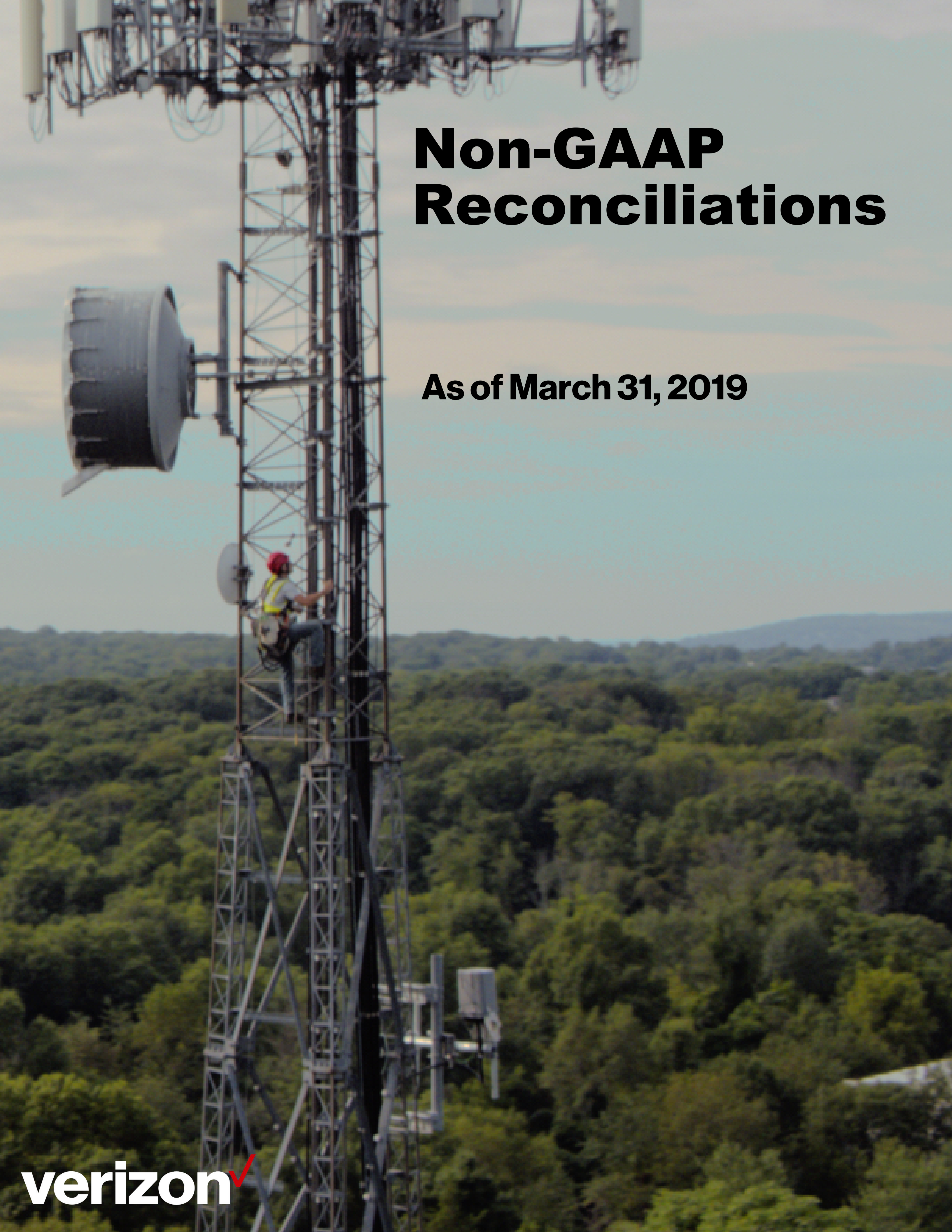
Non-GAAP Reconciliations

As of March 31, 2019



verizon

Definitions - Non-GAAP Measures

Non-GAAP Measures

Verizon's financial information was prepared in conformity with generally accepted accounting principles in the United States (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.

EBITDA and EBITDA Margin Related Non-GAAP Measures

Consolidated earnings before interest, taxes, depreciation and amortization (Consolidated EBITDA), Segment EBITDA and 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 and depreciation and amortization expense 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.

Adjusted EBITDA and Adjusted EBITDA Margin Related Non-GAAP Measures

Consolidated Adjusted EBITDA, Consolidated Adjusted EBITDA Margin and Consolidated Adjusted EBITDA Excluding Operating Results from Divested Businesses 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, and Consolidated Adjusted EBITDA Excluding Operating Results from Divested Businesses 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 non-operational items and 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 non-operational items: equity in losses and earnings of unconsolidated businesses and other income and expense, net, and the following special items: Oath goodwill impairment, severance charges, net gain on sale of divested businesses, gain on spectrum license transactions, product realignment charges and acquisition and integration related charges. Oath goodwill impairment relates to impairment charges recognized in the fourth quarter of 2018 as a result of the Company's annual goodwill impairment testing of its Media business, Verizon Media, which operated in 2018 under the "Oath" brand. Severance charges recorded during 2018 are primarily related to the voluntary separation program and other headcount reduction initiatives. 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.

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.

Segment Adjusted EBITDA and Segment Adjusted 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 comparable basis with prior period results. The lack of comparability results from the adoption of certain new accounting standards on a prospective basis.

Segment Adjusted EBITDA is calculated by adding back depreciation and amortization expense, the impacts caused primarily by the timing difference in recognizing commission expense during the period of transition following the adoption of the new revenue recognition accounting standard on January 1, 2018 and the expensing of certain lease costs under the new lease accounting standard adopted on January 1, 2019 to segment operating income.

Segment Adjusted EBITDA Margin is calculated by dividing Segment Adjusted EBITDA by segment total operating revenues.

Adjusted Earnings per Common Share (Adjusted EPS)

Adjusted EPS is a non-GAAP financial measure that we believe is 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. We believe excluding special items 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: a pension remeasurement credit, early debt redemption costs and acquisition and integration related charges, from the calculation of reported EPS.

Definitions - Non-GAAP Measures

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.

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

Net Unsecured Debt and Net Unsecured 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 unsecured debt from continuing operations.

Net Unsecured Debt is calculated by subtracting secured debt and cash and cash equivalents from the sum of debt maturing within one year and long-term debt. Net Unsecured Debt to Consolidated Adjusted EBITDA Ratio is calculated by dividing Net Unsecured Debt by Consolidated Adjusted EBITDA Excluding Operating Results from Divested Businesses. For purposes of Net Unsecured 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 finance 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.

Non-GAAP Reconciliations - Consolidated

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

(dollars in millions)

	2017	2018					2019	
Unaudited	Full Year	1Q	2Q	3Q	4Q	Full Year	**1Q**	**YTD**
Consolidated Net Income	$ 30,550	$ 4,666	$ 4,246	$ 5,062	$ 2,065	$ 16,039	**$ 5,160**	**$ 5,160**
Add/(subtract):								
Provision (benefit) for income taxes	(9,956)	1,388	1,281	1,613	(698)	3,584	**1,628**	**1,628**
Interest expense	4,733	1,201	1,222	1,211	1,199	4,833	**1,210**	**1,210**
Depreciation and amortization expense	16,954	4,324	4,350	4,377	4,352	17,403	**4,231**	**4,231**
Consolidated EBITDA	$ 42,281	$ 11,579	$ 11,099	$ 12,263	$ 6,918	$ 41,859	**$12,229**	**$ 12,229**
Add/subtract:								
Other (income) expense, net*	$ 2,021	$ 75	$ (360)	$ (214)	$ (1,865)	$ (2,364)	**$ (295)**	**$ (295)**
Equity in losses (earnings) of unconsolidated businesses†	77	19	228	3	(64)	186	**6**	**6**
Oath goodwill impairment	—	—	—	—	4,591	4,591	**—**	**—**
Severance charges	497	—	339	—	1,818	2,157	**—**	**—**
Product realignment charges‡	463	—	450	—	—	450	**—**	**—**
Gain on spectrum license transactions	(270)	—	—	—	—	—	**—**	**—**
Net gain on sale of divested businesses	(1,774)	—	—	—	—	—	**—**	**—**
Acquisition and integration related charges‡	879	105	109	130	187	531	**—**	**—**
Consolidated Adjusted EBITDA	$ 44,174	$ 11,778	$ 11,865	$ 12,182	$ 11,585	$ 47,410	**$11,940**	**$ 11,940**
Operating results from divested businesses‡	(171)	—	—	—	—	—	**—**	**—**
Consolidated Adjusted EBITDA Excluding Operating Results from Divested Businesses	$ 44,003	$ 11,778	$ 11,865	$ 12,182	$ 11,585	$ 47,410	**$11,940**	**$ 11,940**
Consolidated Adjusted EBITDA - Year Over Year							**1.4%**	
Consolidated Operating Revenues - Quarter to Date		$ 31,772					**$32,128**	
Consolidated Adjusted EBITDA Margin - Quarter to Date		37.1%					**37.2%**	

* Includes Pension and benefits mark-to-market adjustments and Early debt redemption costs, where applicable.
† Includes Product realignment charges, where applicable.
‡ Excludes depreciation and amortization expense, where applicable.

Non-GAAP Reconciliations - Consolidated

Adjusted Earnings per Common Share (Adjusted EPS)

(dollars in millions except EPS)

Unaudited	Pre-tax	Tax	After-Tax	3 Mos. Ended 3/31/18	Pre-tax	Tax	After-Tax	**3 Mos. Ended 3/31/19**
EPS				$ 1.11				**$ 1.22**
Pension remeasurement credit	$ —	$ —	$ —	—	$ (96)	$ 25	$ (71)	**(0.02)**
Acquisition and integration related charges	107	(25)	82	0.02	—	—	—	**—**
Early debt redemption costs	249	(65)	184	0.04	—	—	—	**—**
	$ 356	$ (90)	$ 266	0.06	$ (96)	$ 25	$ (71)	**(0.02)**
Adjusted EPS				$ 1.17				**$ 1.20**
Year over year change								**2.6%**

Unaudited	Pre-tax	Tax	After-Tax	3 Mos. Ended 12/31/18
EPS				$ 0.47
Severance, pension and benefits charges	$ 165	$ (57)	$ 108	0.03
Acquisition and integration related charges	189	(47)	142	0.03
Oath goodwill impairment	4,591	(64)	4,527	1.09
Wireless legal entity restructuring	—	(2,065)	(2,065)	(0.50)
	$ 4,945	$ (2,233)	$ 2,712	0.65
Adjusted EPS				$ 1.12

Note:
Adjusted EPS may not add due to rounding.

Net Debt and Net Debt to Consolidated Adjusted EBITDA Ratio

(dollars in millions)

Unaudited	12/31/17	3/31/18	6/30/18	9/30/18	12/31/18	**3/31/19**
Debt maturing within one year	$ 3,453	$ 6,323	$ 5,466	$ 6,502	$ 7,190	**$ 8,614**
Long-term debt	113,642	112,734	109,174	106,440	105,873	**105,045**
Total Debt	117,095	119,057	114,640	112,942	113,063	**113,659**
Less Cash and cash equivalents	2,079	1,923	1,750	2,538	2,745	**2,322**
Net Debt	$ 115,016	$ 117,134	$ 112,890	$ 110,404	$ 110,318	**$ 111,337**
Net Debt to Consolidated Adjusted EBITDA Ratio	2.6x	2.6x	2.5x	2.4x	2.3x	**2.3x**

Non-GAAP Reconciliations - Consolidated

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

(dollars in millions)

Unaudited	12/31/17	3/31/18	6/30/18	9/30/18	12/31/18	**3/31/19**
Total Debt	$ 117,095	$ 119,057	$ 114,640	$ 112,942	$ 113,063	**$ 113,659**
Less Secured debt	8,887	10,068	8,610	9,199	10,076	**10,386**
Unsecured debt	108,208	108,989	106,030	103,743	102,987	**103,273**
Less Cash and cash equivalents	2,079	1,923	1,750	2,538	2,745	**2,322**
Net Unsecured Debt	$ 106,129	$ 107,066	$ 104,280	$ 101,205	$ 100,242	**$ 100,951**
Net Unsecured Debt to Consolidated Adjusted EBITDA Ratio	2.4x	2.4x	2.3x	2.2x	2.1x	**2.1x**

Free Cash Flow

(dollars in millions)

Unaudited	3 Months Ended 3/31/18	**3 Months Ended 3/31/19**
Net Cash Provided by Operating Activities	$ 6,648	**$ 7,081**
Capital expenditures (including capitalized software)	(4,552)	**(4,268)**
Free Cash Flow	$ 2,096	**$ 2,813**
Year over year free cash flow change		**$ 717**

Non-GAAP Reconciliations - Segment

Segment EBITDA and Segment EBITDA Margin

Wireless

(dollars in millions)

Unaudited	3 Months Ended 3/31/18	3 Months Ended 6/30/18	3 Months Ended 9/30/18	3 Months Ended 12/31/18	**3 Months Ended 3/31/19**
Operating Income	$ 8,049	$ 8,274	$ 8,511	$ 7,986	**$ 8,466**
Add Depreciation and amortization expense	2,428	2,459	2,454	2,395	**2,299**
Segment EBITDA	$ 10,477	$ 10,733	$ 10,965	$ 10,381	**$ 10,765**
Total operating revenues	$ 21,900	$ 22,449	$ 22,973	$ 24,412	**$ 22,700**
Operating Income Margin	36.8%	36.9%	37.0%	32.7%	**37.3%**
Segment EBITDA Margin	47.8%	47.8%	47.7%	42.5%	**47.4%**
Year over year Segment EBITDA change					**2.7%**

Segment Adjusted EBITDA Margin

(dollars in millions)

Unaudited	**3 Months Ended 3/31/19**
Operating Income	**$ 8,466**
Add: Depreciation and amortization expense	**2,299**
Segment EBITDA	**$ 10,765**
Add:	
Current period impact from adoption of revenue recognition standard	**$ 150**
Current period impact from adoption of leasing standard	**55**
Segment Adjusted EBITDA	**$ 10,970**
Total operating revenues	**$ 22,700**
Operating Income Margin	**37.3%**
Segment Adjusted EBITDA Margin	**48.3%**

Wireline

(dollars in millions)

Unaudited	3 Months Ended 3/31/18	3 Months Ended 6/30/18	3 Months Ended 9/30/18	3 Months Ended 12/31/18	**3 Months Ended 3/31/19**
Operating Income (Loss)	$ 69	$ (19)	$ (50)	$ (273)	**$ (88)**
Add Depreciation and amortization expense	1,534	1,524	1,552	1,571	**1,560**
Segment EBITDA	$ 1,603	$ 1,505	$ 1,502	$ 1,298	**$ 1,472**
Total operating revenues	$ 7,557	$ 7,459	$ 7,371	$ 7,373	**$ 7,264**
Operating Income (Loss) Margin	0.9%	(0.3)%	(0.7)%	(3.7)%	**(1.2)%**
Segment EBITDA Margin	21.2%	20.2 %	20.4 %	17.6 %	**20.3 %**
Year over year Segment EBITDA Margin change					**(90) bps**