

Condensed Consolidated Statements of Income

(dollars in millions, except per share amounts)

Unaudited	3 Mos. Ended 6/30/16	3 Mos. Ended 6/30/15	% Change	6 Mos. Ended 6/30/16	6 Mos. Ended 6/30/15	% Change
Operating Revenues						
Service revenues and other	\$ 26,828	\$ 28,363	(5.4)	\$ 55,045	\$ 56,974	(3.4)
Wireless equipment revenues	3,704	3,861	(4.1)	7,658	7,234	5.9
Total Operating Revenues	<u>30,532</u>	<u>32,224</u>	(5.3)	<u>62,703</u>	<u>64,208</u>	(2.3)
Operating Expenses						
Cost of services	7,577	6,994	8.3	15,191	13,982	8.6
Wireless cost of equipment	4,644	5,455	(14.9)	9,642	10,563	(8.7)
Selling, general and administrative expense	9,775	7,974	22.6	17,375	15,913	9.2
Depreciation and amortization expense	3,982	3,980	0.1	7,999	7,969	0.4
Total Operating Expenses	<u>25,978</u>	<u>24,403</u>	6.5	<u>50,207</u>	<u>48,427</u>	3.7
Operating Income	4,554	7,821	(41.8)	12,496	15,781	(20.8)
Equity in losses of unconsolidated businesses	(20)	(18)	11.1	(40)	(52)	(23.1)
Other income and (expense), net	(1,826)	32	*	(1,794)	107	*
Interest expense	(1,013)	(1,208)	(16.1)	(2,201)	(2,540)	(13.3)
Income Before Provision for Income Taxes	1,695	6,627	(74.4)	8,461	13,296	(36.4)
Provision for income taxes	(864)	(2,274)	(62.0)	(3,200)	(4,605)	(30.5)
Net Income	<u>\$ 831</u>	<u>\$ 4,353</u>	(80.9)	<u>\$ 5,261</u>	<u>\$ 8,691</u>	(39.5)
Net income attributable to noncontrolling interests	\$ 129	\$ 122	5.7	\$ 249	\$ 241	3.3
Net income attributable to Verizon	702	4,231	(83.4)	5,012	8,450	(40.7)
Net Income	<u>\$ 831</u>	<u>\$ 4,353</u>	(80.9)	<u>\$ 5,261</u>	<u>\$ 8,691</u>	(39.5)
Basic Earnings per Common Share						
Net income attributable to Verizon	\$.17	\$ 1.04	(83.7)	\$ 1.23	\$ 2.06	(40.3)
<i>Weighted average number of common shares (in millions)</i>	4,079	4,079		4,080	4,097	
Diluted Earnings per Common Share ⁽¹⁾						
Net income attributable to Verizon	\$.17	\$ 1.04	(83.7)	\$ 1.23	\$ 2.06	(40.3)
<i>Weighted average number of common shares-assuming dilution (in millions)</i>	4,085	4,085		4,085	4,103	

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.

* Not meaningful

Condensed Consolidated Balance Sheets

(dollars in millions)

Unaudited	6/30/16	12/31/15	\$ Change
Assets			
Current assets			
Cash and cash equivalents	\$ 2,857	\$ 4,470	\$ (1,613)
Short-term investments	-	350	(350)
Accounts receivable, net	13,294	13,457	(163)
Inventories	931	1,252	(321)
Assets held for sale	317	792	(475)
Prepaid expenses and other	3,445	2,034	1,411
Total current assets	20,844	22,355	(1,511)
Plant, property and equipment	225,756	220,163	5,593
Less accumulated depreciation	142,584	136,622	5,962
	83,172	83,541	(369)
Investments in unconsolidated businesses	822	796	26
Wireless licenses	86,981	86,575	406
Goodwill	25,417	25,331	86
Other intangible assets, net	7,399	7,592	(193)
Non-current assets held for sale	-	10,267	(10,267)
Other assets	7,235	7,718	(483)
Total Assets	\$ 231,870	\$ 244,175	\$ (12,305)
Liabilities and Equity			
Current liabilities			
Debt maturing within one year	\$ 6,803	\$ 6,489	\$ 314
Accounts payable and accrued liabilities	19,090	19,362	(272)
Liabilities related to assets held for sale	-	463	(463)
Other	8,515	8,738	(223)
Total current liabilities	34,408	35,052	(644)
Long-term debt	92,922	103,240	(10,318)
Employee benefit obligations	28,059	29,957	(1,898)
Deferred income taxes	43,825	45,484	(1,659)
Non-current liabilities related to assets held for sale	-	959	(959)
Other liabilities	11,912	11,641	271
Equity			
Common stock	424	424	-
Contributed capital	11,192	11,196	(4)
Reinvested earnings	11,652	11,246	406
Accumulated other comprehensive income	2,847	550	2,297
Common stock in treasury, at cost	(7,279)	(7,416)	137
Deferred compensation – employee stock ownership plans and other	408	428	(20)
Noncontrolling interests	1,500	1,414	86
Total equity	20,744	17,842	2,902
Total Liabilities and Equity	\$ 231,870	\$ 244,175	\$ (12,305)

Verizon - Selected Financial and Operating Statistics

Unaudited	6/30/16	12/31/15
Total debt (in millions)	\$ 99,725	\$ 109,729
Net debt (in millions)	\$ 96,868	\$ 105,259
Net debt / Adjusted EBITDA ⁽¹⁾	2.2x	2.4x
Common shares outstanding end of period (in millions)	4,076	4,073
Total employees ('000)	162.7	177.7
Quarterly cash dividends declared per common share	\$ 0.565	\$ 0.565

Footnotes:

(1) Adjusted EBITDA excludes the effects of non-operational items and Divested Businesses.

Certain reclassifications have been made to prior period balances to conform to current period presentation.

Condensed Consolidated Statements of Cash Flows

(dollars in millions)

Unaudited	6 Mos. Ended 6/30/16	6 Mos. Ended 6/30/15	\$ Change
Cash Flows from Operating Activities			
Net Income	\$ 5,261	\$ 8,691	\$ (3,430)
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization expense	7,999	7,969	30
Employee retirement benefits	4,021	561	3,460
Deferred income taxes	(3,085)	826	(3,911)
Provision for uncollectible accounts	651	744	(93)
Equity in losses of unconsolidated businesses, net of dividends received	58	72	(14)
Changes in current assets and liabilities, net of effects from acquisition/disposition of businesses	(1,067)	416	(1,483)
Other, net	(1,008)	(373)	(635)
Net cash provided by operating activities	<u>12,830</u>	<u>18,906</u>	<u>(6,076)</u>
Cash Flows from Investing Activities			
Capital expenditures (including capitalized software)	(7,273)	(8,153)	880
Acquisitions of investments and businesses, net of cash acquired	(178)	(3,225)	3,047
Acquisitions of wireless licenses	(282)	(9,677)	9,395
Proceeds from dispositions of businesses	9,882	-	9,882
Other, net	504	884	(380)
Net cash provided by (used in) investing activities	<u>2,653</u>	<u>(20,171)</u>	<u>22,824</u>
Cash Flows from Financing Activities			
Proceeds from long-term borrowings	-	6,497	(6,497)
Repayments of long-term borrowings and capital lease obligations	(11,300)	(5,797)	(5,503)
Decrease in short-term obligations, excluding current maturities	610	(106)	716
Dividends paid	(4,605)	(4,266)	(339)
Proceeds from sale of common stock	3	-	3
Purchase of common stock for treasury	-	(5,074)	5,074
Other, net	(1,804)	2,421	(4,225)
Net cash used in financing activities	<u>(17,096)</u>	<u>(6,325)</u>	<u>(10,771)</u>
Decrease in cash and cash equivalents	(1,613)	(7,590)	5,977
Cash and cash equivalents, beginning of period	4,470	10,598	(6,128)
Cash and cash equivalents, end of period	<u>\$ 2,857</u>	<u>\$ 3,008</u>	<u>\$ (151)</u>

Wireless - Selected Financial Results

(dollars in millions)

Unaudited	3 Mos. Ended 6/30/16	3 Mos. Ended 6/30/15	% Change	6 Mos. Ended 6/30/16	6 Mos. Ended 6/30/15	% Change
Operating Revenues						
Service	\$ 16,741	\$ 17,689	(5.4)	\$ 33,550	\$ 35,603	(5.8)
Equipment	3,704	3,861	(4.1)	7,658	7,234	5.9
Other	1,259	1,063	18.4	2,500	2,104	18.8
Total Operating Revenues	21,704	22,613	(4.0)	43,708	44,941	(2.7)
Operating Expenses						
Cost of services	1,984	1,948	1.8	3,926	3,799	3.3
Cost of equipment	4,644	5,455	(14.9)	9,642	10,563	(8.7)
Selling, general and administrative expense	4,777	5,289	(9.7)	9,668	10,658	(9.3)
Depreciation and amortization expense	2,282	2,225	2.6	4,575	4,415	3.6
Total Operating Expenses	13,687	14,917	(8.2)	27,811	29,435	(5.5)
Operating Income	\$ 8,017	\$ 7,696	4.2	\$ 15,897	\$ 15,506	2.5
Operating Income Margin	36.9%	34.0%		36.4%	34.5%	
Segment EBITDA	\$ 10,299	\$ 9,921	3.8	\$ 20,472	\$ 19,921	2.8
Segment EBITDA Margin	47.5%	43.9%		46.8%	44.3%	

Footnotes:

The segment financial results and metrics above are adjusted to exclude the effects of non-operational 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				6/30/16	6/30/15	% Change
Connections ('000)						
	Retail postpaid			107,780	103,731	3.9
	Retail prepaid			5,374	5,817	(7.6)
	Total retail			113,154	109,548	3.3
Unaudited		3 Mos. Ended	3 Mos. Ended	6 Mos. Ended	6 Mos. Ended	% Change
		6/30/16	6/30/15	6/30/16	6/30/15	
Net Add Detail ('000) ⁽¹⁾						
	Retail postpaid	615	1,134	1,255	1,699	(26.1)
	Retail prepaid	(30)	(126)	(207)	(314)	(34.1)
	Total retail	585	1,008	1,048	1,385	(24.3)
Account Statistics						
	Retail Postpaid Accounts ('000) ⁽²⁾			35,637	35,560	0.2
	Retail postpaid connections per account ⁽²⁾			3.02	2.92	3.4
	Retail postpaid ARPA ⁽³⁾	145.09	153.73	145.22	154.93	(6.3)
	Retail postpaid I-ARPA ⁽⁴⁾	167.18	163.01	166.11	162.90	2.0
Churn Detail						
	Retail postpaid	0.94%	0.90%	0.95%	0.97%	
	Retail	1.19%	1.18%	1.21%	1.26%	
Retail Postpaid Connection Statistics						
	Total Smartphone postpaid % of phones activated	92.1%	91.7%	92.4%	91.6%	
	Total Smartphone postpaid phone base ⁽²⁾			85.5%	81.2%	
	Total Internet postpaid base ⁽²⁾			17.7%	15.4%	
	4G LTE devices as % of retail postpaid connections			82.5%	73.3%	
Other Operating Statistics						
	Capital expenditures (in millions)	\$ 2,815	\$ 3,126	(9.9)	\$ 5,005	\$ 5,545 (9.7)

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.

The segment financial results and metrics above are adjusted to exclude the effects of non-operational 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 Financial Results

(dollars in millions)

Unaudited	3 Mos. Ended 6/30/16	3 Mos. Ended 6/30/15	% Change	6 Mos. Ended 6/30/16	6 Mos. Ended 6/30/15	% Change
Operating Revenues						
Consumer retail	\$ 3,165	\$ 3,174	(0.3)	\$ 6,345	\$ 6,302	0.7
Small business	408	441	(7.5)	830	886	(6.3)
Mass Markets	3,573	3,615	(1.2)	7,175	7,188	(0.2)
Global Enterprise	2,907	3,007	(3.3)	5,863	6,054	(3.2)
Global Wholesale	1,256	1,310	(4.1)	2,539	2,649	(4.2)
Other	87	81	7.4	169	172	(1.7)
Total Operating Revenues	7,823	8,013	(2.4)	15,746	16,063	(2.0)
Operating Expenses						
Cost of services	5,107	4,704	8.6	9,751	9,489	2.8
Selling, general and administrative expense	1,617	1,813	(10.8)	3,387	3,651	(7.2)
Depreciation and amortization expense	1,562	1,695	(7.8)	3,138	3,342	(6.1)
Total Operating Expenses	8,286	8,212	0.9	16,276	16,482	(1.2)
Operating Loss	\$ (463)	\$ (199)	*	\$ (530)	\$ (419)	26.5
Operating Loss Margin	(5.9)%	(2.5)%		(3.4)%	(2.6)%	
Segment EBITDA	\$ 1,099	\$ 1,496	(26.5)	\$ 2,608	\$ 2,923	(10.8)
Segment EBITDA Margin	14.0%	18.7%		16.6%	18.2%	

Footnotes:

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

Intersegment transactions have not been eliminated.

Certain reclassifications have been made to prior period to reflect comparable operating results in the current period.

* Not meaningful

Wireline - Selected Operating Statistics

Unaudited	6/30/16	6/30/15	% Change
Connections ('000)			
Fios Video Subscribers	4,637	4,565	1.6
Fios Internet Subscribers	5,495	5,240	4.9
Fios Digital voice residence connections	3,879	3,788	2.4
Fios Digital connections	14,011	13,593	3.1
HSI	1,519	1,820	(16.5)
Total Broadband connections	7,014	7,060	(0.7)
Primary residence switched access connections	3,501	4,113	(14.9)
Primary residence connections	7,380	7,901	(6.6)
Total retail residence voice connections	7,634	8,209	(7.0)
Total voice connections	14,476	15,586	(7.1)

Unaudited	3 Mos. Ended 6/30/16	3 Mos. Ended 6/30/15	% Change	6 Mos. Ended 6/30/16	6 Mos. Ended 6/30/15	% Change
Net Add Detail ('000)						
Fios Video Subscribers	(41)	30	*	2	112	(98.2)
Fios Internet Subscribers	(13)	62	*	77	172	(55.2)
Fios Digital voice residence connections	(38)	4	*	7	61	(88.5)
Fios Digital connections	(92)	96	*	86	345	(75.1)
HSI	(70)	(71)	(1.4)	(148)	(136)	8.8
Total Broadband connections	(83)	(9)	*	(71)	36	*
Primary residence switched access connections	(142)	(151)	(6.0)	(298)	(302)	(1.3)
Primary residence connections	(180)	(147)	22.4	(291)	(241)	20.7
Total retail residence voice connections	(190)	(159)	19.5	(315)	(266)	18.4
Total voice connections	(305)	(311)	(1.9)	(559)	(554)	0.9

Revenue Statistics

Fios revenues (in millions)	\$ 2,776	\$ 2,678	3.7	\$ 5,537	\$ 5,280	4.9
-----------------------------	----------	----------	-----	----------	----------	-----

Other Operating Statistics

Capital expenditures (in millions)	\$ 814	\$ 1,134	(28.2)	\$ 1,820	\$ 2,211	(17.7)
Wireline employees ('000)				59.3	62.8	
Fios Video Open for Sale ('000)				13,400	12,863	
Fios Video penetration				34.6%	35.5%	
Fios Internet Open for Sale ('000)				13,696	13,154	
Fios Internet penetration				40.1%	39.8%	

Footnotes:

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

Intersegment transactions have not been eliminated.

Certain reclassifications have been made to prior period to reflect comparable operating results in the current period.

* Not meaningful