

# **Non-GAAP Reconciliations**

**As of June 30, 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 (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.

### 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 from the calculation of reported EPS the effect of the following special items (Special Items): severance charges, acquisition and integration-related charges, early debt redemption costs, product realignment charges, and a pension remeasurement credit.

### Adjusted Effective Income Tax Rate Attributable to Verizon Forecast (Adjusted ETR Forecast)

Adjusted ETR Forecast is a non-GAAP financial measure that we believe is useful to management, investors and other users of our financial information in assessing our effective income tax rate without the effect of special items which could vary from period to period. Adjusted ETR Forecast is calculated by dividing the Provision for income taxes by Net Income attributable to Verizon before tax after adjusting for the impact of Special Items.

We provided an Adjusted ETR forecast for our 2019 fiscal year. We have not provided a reconciliation of this non-GAAP forecast because we cannot, without unreasonable effort, predict the special items that could arise during 2019.

### 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.

## Definitions - Non-GAAP Measures

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.

### Supplemental Information - Wireless and Wireline

The Wireless and Wireline segment results included in the Supplemental Information are non-GAAP financial measures that we believe provide relevant and useful information to investors and other users of our financial information in reconciling the results of our new segments, Verizon Consumer Group and Verizon Business Group, effective as of April 1, 2019, to the historical presentation of our segment results prior to our strategic reorganization. This supplemental operating information is also provided to help investors and users understand trends in our new segment results.

The Wireless and Wireline segment results are calculated by adjusting total reportable segments operating revenues and operating expenses for intersegment revenues that have been eliminated under the new structure, and the impact of VZ Connect and other early-stage development businesses previously included in Corporate. Total reportable segments operating revenues and operating expenses are calculated by aggregating the total operating revenues and operating expenses of Verizon Consumer Group and Verizon Business Group. This supplemental operating information should be considered in addition to, but not as a substitute for, our segment financial information.

Wireless EBITDA, Wireless EBITDA Margin, Wireless Adjusted EBITDA, and Wireless 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 implementation of certain new accounting standards on a prospective basis.

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

Wireless 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 Wireless operating income.

Wireless Adjusted EBITDA Margin is calculated by dividing Wireless Adjusted EBITDA by Wireless total operating revenues.

## 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)

Unaudited	2017		2018				2019	
	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
<b>Consolidated Net Income</b>	\$ 3,736	\$ 18,783	\$ 4,666	\$ 4,246	\$ 5,062	\$ 2,065	\$ 5,160	\$ 4,074
Add/(subtract):								
Provision (benefit) for income taxes	1,775	(15,849)	1,388	1,281	1,613	(698)	1,628	1,236
Interest expense	1,164	1,219	1,201	1,222	1,211	1,199	1,210	1,215
Depreciation and amortization expense	4,272	4,456	4,324	4,350	4,377	4,352	4,231	4,232
<b>Consolidated EBITDA</b>	<b>\$ 10,947</b>	<b>\$ 8,609</b>	<b>\$ 11,579</b>	<b>\$ 11,099</b>	<b>\$ 12,263</b>	<b>\$ 6,918</b>	<b>\$ 12,229</b>	<b>\$ 10,757</b>
Add/subtract:								
Other (income) expense, net*	\$ 291	\$ 1,302	\$ 75	\$ (360)	\$ (214)	\$ (1,865)	\$ (295)	\$ 1,312
Equity in losses (earnings) of unconsolidated businesses†	22	6	19	228	3	(64)	6	13
Oath goodwill impairment	—	—	—	—	—	4,591	—	—
Severance charges	—	302	—	339	—	1,818	—	—
Product realignment charges‡	—	463	—	450	—	—	—	—
Gain on spectrum license transactions	—	(144)	—	—	—	—	—	—
Net gain on sale of divested businesses	—	—	—	—	—	—	—	—
Acquisition and integration related charges‡	166	154	105	109	130	187	—	—
<b>Consolidated Adjusted EBITDA</b>	<b>\$ 11,426</b>	<b>\$ 10,692</b>	<b>\$ 11,778</b>	<b>\$ 11,865</b>	<b>\$ 12,182</b>	<b>\$ 11,585</b>	<b>\$ 11,940</b>	<b>\$ 12,082</b>
Operating results from divested businesses‡	(17)	—	—	—	—	—	—	—
<b>Consolidated Adjusted EBITDA Excluding Operating Results from Divested Businesses</b>	<b>\$ 11,409</b>	<b>\$ 10,692</b>	<b>\$ 11,778</b>	<b>\$ 11,865</b>	<b>\$ 12,182</b>	<b>\$ 11,585</b>	<b>\$ 11,940</b>	<b>\$ 12,082</b>
<b>Consolidated Adjusted EBITDA - Year Over Year Change</b>								<b>\$ 217</b>
<b>Consolidated Adjusted EBITDA - Year Over Year Change %</b>								<b>1.8%</b>
<b>Consolidated Operating Revenues - Quarter to Date</b>				\$ 32,203			\$ 32,128	<b>\$ 32,071</b>
<b>Consolidated Adjusted EBITDA Margin - Quarter to Date</b>				36.8%			37.2 %	<b>37.7%</b>

\* 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				3 Mos. Ended 6/30/18					3 Mos. Ended 6/30/19
	Pre-tax	Tax	After-Tax		Pre-tax	Tax	After-Tax		
<b>EPS</b>				<b>\$ 1.00</b>				<b>\$ 0.95</b>	
Severance charges	\$ 339	\$ (89)	\$ 250	0.06	\$ —	\$ —	\$ —	—	—
Acquisition and integration-related charges	120	(28)	92	0.02	—	—	—	—	—
Early debt redemption costs	—	—	—	—	1,544	(404)	1,140	<b>0.28</b>	
Product realignment charges	658	(149)	509	0.12	—	—	—	—	—
	<b>\$ 1,117</b>	<b>\$ (266)</b>	<b>\$ 851</b>	<b>0.20</b>	<b>\$ 1,544</b>	<b>\$ (404)</b>	<b>\$ 1,140</b>	<b>0.28</b>	
<b>Adjusted EPS</b>				<b>\$ 1.20</b>				<b>\$ 1.23</b>	
Year over year change %									<b>2.5%</b>

Unaudited				3 Mos. Ended 3/31/19
	Pre-tax	Tax	After-Tax	
<b>EPS</b>				<b>\$ 1.22</b>
Pension remeasurement credit	\$ (96)	\$ 25	\$ (71)	(0.02)
<b>Adjusted EPS</b>				<b>\$ 1.20</b>

Note:

Adjusted EPS may not add due to rounding.

## Non-GAAP Reconciliations - Consolidated

### 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	6/30/19
Debt maturing within one year	\$ 3,453	\$ 6,323	\$ 5,466	\$ 6,502	\$ 7,190	\$ 8,614	\$ 8,773
Long-term debt	113,642	112,734	109,174	106,440	105,873	105,045	104,598
<b>Total Debt</b>	<b>117,095</b>	<b>119,057</b>	<b>114,640</b>	<b>112,942</b>	<b>113,063</b>	<b>113,659</b>	<b>113,371</b>
Less Cash and cash equivalents	2,079	1,923	1,750	2,538	2,745	2,322	1,949
<b>Net Debt</b>	<b>\$ 115,016</b>	<b>\$ 117,134</b>	<b>\$ 112,890</b>	<b>\$ 110,404</b>	<b>\$ 110,318</b>	<b>\$ 111,337</b>	<b>\$ 111,422</b>
<b>Net Debt to Consolidated Adjusted EBITDA Ratio</b>			2.5x	2.4x	2.3x	2.3x	2.3x

### 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	6/30/19
<b>Total Debt</b>	<b>\$ 117,095</b>	<b>\$ 119,057</b>	<b>\$ 114,640</b>	<b>\$ 112,942</b>	<b>\$ 113,063</b>	<b>\$ 113,659</b>	<b>\$ 113,371</b>
Less Secured debt	8,887	10,068	8,610	9,199	10,076	10,386	11,252
<b>Unsecured debt</b>	<b>108,208</b>	<b>108,989</b>	<b>106,030</b>	<b>103,743</b>	<b>102,987</b>	<b>103,273</b>	<b>102,119</b>
Less Cash and cash equivalents	2,079	1,923	1,750	2,538	2,745	2,322	1,949
<b>Net Unsecured Debt</b>	<b>\$ 106,129</b>	<b>\$ 107,066</b>	<b>\$ 104,280</b>	<b>\$ 101,205</b>	<b>\$ 100,242</b>	<b>\$ 100,951</b>	<b>\$ 100,170</b>
<b>Net Unsecured Debt to Consolidated Adjusted EBITDA Ratio</b>			2.3x	2.2x	2.1x	2.1x	2.1x

### Free Cash Flow

(dollars in millions)

Unaudited	6 Mos. Ended 6/30/18	6 Mos. Ended 6/30/19
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 16,433</b>	<b>\$ 15,836</b>
Capital expenditures (including capitalized software)	(7,838)	(7,967)
<b>Free Cash Flow</b>	<b>\$ 8,595</b>	<b>\$ 7,869</b>

# Non-GAAP Reconciliations - Segment

## Segment EBITDA and Segment EBITDA Margin

### Consumer

(dollars in millions)

Unaudited	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	3 Months Ended 9/30/18	3 Months Ended 12/31/18	3 Months Ended 3/31/19	3 Months Ended 6/30/19
<b>Operating Income</b>	\$ 6,589	\$ 6,717	\$ 6,195	\$ 6,935	\$ 7,060	\$ 7,213	\$ 6,803	\$ 7,250	\$ 7,336
Add Depreciation and amortization expense	2,842	2,857	2,828	2,975	2,997	3,010	2,970	2,894	2,881
<b>Segment EBITDA</b>	<b>\$ 9,431</b>	<b>\$ 9,574</b>	<b>\$ 9,023</b>	<b>\$ 9,910</b>	<b>\$ 10,057</b>	<b>\$ 10,223</b>	<b>\$ 9,773</b>	<b>\$ 10,144</b>	<b>\$ 10,217</b>
Total operating revenues	\$ 21,273	\$ 21,484	\$ 23,394	\$ 21,627	\$ 22,003	\$ 22,399	\$ 23,733	\$ 22,148	\$ 21,995
<b>Operating Income Margin</b>	31.0%	31.3%	26.5%	32.1%	32.1%	32.2%	28.7%	32.7%	33.4%
<b>Segment EBITDA Margin</b>	44.3%	44.6%	38.6%	45.8%	45.7%	45.6%	41.2%	45.8%	46.5%
Segment EBITDA - Year over year change %					6.6%			2.4%	1.6%
Segment EBITDA Margin - Year over year change									80 bps

### Business

(dollars in millions)

Unaudited	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	3 Months Ended 9/30/18	3 Months Ended 12/31/18	3 Months Ended 3/31/19	3 Months Ended 6/30/19
<b>Operating Income</b>	\$ 795	\$ 858	\$ 895	\$ 1,114	\$ 1,101	\$ 1,154	\$ 799	\$ 1,048	\$ 1,071
Add Depreciation and amortization expense	1,126	1,131	1,124	1,059	1,059	1,072	1,068	1,042	1,046
<b>Segment EBITDA</b>	<b>\$ 1,921</b>	<b>\$ 1,989</b>	<b>\$ 2,019</b>	<b>\$ 2,173</b>	<b>\$ 2,160</b>	<b>\$ 2,226</b>	<b>\$ 1,867</b>	<b>\$ 2,090</b>	<b>\$ 2,117</b>
Total operating revenues	\$ 7,677	\$ 7,699	\$ 7,957	\$ 7,783	\$ 7,851	\$ 7,893	\$ 8,007	\$ 7,719	\$ 7,768
<b>Operating Income Margin</b>	10.4%	11.1%	11.2%	14.3%	14.0%	14.6%	10.0%	13.6 %	13.8 %
<b>Segment EBITDA Margin</b>	25.0%	25.8%	25.4%	27.9%	27.5%	28.2%	23.3%	27.1 %	27.3 %
Segment EBITDA - Year over year change %					12.4%			(3.8)%	(2.0)%
Segment EBITDA Margin - Year over year change									(20) bps

## Wireless EBITDA and Wireless Adjusted EBITDA

(dollars in millions)

Unaudited	3 Mos. Ended 6/30/18	3 Mos. Ended 6/30/19
Operating Income	\$ 8,274	\$ 8,641
Depreciation and amortization expense	2,459	2,282
<b>Wireless EBITDA</b>	<b>\$ 10,733</b>	<b>\$ 10,923</b>
Add:		
Impact during transition period following adoption of revenue recognition standard	\$ —	\$ 173
Current period impact from implementation of leasing standard	—	59
<b>Wireless Adjusted EBITDA</b>	<b>\$ 10,733</b>	<b>\$ 11,155</b>
Total Operating Revenues	\$ 22,449	\$ 22,682
<b>Wireless EBITDA Margin</b>	<b>47.8%</b>	<b>48.2%</b>
<b>Wireless Adjusted EBITDA Margin</b>	<b>47.8%</b>	<b>49.2%</b>
Impact from adoption of revenue recognition standard and leasing standard		<b>100 bps</b>
Wireless adjusted EBITDA margin - Year over year change		<b>140 bps</b>



## Supplemental Information

VZ 2.0 to VZ 1.0 Reconciliations <sup>(1)</sup>

The following tables present a reconciliation of financial results for our current reportable segments, Consumer and Business, to our historical reportable segments, Wireless and Wireline.

3 Mos. Ended 6/30/19

(dollars in millions)

Unaudited	VZ 2.0					Historical											Historical Total Reportable Segments
	Consumer	Business	Total Reportable Segments	Adjustments <sup>(2)</sup>	Adjusted Total Reportable Segments	Wireless				Wireline							
						Service	Equipment	Other	Total Wireless	Consumer Markets	Enterprise Solutions	Partner Solutions	Business Markets	Other	Total Wireline		
External Operating Revenues																	
Total Operating Revenues	\$ 21,995	\$ 7,768	\$ 29,763	\$ 45	\$ 29,808	\$16,244	\$ 4,720	\$ 1,718	\$ 22,682	\$ 3,120	\$ 2,084	\$ 1,043	\$ 820	\$ 59	\$ 7,126	\$ 29,808	
Operating Expenses																	
Cost of services	3,847	2,581	6,428	191	6,619				2,422						4,197	6,619	
Cost of wireless equipment	3,909	1,109	5,018	1	5,019				5,019						—	5,019	
Selling, general and administrative expense	4,022	1,961	5,983	(112)	5,871				4,318						1,553	5,871	
Depreciation and amortization expense	2,881	1,046	3,927	(79)	3,848				2,282						1,566	3,848	
Total Operating Expenses	14,659	6,697	21,356	1	21,357				14,041						7,316	21,357	
Operating Income (Loss)	\$ 7,336	\$ 1,071	\$ 8,407	\$ 44	\$ 8,451				\$ 8,641						\$ (190)	\$ 8,451	
Add Depreciation and amortization expense	2,881	1,046	3,927	(79)	3,848				2,282						1,566	3,848	
Segment EBITDA	\$ 10,217	\$ 2,117	\$ 12,334	\$ (35)	\$ 12,299				\$ 10,923						\$ 1,376	\$ 12,299	
Operating Income (Loss) Margin	33.4%	13.8%							38.1%						(2.7)%		
Segment EBITDA Margin	46.5%	27.3%							48.2%						19.3 %		
Service revenue - Year over year change %							3.1%										
Wireless EBITDA - Year over year change%									1.8%								

## Footnotes:

(1) Information presented for VZ 2.0 and historical financial results includes intersegment transactions.

(2) Adjustment represents intersegment revenues that have been eliminated under the new structure net of the impact of VZ Connect and other early-stage development businesses previously included in Corporate.

## Supplemental Information

VZ 2.0 to VZ 1.0 Reconciliations <sup>(1)</sup>

3 Mos. Ended 3/31/19

(dollars in millions)

Unaudited	VZ 2.0					Historical											Historical Total Reportable Segments
	Consumer	Business	Total Reportable Segments	Adjustments <sup>(2)</sup>	Adjusted Total Reportable Segments	Wireless				Wireline							
						Service	Equipment	Other	Total Wireless	Consumer Markets	Enterprise Solutions	Partner Solutions	Business Markets	Other	Total Wireline		
External Operating Revenues																	
Total Operating Revenues	\$ 22,148	\$ 7,719	\$ 29,867	\$ 97	\$ 29,964	\$ 16,072	\$ 4,931	\$ 1,697	\$ 22,700	\$ 3,153	\$ 2,140	\$ 1,075	\$ 828	\$ 68	\$ 7,264	\$ 29,964	
Operating Expenses																	
Cost of services	3,879	2,591	6,470	172	6,642				2,456						4,186	6,642	
Cost of wireless equipment	4,142	1,057	5,199	(1)	5,198				5,198						—	5,198	
Selling, general and administrative expense	3,983	1,981	5,964	(77)	5,887				4,281						1,606	5,887	
Depreciation and amortization expense	2,894	1,042	3,936	(77)	3,859				2,299						1,560	3,859	
Total Operating Expenses	14,898	6,671	21,569	17	21,586				14,234						7,352	21,586	
Operating Income (Loss)	\$ 7,250	\$ 1,048	\$ 8,298	\$ 80	\$ 8,378				\$ 8,466						\$ (88)	\$ 8,378	
Add Depreciation and amortization expense	2,894	1,042	3,936	(77)	3,859				2,299						1,560	3,859	
Segment EBITDA	\$ 10,144	\$ 2,090	\$ 12,234	\$ 3	\$ 12,237				\$ 10,765						\$ 1,472	\$ 12,237	
Operating Income (Loss) Margin	32.7%	13.6%							37.3%						(1.2)%		
Segment EBITDA Margin	45.8%	27.1%							47.4%						20.3 %		
Service revenue - Year over year change %							4.4%										
Wireless EBITDA - Year over year change%									2.7%								

## Footnotes:

(1) Information presented for VZ 2.0 and historical financial results includes intersegment transactions.

(2) Adjustment represents intersegment revenues that have been eliminated under the new structure net of the impact of VZ Connect and other early-stage development businesses previously included in Corporate.

## Supplemental Information

VZ 2.0 to VZ 1.0 Reconciliations <sup>(1)</sup>

3 Mos. Ended 6/30/18

(dollars in millions)

Unaudited	VZ 2.0					Historical												Historical Total Reportable Segments
	Consumer	Business	Total Reportable Segments	Adjustments <sup>(2)</sup>	Adjusted Total Reportable Segments	Wireless				Wireline								
						Service	Equipment	Other	Total Wireless	Consumer Markets	Enterprise Solutions	Partner Solutions	Business Markets	Other	Total Wireline			
External Operating Revenues																		
Total Operating Revenues	\$ 22,003	\$ 7,851	\$ 29,854	\$ 54	\$ 29,908	\$ 15,754	\$ 5,044	\$ 1,651	\$ 22,449	\$ 3,132	\$ 2,211	\$ 1,200	\$ 850	\$ 66	\$ 7,459	\$ 29,908		
Operating Expenses																		
Cost of services	3,842	2,660	6,502	210	6,712				2,335						4,377	6,712		
Cost of wireless equipment	4,296	1,101	5,397	—	5,397				5,397						—	5,397		
Selling, general and administrative expense	3,808	1,930	5,738	(177)	5,561				3,984						1,577	5,561		
Depreciation and amortization expense	2,997	1,059	4,056	(73)	3,983				2,459						1,524	3,983		
Total Operating Expenses	14,943	6,750	21,693	(40)	21,653				14,175						7,478	21,653		
Operating Income (Loss)	\$ 7,060	\$ 1,101	\$ 8,161	\$ 94	\$ 8,255				\$ 8,274						\$ (19)	\$ 8,255		
Add Depreciation and amortization expense	2,997	1,059	4,056	(73)	3,983				2,459						1,524	3,983		
Segment EBITDA	\$ 10,057	\$ 2,160	\$ 12,217	\$ 21	\$ 12,238				\$ 10,733						\$ 1,505	\$ 12,238		
Operating Income (Loss) Margin	32.1%	14.0%							36.9%						(0.3)%			
Segment EBITDA Margin	45.7%	27.5%							47.8%						20.2 %			
Service revenue - Year over year change %							0.8%											
Wireless EBITDA - Year over year change%									10.0%									

## Footnotes:

(1) Information presented for VZ 2.0 and historical financial results includes intersegment transactions.

(2) Adjustment represents intersegment revenues that have been eliminated under the new structure net of the impact of VZ Connect and other early-stage development businesses previously included in Corporate.

## Supplemental Information

VZ 2.0 to VZ 1.0 Reconciliations <sup>(1)</sup>

3 Mos. Ended 3/31/18

(dollars in millions)

Unaudited	VZ 2.0					Historical											Historical Total Reportable Segments
	Consumer	Business	Total Reportable Segments	Adjustments <sup>(2)</sup>	Adjusted Total Reportable Segments	Wireless				Wireline							
						Service	Equipment	Other	Total Wireless	Consumer Markets	Enterprise Solutions	Partner Solutions	Business Markets	Other	Total Wireline		
External Operating Revenues																	
Total Operating Revenues	\$ 21,627	\$ 7,783	\$ 29,410	\$ 47	\$ 29,457	\$ 15,402	\$ 5,040	\$ 1,458	\$ 21,900	\$ 3,150	\$ 2,240	\$ 1,228	\$ 871	\$ 68	\$ 7,557	\$ 29,457	
Operating Expenses																	
Cost of services	3,773	2,710	6,483	207	6,690				2,215						4,475	6,690	
Cost of wireless equipment	4,273	1,036	5,309	—	5,309				5,309						—	5,309	
Selling, general and administrative expense	3,671	1,864	5,535	(157)	5,378				3,899						1,479	5,378	
Depreciation and amortization expense	2,975	1,059	4,034	(72)	3,962				2,428						1,534	3,962	
Total Operating Expenses	14,692	6,669	21,361	(22)	21,339				13,851						7,488	21,339	
Operating Income (Loss)	\$ 6,935	\$ 1,114	\$ 8,049	\$ 69	\$ 8,118				\$ 8,049						\$ 69	\$ 8,118	
Add Depreciation and amortization expense	2,975	1,059	4,034	(72)	3,962				2,428						1,534	3,962	
Segment EBITDA	\$ 9,910	\$ 2,173	\$ 12,083	\$ (3)	\$ 12,080				\$ 10,477						\$ 1,603	\$ 12,080	
Operating Income (Loss) Margin	32.1%	14.3%							36.8%						0.9%		
Segment EBITDA Margin	45.8%	27.9%							47.8%						21.2%		

## Supplemental Information

VZ 2.0 to VZ 1.0 Reconciliations <sup>(1)</sup>

3 Mos. Ended 6/30/17

(dollars in millions)

Unaudited	VZ 2.0					Historical											Historical Total Reportable Segments
	Consumer	Business	Total Reportable Segments	Adjustme nts <sup>(2)</sup>	Adjusted Total Reportable Segments	Wireless				Wireline							
						Service	Equipment	Other	Total Wireless	Consumer Markets	Enterprise Solutions	Partner Solutions	Business Markets	Other	Total Wireline		
External Operating Revenues																	
Total Operating Revenues	\$ 21,273	\$ 7,677	\$ 28,950	\$ 51	\$ 29,001	\$ 15,622	\$ 4,298	\$ 1,362	\$ 21,282	\$ 3,184	\$ 2,309	\$ 1,235	\$ 918	\$ 73	\$ 7,719	\$ 29,001	
Operating Expenses																	
Cost of services	3,764	2,815	6,579	182	6,761				2,219						4,542	6,761	
Cost of wireless equipment	3,942	1,093	5,035	—	5,035				5,035						—	5,035	
Selling, general and administrative expense	4,136	1,848	5,984	(131)	5,853				4,271						1,582	5,853	
Depreciation and amortization expense	2,842	1,126	3,968	(73)	3,895				2,347						1,548	3,895	
Total Operating Expenses	14,684	6,882	21,566	(22)	21,544				13,872						7,672	21,544	
Operating Income (Loss)	\$ 6,589	\$ 795	\$ 7,384	\$ 73	\$ 7,457				\$ 7,410						\$ 47	\$ 7,457	
Add Depreciation and amortization expense	2,842	1,126	3,968	(73)	3,895				2,347						1,548	3,895	
Segment EBITDA	\$ 9,431	\$ 1,921	\$ 11,352	\$ —	\$ 11,352				\$ 9,757						\$ 1,595	\$ 11,352	
Operating Income (Loss) Margin	31.0%	10.4%							34.8%						0.6%		
Segment EBITDA Margin	44.3%	25.0%							45.8%						20.7%		