic 606</b>				\$	0.96					\$	0.99	
Year over year change											3.1 %	

(dollars in millions except EPS)

Unaudited				3 Mos. Ended		
				3/31/18		
	Pre-tax	Tax	After-Tax			
<b>EPS</b>				\$	1.11	
Early debt redemption costs	\$ 249	\$ (65)	\$ 184		0.04	
Acquisition and integration related charges	107	(25)	82		0.02	
	\$ 356	\$ (90)	\$ 266		0.06	
<b>Adjusted EPS</b>				\$	1.17	
Impact of Topic 606	\$ 423	\$ (150)	\$ 273	\$	0.06	
Net Impact of Tax Reform	—	583	583		0.14	
	\$ 423	\$ 433	\$ 856		0.21	
<b>Adjusted EPS excluding Tax Reform and Topic 606</b>				\$	0.96	

Note:  
Adjusted EPS may not add due to rounding.

Net Debt and Net Debt to Consolidated Adjusted EBITDA Ratio

(dollars in millions)

Unaudited	9/30/16	12/31/16	3/31/17	6/30/17	9/30/17	12/31/17	3/31/18	6/30/18
<b>Net Debt</b>								
Debt maturing within one year	\$ 3,852	\$ 2,645	\$ 3,707	\$ 1,153	\$ 2,180	\$ 3,453	\$ 6,323	\$ 5,466
Long-term debt	102,739	105,433	112,839	116,390	115,317	113,642	112,734	109,174
<b>Total Debt</b>	106,591	108,078	116,546	117,543	117,497	117,095	119,057	114,640
Less Cash and cash equivalents	6,441	2,880	4,307	4,583	4,487	2,079	1,923	1,750
<b>Net Debt</b>	\$ 100,150	\$ 105,198	\$ 112,239	\$ 112,960	\$ 113,010	\$ 115,016	\$ 117,134	\$ 112,890
<b>Net Debt to Consolidated Adjusted EBITDA Ratio</b>				2.6x	2.6x	2.6x	2.6x	2.5x

Free Cash Flow

(dollars in millions)

Unaudited	6 Months Ended 6/30/17	3 Mos. Ended 3/31/18	6 Months Ended 6/30/18
<b>Net Cash Provided by Operating Activities</b>	\$ 9,306	\$ 6,648	\$ 16,433
Capital expenditures (including capitalized software)	(7,011)	(4,552)	(7,838)
<b>Free Cash Flow</b>	<b>\$ 2,295</b>	<b>\$ 2,096</b>	<b>\$ 8,595</b>
<b>Free Cash Flow - Quarter to Date</b>		\$	6,499

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 3 Months Ended Ended
Unaudited	9/30/16	12/31/16	3/31/17	6/30/17	9/30/17	12/31/17	3/31/18	6/30/18
Operating Income	\$ 7,647	\$ 6,309	\$ 7,076	\$ 7,410	\$ 7,603	\$ 7,118	\$ 8,049	\$ 8,274
Add Depreciation and amortization expense	2,287	2,321	2,338	2,347	2,366	2,344	2,428	2,459
Segment EBITDA	\$ 9,934	\$ 8,630	\$ 9,414	\$ 9,757	\$ 9,969	\$ 9,462	\$ 10,477	\$ 10,733
Total operating revenues	\$ 22,101	\$ 23,377	\$ 20,878	\$ 21,282	\$ 21,580	\$ 23,771	\$ 21,900	\$ 22,449
Operating Income Margin	34.6 %	27.0 %	33.9 %	34.8 %	35.2 %	29.9 %	36.8 %	36.9 %
Segment EBITDA Margin	44.9 %	36.9 %	45.1 %	45.8 %	46.2 %	39.8 %	47.8 %	47.8 %
Year over year change								10.0 %
Segment EBITDA Margin - Year to Date								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 3 Months Ended Ended
Unaudited	9/30/16	12/31/16	3/31/17	6/30/17	9/30/17	12/31/17	3/31/18	6/30/18
Operating Income (Loss)	\$ 73	\$ 337	\$ 206	\$ 47	\$ 65	\$ 62	\$ 69	\$ (19)
Add Depreciation and amortization expense	1,467	1,435	1,475	1,548	1,549	1,532	1,534	1,524
Segment EBITDA	\$ 1,540	\$ 1,772	\$ 1,681	\$ 1,595	\$ 1,614	\$ 1,594	\$ 1,603	\$ 1,505
Total operating revenues	\$ 7,576	\$ 7,607	\$ 7,682	\$ 7,719	\$ 7,662	\$ 7,617	\$ 7,557	\$ 7,459
Operating Income (Loss) Margin	1.0 %	4.4 %	2.7 %	0.6 %	0.8 %	0.8 %	0.9 %	(0.3)%
Segment EBITDA Margin	20.3 %	23.3 %	21.9 %	20.7 %	21.1 %	20.9 %	21.2 %	20.2 %
Segment EBITDA Margin - Year to Date								20.7 %

Enterprise Solutions Constant Currency Growth Rate

(dollars in millions)					
			Reported	Constant Currency	
	3 Mos. Ended	3 Mos. Ended		3 Mos. Ended	
Unaudited	6/30/17	6/30/18	Growth Rate	6/30/18	Growth Rate
Enterprise Solutions Revenues	\$ 2,309	\$ 2,211	(4.2)%	\$ 2,192	(5.1)%

EBITDA Excluding Impact of Topic 606<sup>(1)</sup>

## Consolidated

Unaudited	(dollars in millions)	
	3 Mos. Ended 6/30/17	3 Mos. Ended 6/30/18
<b>Consolidated Net Income</b>	\$ 4,478	\$ 4,246
Add/(subtract):		
Provision for income taxes	2,489	1,281
Interest expense	1,218	1,222
Other (income) expense, net	(199)	(360)
Equity in losses of unconsolidated businesses	28	228
<b>Operating Income</b>	8,014	6,617
Add Depreciation and amortization expense	4,167	4,350
<b>Consolidated EBITDA</b>	\$ 12,181	\$ 10,967
Add/subtract special items (before tax):		
Net gain on sale of divested businesses	(1,774)	—
Severance charges	195	339
Product realignment charges	—	450
Acquisition and integration related charges	559	109
	(1,020)	898
<b>Consolidated Adjusted EBITDA</b>	\$ 11,161	\$ 11,865
Less Impact of Topic 606 to Operating Income	—	458
<b>Consolidated Adjusted EBITDA Excluding Impact of Topic 606</b>	\$ 11,161	\$ 11,407
Total operating revenues	\$ 30,548	\$ 32,059
<b>Consolidated Adjusted EBITDA Margin</b>	36.5 %	35.6 %
Year over year increase to Consolidated Adjusted EBITDA		\$ 246

EBITDA Excluding Impact of Topic 606<sup>(1)</sup>

(dollars in millions)

6 Mos. Ended

6/30/18

Unaudited

<b>Consolidated Net Income</b>	<b>\$ 8,912</b>
Add/(subtract):	
Provision for income taxes	2,669
Interest expense	2,423
Other (income) expense, net	(285)
Equity in losses of unconsolidated businesses	247
<b>Operating Income</b>	<b>13,966</b>
Add Depreciation and amortization expense	8,674
<b>Consolidated EBITDA</b>	<b>\$ 22,640</b>
Add/subtract special items (before tax):	
Severance charges	339
Product realignment charges	450
Acquisition and integration related charges	214
	<b>1,003</b>
<b>Consolidated Adjusted EBITDA</b>	<b>\$ 23,643</b>
Less Impact of Topic 606 to Operating Income	881
<b>Consolidated Adjusted EBITDA Excluding Impact of Topic 606</b>	<b>\$ 22,762</b>
Total operating revenues	<b>\$ 63,786</b>
<b>Consolidated Adjusted EBITDA Margin</b>	<b>35.7 %</b>

EBITDA Excluding Impact of Topic 606<sup>(1)</sup>

## Wireless

Unaudited	(dollars in millions)	
	3 Mos. Ended 6/30/17	3 Mos. Ended 6/30/18
<b>Operating Income</b>	\$ 7,410	\$ 7,836
Add Depreciation and amortization expense	2,347	2,459
<b>Segment EBITDA</b>	\$ 9,757	\$ 10,295
Total operating revenues	\$ 21,282	\$ 22,291
<b>Segment EBITDA Margin</b>	45.8 %	46.2 %
Year over year change in Segment EBITDA		5.5%
Year over year change in Segment EBITDA Margin		40 bps

Unaudited	(dollars in millions)	
	6 Mos. Ended 6/30/18	
<b>Operating Income</b>	\$ 15,523	
Add Depreciation and amortization expense	4,887	
<b>Segment EBITDA</b>	\$ 20,410	
Total operating revenues	\$ 44,156	
<b>Segment EBITDA Margin</b>	46.2 %	

EBITDA Excluding Impact of Topic 606<sup>(1)</sup>

## Wireline

	(dollars in millions)
	<b>3 Mos. Ended</b>
Unaudited	<b>6/30/18</b>

<b>Operating Loss</b>	<b>\$ (61)</b>
Add Depreciation and amortization expense	<b>1,524</b>
<b>Segment EBITDA</b>	<b>\$ 1,463</b>
Total operating revenues	<b>\$ 7,453</b>
<b>Segment EBITDA Margin</b>	<b>19.6 %</b>

	(dollars in millions)
	<b>6 Mos. Ended</b>
Unaudited	<b>6/30/18</b>

<b>Operating Loss</b>	<b>\$ (56)</b>
Add Depreciation and amortization expense	<b>3,058</b>
<b>Segment EBITDA</b>	<b>\$ 3,002</b>
Total operating revenues	<b>\$ 14,993</b>
<b>Segment EBITDA Margin</b>	<b>20.0 %</b>

(1) Amounts for the three and six months ended June 30, 2018 exclude the impact of Accounting Standard Update 2014-09, "Revenue from Contracts with Customers (Topic 606)", which we adopted on January 1, 2018.