

Financial and Operating Information

As of March 31, 2020



Table of Contents

Condensed Consolidated Statements of Income	3
Condensed Consolidated Balance Sheets	4
Consolidated - Selected Financial and Operating Statistics	5
Condensed Consolidated Statements of Cash Flows	6
Consumer – Selected Financial Results	7
Consumer – Selected Operating Statistics	8
Business – Selected Financial Results	9
Business – Selected Operating Statistics	10
Supplemental Information	11
Non-GAAP Reconciliations and Notes	12

Condensed Consolidated Statements of Income

(dollars in millions, except per share amounts)

Unaudited	2018		2019				2020	
	Full Year	1Q	2Q	3Q	4Q	Full Year	1Q	Year to date
Operating Revenues								
Service revenues and other	\$ 108,605	\$ 27,197	\$ 27,351	\$ 27,753	\$ 28,004	\$ 110,305	\$ 27,481	\$ 27,481
Wireless equipment revenues	22,258	4,931	4,720	5,141	6,771	21,563	4,129	4,129
Total Operating Revenues	130,863	32,128	32,071	32,894	34,775	131,868	31,610	31,610
Operating Expenses								
Cost of services	32,185	7,792	7,702	7,902	8,376	31,772	7,754	7,754
Cost of wireless equipment	23,323	5,198	5,019	5,482	7,255	22,954	4,542	4,542
Selling, general and administrative expense	31,083	7,198	7,268	7,216	8,214	29,896	8,585	8,585
Depreciation and amortization expense	17,403	4,231	4,232	4,114	4,105	16,682	4,150	4,150
Media goodwill impairment	4,591	—	—	—	186	186	—	—
Total Operating Expenses	108,585	24,419	24,221	24,714	28,136	101,490	25,031	25,031
Operating Income	22,278	7,709	7,850	8,180	6,639	30,378	6,579	6,579
Equity in earnings (losses) of unconsolidated businesses	(186)	(6)	(13)	(1)	5	(15)	(12)	(12)
Other income (expense), net	2,364	295	(1,312)	(110)	(1,773)	(2,900)	143	143
Interest expense	(4,833)	(1,210)	(1,215)	(1,146)	(1,159)	(4,730)	(1,034)	(1,034)
Income Before (Provision) Benefit For Income Taxes	19,623	6,788	5,310	6,923	3,712	22,733	5,676	5,676
(Provision) benefit for income taxes	(3,584)	(1,628)	(1,236)	(1,586)	1,505	(2,945)	(1,389)	(1,389)
Net Income	\$ 16,039	\$ 5,160	\$ 4,074	\$ 5,337	\$ 5,217	\$ 19,788	\$ 4,287	\$ 4,287
Net income attributable to noncontrolling interests								
Net income attributable to Verizon	\$ 511	\$ 128	\$ 130	\$ 143	\$ 122	\$ 523	\$ 131	\$ 131
Net Income	15,528	5,032	3,944	5,194	5,095	19,265	4,156	4,156
Basic Earnings Per Common Share								
Net income attributable to Verizon	\$ 3.76	\$ 1.22	\$ 0.95	\$ 1.26	\$ 1.23	\$ 4.66	\$ 1.00	\$ 1.00
Weighted-average shares outstanding (in millions)	4,128	4,138	4,138	4,138	4,139	4,138	4,139	4,139
Diluted Earnings Per Common Share ⁽¹⁾								
Net income attributable to Verizon	\$ 3.76	\$ 1.22	\$ 0.95	\$ 1.25	\$ 1.23	\$ 4.65	\$ 1.00	\$ 1.00
Weighted-average shares outstanding (in millions)	4,132	4,140	4,139	4,140	4,141	4,140	4,141	4,141

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.

EPS may not add due to rounding.

Condensed Consolidated Balance Sheets

(dollars in millions)

Unaudited	12/31/18	3/31/19	6/30/19	9/30/19	12/31/19	3/31/20
Assets						
Current assets						
Cash and cash equivalents	\$ 2,745	\$ 2,322	\$ 1,949	\$ 3,020	\$ 2,594	\$ 7,047
Accounts receivable	25,867	25,213	25,671	25,419	26,162	24,852
Less: Allowance for credit losses	—	—	—	—	—	1,055
Less: Allowance for doubtful accounts	765	744	745	706	733	—
Accounts receivable, net	25,102	24,469	24,926	24,713	25,429	23,797
Inventories	1,336	1,417	1,167	1,538	1,422	1,633
Prepaid expenses and other	5,453	5,189	5,266	5,624	8,028	8,228
Total current assets	34,636	33,397	33,308	34,895	37,473	40,705
Property, plant and equipment	252,835	254,457	257,395	260,053	265,734	268,993
Less accumulated depreciation	163,549	166,608	169,577	171,204	173,819	176,816
Property, plant and equipment, net	89,286	87,849	87,818	88,849	91,915	92,177
Investments in unconsolidated businesses	671	674	650	628	558	543
Wireless licenses	94,130	94,237	94,333	94,433	95,059	92,471
Goodwill	24,614	24,635	24,632	24,570	24,389	24,382
Other intangible assets, net	9,775	9,608	9,474	9,264	9,498	9,371
Operating lease right-of-use assets	—	23,105	22,467	22,218	22,694	22,472
Other assets	11,717	10,442	10,426	10,018	10,141	12,379
Total assets	\$ 264,829	\$ 283,947	\$ 283,108	\$ 284,875	\$ 291,727	\$ 294,500
Liabilities and Equity						
Current liabilities						
Debt maturing within one year	\$ 7,190	\$ 8,614	\$ 8,773	\$ 7,830	\$ 10,777	\$ 11,175
Accounts payable and accrued liabilities	22,501	18,664	17,633	19,566	21,806	17,419
Current operating lease liabilities	—	2,997	3,154	2,959	3,261	3,331
Other current liabilities	8,239	8,332	8,654	8,854	9,024	9,132
Total current liabilities	37,930	38,607	38,214	39,209	44,868	41,057
Long-term debt	105,873	105,045	104,598	101,769	100,712	106,561
Employee benefit obligations	18,599	17,888	18,040	18,236	17,952	17,617
Deferred income taxes	33,795	34,344	34,225	34,592	34,703	33,709
Non-current operating lease liabilities	—	18,971	18,254	18,214	18,393	18,117
Other liabilities	13,922	11,632	11,830	12,543	12,264	15,786
Total long-term liabilities	172,189	187,880	186,947	185,354	184,024	191,790
Equity						
Common stock	429	429	429	429	429	429
Additional paid in capital	13,437	13,418	13,419	13,418	13,419	13,302
Retained earnings	43,542	46,493	47,945	50,595	53,147	54,557
Accumulated other comprehensive income (loss)	2,370	2,216	1,447	1,104	998	(1,502)
Common stock in treasury, at cost	(6,986)	(6,825)	(6,823)	(6,822)	(6,820)	(6,725)
Deferred compensation – employee stock ownership plans and other	353	125	165	197	222	149
Noncontrolling interests	1,565	1,604	1,365	1,391	1,440	1,443
Total equity	54,710	57,460	57,947	60,312	62,835	61,653
Total liabilities and equity	\$ 264,829	\$ 283,947	\$ 283,108	\$ 284,875	\$ 291,727	\$ 294,500

Consolidated - Selected Financial and Operating Statistics

(dollars in millions)

Unaudited	12/31/18	3/31/19	6/30/19	9/30/19	12/31/19	3/31/20
Total debt	\$ 113,063	\$ 113,659	\$ 113,371	\$ 109,599	\$ 111,489	\$ 117,736
Net unsecured debt	\$ 100,242	\$ 100,951	\$ 100,170	\$ 97,779	\$ 96,526	\$ 97,700
Net unsecured debt / Consolidated Adjusted EBITDA ⁽¹⁾		2.1x	2.1x	2.1x	2.0x	2.1x
Common shares outstanding end of period (in millions)	4,132	4,136	4,136	4,136	4,136	4,138
Total employees ('000)	144.5	139.4	135.9	135.4	135.0	135.5
Quarterly cash dividends declared per common share	\$ 0.6025	\$ 0.6025	\$ 0.6025	\$ 0.6150	\$ 0.6150	\$ 0.6150

Footnotes:

(1) Consolidated adjusted EBITDA excludes the effects of non-operational items and special items.

Condensed Consolidated Statements of Cash Flows

(dollars in millions)

Unaudited	12 Mos. Ended 12/31/18	3 Mos. Ended 3/31/19	6 Mos. Ended 6/30/19	9 Mos. Ended 9/30/19	12 Mos. Ended 12/31/19	3 Mos. Ended 3/31/20
Cash Flows from Operating Activities						
Net Income	\$ 16,039	\$ 5,160	\$ 9,234	\$ 14,571	\$ 19,788	\$ 4,287
Adjustments to reconcile net income to net cash provided by operating activities:						
Depreciation and amortization expense	17,403	4,231	8,463	12,577	16,682	4,150
Employee retirement benefits	(2,657)	(195)	(294)	(105)	(284)	(1)
Deferred income taxes	389	459	588	1,070	1,232	(87)
Provision for uncollectible accounts	980	319	738	1,131	1,588	553
Equity in losses of unconsolidated businesses, net of dividends received	231	21	50	64	74	26
Net loss (gain) on sale of divested businesses	—	—	—	94	94	—
Media goodwill impairment	4,591	—	—	—	186	—
Changes in current assets and liabilities, net of effects from acquisition/ disposition of businesses	(1,177)	(2,702)	(4,593)	(3,902)	(6,713)	(1,208)
Discretionary employee benefits contributions	(1,679)	(300)	(300)	(300)	(300)	—
Other, net	219	88	1,950	1,548	3,399	1,104
Net cash provided by operating activities	34,339	7,081	15,836	26,748	35,746	8,824
Cash Flows from Investing Activities						
Capital expenditures (including capitalized software)	(16,658)	(4,268)	(7,967)	(12,332)	(17,939)	(5,274)
Acquisitions of businesses, net of cash acquired	(230)	(25)	(28)	(29)	(29)	—
Acquisitions of wireless licenses	(1,429)	(104)	(199)	(299)	(898)	(210)
Proceeds from dispositions of businesses	—	—	—	27	28	—
Other, net	383	(406)	(395)	476	1,257	(1,496)
Net cash used in investing activities	(17,934)	(4,803)	(8,589)	(12,157)	(17,581)	(6,980)
Cash Flows from Financing Activities						
Proceeds from long-term borrowings	5,967	2,131	6,237	8,360	10,079	5,848
Proceeds from asset-backed long-term borrowings	4,810	1,117	3,982	3,982	8,576	2,844
Repayments of long-term borrowings and finance lease obligations	(10,923)	(2,963)	(9,630)	(12,486)	(17,584)	(1,700)
Repayments of asset-backed long-term borrowings	(3,635)	(813)	(2,817)	(5,273)	(6,302)	(2,229)
Dividends paid	(9,772)	(2,489)	(4,981)	(7,474)	(10,016)	(2,547)
Other, net	(1,824)	360	(834)	(1,410)	(2,917)	347
Net cash provided by (used in) financing activities	(15,377)	(2,657)	(8,043)	(14,301)	(18,164)	2,563
Increase (decrease) in cash, cash equivalents and restricted cash	1,028	(379)	(796)	290	1	4,407
Cash, cash equivalents and restricted cash, beginning of period	2,888	3,916	3,916	3,916	3,916	3,917
Cash, cash equivalents and restricted cash, end of period	\$ 3,916	\$ 3,537	\$ 3,120	\$ 4,206	\$ 3,917	\$ 8,324

Consumer - Selected Financial Results

(dollars in millions)

Unaudited	2019				2020
	1Q	2Q	3Q	4Q	1Q
Operating Revenues					
Service	\$ 16,259	\$ 16,350	\$ 16,433	\$ 16,341	\$ 16,341
Wireless equipment	4,166	3,903	4,257	5,722	3,377
Other	1,723	1,742	2,016	2,144	2,047
Total Operating Revenues	22,148	21,995	22,706	24,207	21,765
Operating Expenses					
Cost of services	3,879	3,847	4,035	4,123	3,930
Cost of wireless equipment	4,142	3,909	4,291	5,877	3,451
Selling, general and administrative expense	3,983	4,022	4,085	4,549	4,282
Depreciation and amortization expense	2,894	2,881	2,806	2,772	2,820
Total Operating Expenses	14,898	14,659	15,217	17,321	14,483
Operating Income	\$ 7,250	\$ 7,336	\$ 7,489	\$ 6,886	\$ 7,282
Operating Income Margin	32.7%	33.4%	33.0%	28.4%	33.5%
Segment EBITDA	\$ 10,144	\$ 10,217	\$ 10,295	\$ 9,658	\$ 10,102
Segment EBITDA Margin	45.8%	46.5%	45.3%	39.9%	46.4%

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 segment performance.

Certain intersegment transactions with corporate entities have not been eliminated.

Consumer - Selected Operating Statistics

Unaudited	2019				2020
	1Q	2Q	3Q	4Q	1Q
Connections ('000):					
Wireless retail postpaid connections	89,580	89,630	89,739	90,481	89,914
Wireless retail prepaid connections	4,479	4,266	4,183	4,063	3,980
Total wireless retail connections	94,059	93,896	93,922	94,544	93,894
Fios video connections	4,322	4,270	4,203	4,152	4,068
Fios Internet connections	5,808	5,837	5,867	5,902	5,961
Fios digital voice residence connections	3,758	3,725	3,672	3,620	3,526
Fios digital connections	13,888	13,832	13,742	13,674	13,555
Broadband connections	6,476	6,474	6,469	6,467	6,481
Voice connections	6,184	6,058	5,904	5,754	5,578
Gross Additions ('000):					
Wireless retail postpaid	2,714	2,725	3,020	3,794	2,220
Net Additions Detail ('000) :					
Wireless retail postpaid ⁽¹⁾	(201)	126	193	852	(525)
Wireless retail prepaid ⁽¹⁾	(176)	(213)	(81)	(121)	(84)
Total wireless retail ⁽¹⁾	(377)	(87)	112	731	(609)
Wireless retail postpaid phones ⁽¹⁾	(163)	73	239	588	(307)
Fios video	(55)	(52)	(67)	(51)	(84)
Fios Internet	48	28	30	35	59
Fios digital voice residence	(45)	(32)	(53)	(52)	(94)
Fios digital	(52)	(56)	(90)	(68)	(119)
Broadband ⁽¹⁾	16	(2)	(5)	(2)	31
Voice	(148)	(126)	(154)	(150)	(176)
Churn Rate:					
Wireless retail postpaid	1.08%	0.97%	1.05%	1.09%	1.01%
Wireless retail postpaid phones	0.81%	0.72%	0.79%	0.83%	0.77%
Wireless retail	1.32%	1.23%	1.27%	1.30%	1.20%
Revenue Statistics (in millions):					
Wireless service revenue	\$ 13,357	\$ 13,456	\$ 13,533	\$ 13,445	\$ 13,476
Fios revenues	\$ 2,764	\$ 2,772	\$ 2,811	\$ 2,828	\$ 2,799
Other Wireless Statistics:					
Wireless retail postpaid ARPA ⁽²⁾	\$ 117.45	\$ 118.15	\$ 118.89	\$ 118.03	\$ 118.86
Wireless retail postpaid upgrade rate	4.4%	4.3%	4.9%	6.3%	3.7%
Wireless retail postpaid accounts ('000) ⁽³⁾	33,958	33,924	33,898	33,875	33,669
Wireless retail postpaid connections per account ⁽³⁾	2.64	2.64	2.65	2.67	2.67
Total wireless Internet postpaid base ⁽³⁾	16.1%	16.2%	16.1%	16.2%	16.1%

Footnotes:

(1) Connection net additions include certain adjustments.

(2) Wireless retail postpaid ARPA - average service revenue per account from retail postpaid accounts.

(3) Statistics presented as of end of period.

Certain intersegment transactions with corporate entities have not been eliminated.

Business - Selected Financial Results

(dollars in millions)

Unaudited	2019				2020
	1Q	2Q	3Q	4Q	1Q
Operating Revenues					
Global Enterprise	\$ 2,691	\$ 2,673	\$ 2,714	\$ 2,740	\$ 2,631
Small and Medium Business	2,708	2,785	2,899	3,072	2,804
Public Sector and Other	1,471	1,492	1,472	1,487	1,474
Wholesale	849	818	800	772	772
Total Operating Revenues	7,719	7,768	7,885	8,071	7,681
Operating Expenses					
Cost of services	2,591	2,581	2,666	2,817	2,589
Cost of wireless equipment	1,057	1,109	1,190	1,377	1,090
Selling, general and administrative expense	1,981	1,961	2,042	2,204	2,034
Depreciation and amortization expense	1,042	1,046	1,010	1,007	1,014
Total Operating Expenses	6,671	6,697	6,908	7,405	6,727
Operating Income	\$ 1,048	\$ 1,071	\$ 977	\$ 666	\$ 954
Operating Income Margin	13.6%	13.8%	12.4%	8.3%	12.4%
Segment EBITDA	\$ 2,090	\$ 2,117	\$ 1,987	\$ 1,673	\$ 1,968
Segment EBITDA Margin	27.1%	27.3%	25.2%	20.7%	25.6%

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 segment performance.

Certain intersegment transactions with corporate entities have not been eliminated.

Business - Selected Operating Statistics

Unaudited	2019				2020
	1Q	2Q	3Q	4Q	1Q
Connections ('000):					
Wireless retail postpaid connections	23,737	24,144	24,652	25,148	25,658
Fios video connections	76	76	77	77	77
Fios Internet connections	311	316	322	326	330
Fios digital connections	387	392	399	403	407
Broadband connections	497	494	492	489	501
Voice connections	5,269	5,163	5,058	4,959	4,860
Gross Additions ('000):					
Wireless retail postpaid	1,140	1,195	1,299	1,348	1,464
Net Add Detail ('000):					
Wireless retail postpaid ⁽¹⁾	264	326	412	411	475
Wireless retail postpaid phones ⁽¹⁾	120	171	206	203	239
Fios video	2	—	1	—	—
Fios Internet	4	6	6	4	4
Fios digital	6	6	7	4	4
Broadband ⁽¹⁾	(4)	(3)	(2)	(3)	(5)
Voice	(131)	(105)	(105)	(99)	(99)
Churn Rate:					
Wireless retail postpaid	1.24%	1.21%	1.21%	1.25%	1.30%
Wireless retail postpaid phones	1.02%	0.97%	0.97%	1.00%	1.02%
Revenue Statistics (in millions):					
Wireless service revenue	\$ 2,694	\$ 2,775	\$ 2,850	\$ 2,869	\$ 2,881
Fios revenues	\$ 243	\$ 239	\$ 243	\$ 242	\$ 262
Other Operating Statistics:					
Wireless retail postpaid upgrade rate	4.4%	4.2%	4.5%	5.0%	3.6%
Total wireless Internet postpaid base ⁽²⁾	33.4%	33.4%	33.5%	33.6%	33.7%

Footnotes:

(1) Connection net additions include certain adjustments.

(2) Statistics presented as of end of period.

Certain intersegment transactions with corporate entities have not been eliminated.

Prior year amounts revised to conform to current period presentation.

Supplemental Information - Total Wireless Operating and Financial Statistics

The following supplemental schedule contains certain financial and operating metrics which reflect an aggregation of our Consumer and Business segments' wireless results.

Unaudited	2019				2020
	1Q	2Q	3Q	4Q	1Q
Connections ('000)					
Retail postpaid	113,317	113,774	114,391	115,629	115,572
Retail prepaid	4,479	4,266	4,183	4,063	3,980
Total retail	117,796	118,040	118,574	119,692	119,552
Net Add Detail ('000) ⁽¹⁾					
Retail postpaid phone	(43)	244	445	791	(68)
Retail postpaid	63	452	605	1,263	(50)
Retail prepaid	(176)	(213)	(81)	(121)	(84)
Total retail	(113)	239	524	1,142	(134)
Account Statistics					
Retail postpaid accounts ('000) ⁽²⁾	35,338	35,345	35,371	35,401	35,209
Retail postpaid connections per account ⁽²⁾	3.21	3.22	3.23	3.27	3.28
Retail postpaid ARPA ⁽³⁾	\$ 136.53	\$ 137.71	\$ 138.93	\$ 137.99	\$ 138.80
Churn Detail					
Retail postpaid phone	0.84%	0.76%	0.82%	0.86%	0.82%
Retail postpaid	1.12%	1.02%	1.08%	1.13%	1.08%
Retail	1.31%	1.22%	1.26%	1.29%	1.22%
Retail Postpaid Connection Statistics					
Total Internet postpaid base ⁽²⁾	19.7%	19.8%	19.8%	20.0%	20.0%
Upgrade rate	4.4%	4.3%	4.8%	6.0%	3.7%
Revenue Statistics (in millions) ⁽⁴⁾					
Wireless service	\$ 16,051	\$ 16,231	\$ 16,383	\$ 16,314	\$ 16,357
Wireless equipment	4,931	4,720	5,141	6,771	4,129
Wireless other	1,686	1,718	2,018	2,150	2,079
Total Wireless	\$ 22,668	\$ 22,669	\$ 23,542	\$ 25,235	\$ 22,565

Footnotes:

(1) Connection net additions include certain adjustments.

(2) Statistics presented as of end of period.

(3) Wireless retail postpaid ARPA - average service revenue per account from retail postpaid accounts.

(4) Intersegment transactions between Consumer or Business segment with corporate entities have not been eliminated.

Prior year amounts revised to conform to current period presentation.

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 providing these non-GAAP measures in addition to the GAAP measures allows management, investors and other users of our financial information to more fully and accurately assess 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 as it is a widely accepted financial measure used in evaluating the profitability of a company and with its 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 segment depreciation and amortization expense to segment operating income. Segment EBITDA Margin is calculated by dividing Segment EBITDA by segment total operating revenues.

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

Consolidated Adjusted EBITDA and 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 and 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 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: impairment charges, severance charges, product realignment charges, loss on spectrum license auction, acquisition and integration related charges and net gain from dispositions of assets and businesses. The impairment charges relate to goodwill impairment charges recognized as a result of the Company's annual goodwill impairment testing of its media business, Verizon Media, and the impairment charge of an investment in a media joint venture. Severance charges recorded during 2019 and 2018 relate to headcount reduction initiatives. Product realignment charges primarily relate to the discontinuation of the go90 platform and associated content and other early-stage developmental technologies. Loss on spectrum license auction relates to the reclassification of spectrum licenses to assets held for sale at fair value as a result of Auction 103. 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. Net gain from dispositions of assets and businesses relates to the sale of various real estate properties and businesses.

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

Adjusted Earnings per Common Share (Adjusted EPS) and Adjusted EPS Growth Forecast

Adjusted EPS and Adjusted EPS Growth Forecast 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 which could vary from period to period. 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: net pension remeasurement charge (credit) and loss on spectrum license auction.

We have not provided a reconciliation for our Adjusted EPS Growth Forecast because we cannot, without unreasonable effort, predict the special items that could arise during 2020.

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 have not provided a reconciliation for our Adjusted ETR Forecast because we cannot, without unreasonable effort, predict the special items that could arise during 2020.

Definitions - Non-GAAP Measures

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. For purposes of Net Unsecured Debt to Consolidated Adjusted EBITDA Ratio, Consolidated Adjusted EBITDA 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, provide 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 acquisitions of businesses or wireless licenses. 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 (including capitalized software) from net cash provided by operating activities.

Non-GAAP Reconciliations - Consolidated

Consolidated EBITDA, Consolidated Adjusted EBITDA and Consolidated Adjusted EBITDA Margin

(dollars in millions)

Unaudited	2018			2019				2020
	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Consolidated Net Income	\$ 4,246	\$ 5,062	\$ 2,065	\$ 5,160	\$ 4,074	\$ 5,337	\$ 5,217	\$ 4,287
Add/(subtract):								
Provision (benefit) for income taxes	1,281	1,613	(698)	1,628	1,236	1,586	(1,505)	1,389
Interest expense	1,222	1,211	1,199	1,210	1,215	1,146	1,159	1,034
Depreciation and amortization expense	4,350	4,377	4,352	4,231	4,232	4,114	4,105	4,150
Consolidated EBITDA	\$ 11,099	\$ 12,263	\$ 6,918	\$ 12,229	\$ 10,757	\$ 12,183	\$ 8,976	\$ 10,860
Add/(subtract):								
Other (income) expense, net*	\$ (360)	\$ (214)	\$ (1,865)	\$ (295)	\$ 1,312	\$ 110	\$ 1,773	\$ (143)
Equity in losses (earnings) of unconsolidated businesses†	228	3	(64)	6	13	1	(5)	12
Impairment charges	—	—	4,591	—	—	—	186	—
Severance charges	339	—	1,818	—	—	—	204	—
Product realignment charges‡	450	—	—	—	—	—	—	—
Loss on spectrum license auction	—	—	—	—	—	—	—	1,195
Acquisition and integration related charges‡	109	130	187	—	—	—	—	—
Net gain from dispositions of assets and businesses	—	—	—	—	—	(261)	—	—
Consolidated Adjusted EBITDA	\$ 11,865	\$ 12,182	\$ 11,585	\$ 11,940	\$ 12,082	\$ 12,033	\$ 11,134	\$ 11,924
Consolidated Operating Revenues				\$ 32,128	\$ 32,071	\$ 32,894	\$ 34,775	\$ 31,610
Consolidated Adjusted EBITDA Margin				37.2%	37.7%	36.6%	32.0%	37.7%
Consolidated Adjusted EBITDA - Year Over Year Change %								(0.1%)

* Includes Pension and benefits mark-to-market adjustments and Early debt redemption costs, where applicable.

† Includes Product realignment charges and impairment charges, where applicable.

‡ Excludes depreciation and amortization expense, where applicable.

Adjusted Earnings per Common Share (Adjusted EPS)

(dollars in millions except EPS)

Unaudited				3 Mos. Ended 3/31/19				3 Mos. Ended 3/31/20
	Pre-tax	Tax	After-Tax		Pre-tax	Tax	After-Tax	
EPS				\$ 1.22				\$ 1.00
Net pension remeasurement charge (credit)	\$ (96)	\$ 25	\$ (71)	(0.02)	\$ 182	\$ (47)	\$ 135	0.03
Loss on spectrum license auction	—	—	—	—	1,195	(281)	914	0.22
	\$ (96)	\$ 25	\$ (71)	\$ (0.02)	\$ 1,377	\$ (328)	\$ 1,049	\$ 0.25
Adjusted EPS				\$ 1.20				\$ 1.26
Year over year change %								5.0%

Note:

Adjusted EPS may not add due to rounding.

Non-GAAP Reconciliations - Consolidated

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

(dollars in millions)

Unaudited	12/31/18	3/31/19	6/30/19	9/30/19	12/31/19	3/31/20
Debt maturing within one year	\$ 7,190	\$ 8,614	\$ 8,773	\$ 7,830	\$ 10,777	\$ 11,175
Long-term debt	105,873	105,045	104,598	101,769	100,712	106,561
Total Debt	113,063	113,659	113,371	109,599	111,489	117,736
Less Secured debt	10,076	10,386	11,252	8,800	12,369	12,989
Unsecured debt	102,987	103,273	102,119	100,799	99,120	104,747
Less Cash and cash equivalents	2,745	2,322	1,949	3,020	2,594	7,047
Net Unsecured Debt	\$ 100,242	\$ 100,951	\$ 100,170	\$ 97,779	\$ 96,526	\$ 97,700
Net Unsecured Debt to Consolidated Adjusted EBITDA Ratio		2.1x	2.1x	2.1x	2.0x	2.1x

Free Cash Flow

(dollars in millions)

Unaudited	3 Mos. Ended 3/31/19	3 Mos. Ended 3/31/20
Net Cash Provided by Operating Activities	\$ 7,081	\$ 8,824
Capital expenditures (including capitalized software)	(4,268)	(5,274)
Free Cash Flow	\$ 2,813	\$ 3,550
Free Cash Flow - Year over year change %		26.2%

Non-GAAP Reconciliations - Segment

Segment EBITDA and Segment EBITDA Margin

Consumer

(dollars in millions)

Unaudited	3 Months Ended 3/31/19	3 Months Ended 6/30/19	3 Months Ended 9/30/19	3 Months Ended 12/31/19	3 Months Ended 3/31/20
Operating Income	\$ 7,250	\$ 7,336	\$ 7,489	\$ 6,886	\$ 7,282
Add Depreciation and amortization expense	2,894	2,881	2,806	2,772	2,820
Segment EBITDA	\$ 10,144	\$ 10,217	\$ 10,295	\$ 9,658	\$ 10,102
Total operating revenues	\$ 22,148	\$ 21,995	\$ 22,706	\$ 24,207	\$ 21,765
Operating Income Margin	32.7%	33.4%	33.0%	28.4%	33.5 %
Segment EBITDA Margin	45.8%	46.5%	45.3%	39.9%	46.4 %
Segment EBITDA - Year over year change					(0.4)%
Segment EBITDA Margin - Year over year change					60 bps

Business

(dollars in millions)

Unaudited	3 Months Ended 3/31/19	3 Months Ended 6/30/19	3 Months Ended 9/30/19	3 Months Ended 12/31/19	3 Months Ended 3/31/20
Operating Income	\$ 1,048	\$ 1,071	\$ 977	\$ 666	\$ 954
Add Depreciation and amortization expense	1,042	1,046	1,010	1,007	1,014
Segment EBITDA	\$ 2,090	\$ 2,117	\$ 1,987	\$ 1,673	\$ 1,968
Total operating revenues	\$ 7,719	\$ 7,768	\$ 7,885	\$ 8,071	\$ 7,681
Operating Income Margin	13.6%	13.8%	12.4%	8.3%	12.4 %
Segment EBITDA Margin	27.1%	27.3%	25.2%	20.7%	25.6 %
Segment EBITDA - Year over year change					(5.8)%
Segment EBITDA Margin - Year over year change					(150) bps