



Financial and Operating Information

As of June 30, 2016

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Condensed Consolidated Statements of Income

Unaudited	(dollars in millions, except per share amounts)		
	2014	2015	2Q '16
Operating Revenues			
Service revenue and other	\$ 116,122	\$ 114,696	\$ 55,045
Wireless equipment revenues	10,957	16,924	7,658
Total Operating Revenues	127,079	131,620	62,703
Operating Expenses			
Cost of services	28,306	29,438	15,191
Wireless cost of equipment	21,625	23,119	9,642
Selling, general & administrative expense	41,016	29,986	17,375
Depreciation and amortization expense	16,533	16,017	7,999
Total Operating Expenses	107,480	98,560	50,207
Operating Income	19,599	33,060	12,496
Equity in earnings (losses) of unconsolidated businesses	1,780	(86)	(40)
Other income and (expense), net	(1,194)	186	(1,794)
Interest expense	(4,915)	(4,920)	(2,201)
Income Before Provision for Income Taxes	15,270	28,240	8,461
Provision for income taxes	(3,314)	(9,865)	(3,200)
Net Income	\$ 11,956	\$ 18,375	\$ 5,261
Net income attributable to noncontrolling interests	\$ 2,331	\$ 496	\$ 249
Net income attributable to Verizon	9,625	17,879	5,012
Net Income	\$ 11,956	\$ 18,375	\$ 5,261
Basic Earnings per Common Share			
Net income attributable to Verizon	\$ 2.42	\$ 4.38	\$ 1.23
<i>Weighted average number of common shares (in millions)</i>	<i>3,974</i>	<i>4,085</i>	<i>4,080</i>
Diluted Earnings per Common Share ⁽¹⁾			
Net Income attributable to Verizon	\$ 2.42	\$ 4.37	\$ 1.23
<i>Weighted average number of common shares-assuming dilution (in millions)</i>	<i>3,981</i>	<i>4,093</i>	<i>4,085</i>

Notes:

(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

Unaudited	2014				2015				(dollars in millions, except per share amounts)	
	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	2016	
Operating Revenues										
Service revenue and other	\$ 29,107	\$ 28,970	\$ 28,611	\$ 28,363	\$ 28,866	\$ 28,856	\$ 28,217	\$ 26,828		
Wireless equipment revenues	2,479	4,222	3,373	3,861	4,292	5,398	3,954	3,704		
Total Operating Revenues	31,586	33,192	31,984	32,224	33,158	34,254	32,171	30,532		
Operating Expenses										
Cost of services	7,046	7,076	6,988	6,994	7,589	7,867	7,614	7,577		
Wireless cost of equipment	5,206	7,327	5,108	5,455	5,716	6,840	4,998	4,644		
Selling, general & administrative expense	8,277	16,857	7,939	7,974	8,309	5,764	7,600	9,775		
Depreciation and amortization expense	4,167	4,068	3,989	3,980	4,009	4,039	4,017	3,982		
Total Operating Expenses	24,696	35,328	24,024	24,403	25,623	24,510	24,229	25,978		
Operating Income (Loss)	6,890	(2,136)	7,960	7,821	7,535	9,744	7,942	4,554		
Equity in earnings (losses) of unconsolidated businesses	(48)	(31)	(34)	(18)	(18)	(16)	(20)	(20)		
Other income and (expense), net	71	(437)	75	32	51	28	32	(1,826)		
Interest expense	(1,255)	(1,282)	(1,332)	(1,208)	(1,202)	(1,178)	(1,188)	(1,013)		
Income (Loss) Before (Provision) Benefit for Income Taxes	5,658	(3,886)	6,669	6,627	6,366	8,578	6,766	1,695		
(Provision) Benefit for income taxes	(1,864)	1,738	(2,331)	(2,274)	(2,195)	(3,065)	(2,336)	(864)		
Net Income (Loss)	\$ 3,794	\$ (2,148)	\$ 4,338	\$ 4,353	\$ 4,171	\$ 5,513	\$ 4,430	\$ 831		
Net income attributable to noncontrolling interests	\$ 99	\$ 83	\$ 119	\$ 122	\$ 133	\$ 122	\$ 120	\$ 129		
Net income (loss) attributable to Verizon	3,695	(2,231)	4,219	4,231	4,038	5,391	4,310	702		
Net Income (Loss)	\$ 3,794	\$ (2,148)	\$ 4,338	\$ 4,353	\$ 4,171	\$ 5,513	\$ 4,430	\$ 831		
Basic Earnings (Loss) per Common Share										
Net Income (loss) attributable to Verizon	\$.89	\$ (.54)	\$ 1.03	\$ 1.04	\$.99	\$ 1.32	\$ 1.06	\$.17		
Weighted average number of common shares (in millions)	4,152	4,157	4,116	4,079	4,072	4,076	4,080	4,079		
Diluted Earnings (Loss) per Common Share ⁽¹⁾										
Net Income (loss) attributable to Verizon	\$.89	\$ (.54)	\$ 1.02	\$ 1.04	\$.99	\$ 1.32	\$ 1.06	\$.17		
Weighted average number of common shares- assuming dilution (in millions)	4,159	4,157	4,121	4,085	4,078	4,083	4,085	4,085		

Notes:

(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.

Non-Operational & Other Items

Unaudited	(Pre-tax dollars in millions)		
	2014	2015	2Q '16
Severance, Pension & Benefit Charges/(Credits)			
Operating expenses	\$ 7,507	\$ (2,256)	\$ 3,715
Gain on Spectrum License Transactions			
Selling, general & administrative expense	\$ (707)	\$ (254)	\$ (142)
Early Debt Redemption and Other Costs			
Cost of services and sales	\$ 27	\$ -	\$ -
Selling, general & administrative expense	307	-	-
Other income, net	1,461	-	1,822
Gain on Sale of Omnitel Interest			
Equity in earnings of unconsolidated businesses	\$ (1,924)	\$ -	\$ -
Wireless Transaction Costs			
Other income and (expense), net	\$ (4)	\$ -	\$ -
Interest expense	415	-	-
Gain on Sale of Divested Businesses			
Selling, general & administrative expense	-	-	\$ (1,007)
Impact of Divested Businesses			
Revenues	\$ 5,625	\$ 5,280	\$ 1,280
Cost of services and sales	2,004	1,852	482
Selling, general & administrative expense	574	522	137
Depreciation and amortization	1,026	88	-
Total Operating Expenses	\$ 3,604	\$ 2,462	\$ 619

Non-Operational & Other Items

(Pre-tax dollars in millions)

Unaudited	2014		2015				2016	
	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
Severance, Pension & Benefit Charges/(Credits)								
Operating expenses	\$ -	\$ 7,507	\$ -	\$ -	\$ 342	\$ (2,598)	\$ 165	\$ 3,550
Gain on Spectrum License Transactions								
Selling, general & administrative expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (254)	\$ (142)	\$ -
Early Debt Redemption and Other Costs								
Cost of services and sales	\$ -	\$ 27	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Selling, general & administrative expense	-	307	-	-	-	-	-	-
Other income, net	-	538	-	-	-	-	-	1,822
Gain on Sale of Divested Businesses								
Selling, general & administrative expense	-	-	-	-	-	-	-	\$ (1,007)
Impact of Divested Businesses								
Revenues	\$ 1,335	\$ 1,342	\$ 1,342	\$ 1,327	\$ 1,307	\$ 1,304	\$ 1,280	\$ -
Cost of services and sales	442	441	457	451	466	478	482	-
Selling, general & administrative expense	147	132	146	135	124	117	137	-
Depreciation and amortization	244	243	88	-	-	-	-	-
Total Operating Expenses	\$ 833	\$ 816	\$ 691	\$ 586	\$ 590	\$ 595	\$ 619	\$ -

Condensed Consolidated Balance Sheets

		(dollars in millions)		
Unaudited	12/31/14	12/31/15	6/30/2016	
Assets				
Current assets				
Cash and cash equivalents	\$ 10,598	\$ 4,470	\$ 2,857	
Short-term investments	555	350	-	
Accounts receivable, net	13,993	13,457	13,294	
Inventories	1,153	1,252	931	
Assets held for sale	552	792	317	
Prepaid expenses and other	2,685	2,034	3,445	
Total current assets	29,536	22,355	20,844	
Plant, property and equipment				
Less accumulated depreciation	230,508	220,163	225,756	
	140,561	136,622	142,584	
	89,947	83,541	83,172	
Investments in unconsolidated businesses				
	802	796	822	
Wireless licenses	75,341	86,575	86,981	
Goodwill	24,639	25,331	25,417	
Other intangible assets, net	5,359	7,592	7,399	
Non-current assets held for sale	-	10,267	-	
Deposit for wireless licenses	921	-	-	
Other assets	5,564	7,718	7,235	
Total Assets	\$ 232,109	\$ 244,175	\$ 231,870	
Liabilities and Equity				
Current liabilities				
Debt maturing within one year	\$ 2,735	\$ 6,489	\$ 6,803	
Accounts payable and accrued liabilities	16,680	19,362	19,090	
Liabilities related to assets held for sale	-	463	-	
Other	8,572	8,738	8,515	
Total current liabilities	27,987	35,052	34,408	
Long-term debt				
	110,029	103,240	92,922	
Employee benefit obligations	33,280	29,957	28,059	
Deferred income taxes	41,563	45,484	43,825	
Non-current liabilities related to assets held for sale	-	959	-	
Other liabilities	5,574	11,641	11,912	
Equity				
Common stock	424	424	424	
Contributed capital	11,155	11,196	11,192	
Reinvested earnings	2,447	11,246	11,652	
Accumulated other comprehensive income	1,111	550	2,847	
Common stock in treasury, at cost	(3,263)	(7,416)	(7,279)	
Deferred compensation - employee stock ownership plans and other	424	428	408	
Noncontrolling interests	1,378	1,414	1,500	
Total Equity	13,676	17,842	20,744	
Total Liabilities and Equity	\$ 232,109	\$ 244,175	\$ 231,870	

Verizon - Selected Financial and Operating Statistics

Unaudited	12/31/14	12/31/15	6/30/16
Total debt (\$M)	\$ 112,764	\$ 109,729	\$ 99,725
Net debt (\$M)	\$ 102,166	\$ 105,259	\$ 96,868
Net debt / Adjusted EBITDA ⁽¹⁾	2.5x	2.4x	2.2x
Common shares outstanding end of period (M)	4,155	4,073	4,076
Total employees ('000)	177.3	177.7	162.7
Cash dividends declared per common share	\$ 2.160	\$ 2.230	\$ 1.130

(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 the current period presentation.

Condensed Consolidated Balance Sheets

	(dollars in millions)							
Unaudited	9/30/14	12/31/14	3/31/15	6/30/15	9/30/15	12/31/15	3/31/16	6/30/2016
Assets								
Current assets								
Cash and cash equivalents	\$ 7,218	\$ 10,598	\$ 4,386	\$ 3,008	\$ 3,875	\$ 4,470	\$ 5,846	\$ 2,857
Short-term investments	635	555	547	309	306	350	-	-
Accounts receivable, net	13,283	13,993	12,698	13,444	13,105	13,457	12,485	13,294
Inventories	1,206	1,153	1,076	1,149	1,319	1,252	1,142	931
Assets held for sale	317	552	893	774	895	792	720	317
Prepaid expenses and other	1,977	2,685	3,171	2,757	2,236	2,034	3,498	3,445
Total current assets	24,636	29,536	22,771	21,441	21,736	22,355	23,691	20,844
Plant, property and equipment	230,452	230,508	210,389	213,661	216,674	220,163	222,669	225,756
Less accumulated depreciation	140,520	140,561	128,747	131,129	134,112	136,622	139,658	142,584
	89,932	89,947	81,642	82,532	82,562	83,541	83,011	83,172
Investments in unconsolidated businesses	818	802	762	794	779	796	821	822
Wireless licenses	75,303	75,341	75,693	86,321	86,331	86,575	86,830	86,981
Goodwill	24,617	24,639	23,303	25,429	25,124	25,331	25,364	25,417
Other intangible assets, net	5,464	5,359	5,357	7,507	7,717	7,592	7,456	7,399
Non-current assets held for sale	-	-	9,580	9,647	10,117	10,267	10,432	-
Deposit for wireless licenses	-	921	10,430	-	-	-	-	-
Other assets	4,909	5,564	5,680	6,519	7,171	7,718	6,982	7,235
Total Assets	\$ 225,679	\$ 232,109	\$ 235,218	\$ 240,190	\$ 241,537	\$ 244,175	\$ 244,587	\$ 231,870
Liabilities and Equity								
Current liabilities								
Debt maturing within one year	\$ 1,603	\$ 2,735	\$ 4,439	\$ 4,206	\$ 7,264	\$ 6,489	\$ 6,265	\$ 6,803
Accounts payable and accrued liabilities	17,055	16,680	15,189	16,953	17,721	19,362	18,118	19,090
Liabilities related to assets held for sale	-	-	572	457	461	463	452	-
Other	7,903	8,572	8,410	8,962	8,868	8,738	8,477	8,515
Total current liabilities	26,561	27,987	28,610	30,578	34,314	35,052	33,312	34,408
Long-term debt	107,148	110,029	108,452	108,978	104,583	103,240	103,615	92,922
Employee benefit obligations	25,770	33,280	33,010	32,711	32,962	29,957	29,665	28,059
Deferred income taxes	42,482	41,563	42,358	42,936	43,015	45,484	45,568	43,825
Non-current liabilities related to assets held for sale	-	-	943	942	940	959	974	-
Other liabilities	5,750	5,574	11,086	11,171	11,181	11,641	11,350	11,912
Equity								
Common stock	424	424	424	424	424	424	424	424
Contributed capital	11,089	11,155	10,391	11,167	11,184	11,196	11,191	11,192
Reinvested earnings (Accumulated deficit)	6,964	2,447	4,422	6,418	8,156	11,246	13,253	11,652
Accumulated other comprehensive income	1,175	1,111	916	821	600	550	459	2,847
Common stock in treasury, at cost	(3,465)	(3,263)	(7,093)	(7,741)	(7,604)	(7,416)	(7,279)	(7,279)
Deferred compensation - employee stock ownership plans and other	390	424	279	326	378	428	593	408
Noncontrolling interests	1,391	1,378	1,420	1,459	1,404	1,414	1,462	1,500
Total Equity	17,968	13,676	10,759	12,874	14,542	17,842	20,103	20,744
Total Liabilities and Equity	\$ 225,679	\$ 232,109	\$ 235,218	\$ 240,190	\$ 241,537	\$ 244,175	\$ 244,587	\$ 231,870

Verizon - Selected Financial and Operating Statistics

Unaudited	9/30/14	12/31/14	3/31/15	6/30/15	9/30/15	12/31/15	3/31/16	6/30/16
Total debt (\$M)	\$ 108,751	\$ 112,764	\$ 112,891	\$ 113,184	\$ 111,847	\$ 109,729	\$ 109,880	\$ 99,725
Net debt (\$M)	\$ 101,533	\$ 102,166	\$ 108,505	\$ 110,176	\$ 107,972	\$ 105,259	\$ 104,034	\$ 96,868
Net debt / Adjusted EBITDA				2.6x	2.5x	2.4x	2.4x	2.2x
Common shares outstanding end of period (M)	4,150	4,155	4,078	4,066	4,069	4,073	4,076	4,076
Total employees ('000)	178.5	177.3	176.2	178.5	177.9	177.7	173.3	162.7
Cash dividends declared per common share	\$.550	\$.550	\$.550	\$.550	\$.565	\$.565	\$.565	\$.565

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

Condensed Consolidated Statements of Cash Flows

	(dollars in millions)		
	12 Months Ended 12/31/14	12 Months Ended 12/31/15	6 Months Ended 6/30/2016
Unaudited			
Cash Flows From Operating Activities			
Net Income	\$ 11,956	\$ 18,375	\$ 5,261
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization expense	16,533	16,017	7,999
Employee retirement benefits	8,130	(1,747)	4,021
Deferred income taxes	(92)	3,516	(3,085)
Provision for uncollectible accounts	1,095	1,610	651
Equity in (earnings) losses of unconsolidated businesses, net of dividends received	(1,743)	127	58
Changes in current assets and liabilities, net of effects from acquisition/disposition of businesses	(2,160)	2,443	(1,067)
Other, net	(3,088)	(1,411)	(1,008)
Net cash provided by operating activities	30,631	38,930	12,830
Cash Flows From Investing Activities			
Capital expenditures (including capitalized software)	(17,191)	(17,775)	(7,273)
Acquisitions of investments and businesses, net of cash acquired	(182)	(3,545)	(178)
Acquisitions of wireless licenses	(354)	(9,942)	(282)
Proceeds from dispositions of wireless licenses	2,367	-	-
Proceeds from dispositions of businesses	120	48	9,882
Other, net	(616)	1,171	504
Net cash provided by (used in) investing activities	(15,856)	(30,043)	2,653
Cash Flows From Financing Activities			
Proceeds from long-term borrowings	30,967	6,667	-
Repayments of long-term borrowings and capital lease obligations	(17,669)	(9,340)	(11,300)
Decrease in short-term obligations, excluding current maturities	(475)	(344)	610
Dividends paid	(7,803)	(8,538)	(4,605)
Proceeds from sale of common stock	34	40	3
Purchase of common stock for treasury	-	(5,134)	-
Acquisition of noncontrolling interest	(58,886)	-	-
Other, net	(3,873)	1,634	(1,804)
Net cash used in financing activities	(57,705)	(15,015)	(17,096)
Decrease in cash and cash equivalents	(42,930)	(6,128)	(1,613)
Cash and cash equivalents, beginning of period	53,528	10,598	4,470
Cash and cash equivalents, end of period	\$ 10,598	\$ 4,470	\$ 2,857

Condensed Consolidated Statements of Cash Flows

	(dollars in millions)							
Unaudited	9 Months Ended 9/30/14	12 Months Ended 12/31/14	3 Months Ended 3/31/15	6 Months Ended 6/30/15	9 Months Ended 9/30/15	12 Months Ended 12/31/15	3 Months Ended 3/31/16	6 Months Ended 6/30/2016
Cash Flows From Operating Activities								
Net Income	\$ 14,104	\$ 11,956	\$ 4,338	\$ 8,691	\$ 12,862	\$ 18,375	\$ 4,430	\$ 5,261
Adjustments to reconcile net income to net cash provided by operating activities:								
Depreciation and amortization expense	12,465	16,533	3,989	7,969	11,978	16,017	4,017	7,999
Employee retirement benefits	843	8,130	284	561	1,184	(1,747)	356	4,021
Deferred income taxes	914	(92)	823	826	890	3,516	167	(3,085)
Provision for uncollectible accounts	684	1,095	383	744	1,136	1,610	353	651
Equity in (earnings) losses of unconsolidated businesses, net of dividends received	(1,785)	(1,743)	44	72	98	127	29	58
Changes in current assets and liabilities, net of effects from acquisition/disposition of businesses	(816)	(2,160)	(888)	416	1,443	2,443	(1,162)	(1,067)
Other, net	(3,252)	(3,088)	1,196	(373)	(1,165)	(1,411)	(771)	(1,008)
Net cash provided by operating activities	23,157	30,631	10,169	18,906	28,426	38,930	7,419	12,830
Cash Flows From Investing Activities								
Capital expenditures (including capitalized software)	(12,624)	(17,191)	(3,665)	(8,153)	(12,540)	(17,775)	(3,387)	(7,273)
Acquisitions of investments and businesses, net of cash acquired	(180)	(182)	(2)	(3,225)	(3,205)	(3,545)	(161)	(178)
Acquisitions of wireless licenses	(343)	(354)	(9,555)	(9,677)	(9,811)	(9,942)	(131)	(282)
Proceeds from dispositions of wireless licenses	2,367	2,367	-	-	-	-	-	-
Proceeds from dispositions of businesses	120	120	-	-	-	48	-	9,882
Other, net	230	(616)	46	884	960	1,171	243	504
Net cash provided by (used in) investing activities	(10,430)	(15,856)	(13,176)	(20,171)	(24,596)	(30,043)	(3,436)	2,653
Cash Flows From Financing Activities								
Proceeds from long-term borrowings	21,575	30,967	6,497	6,497	6,497	6,667	-	-
Repayments of long-term borrowings and capital lease obligations	(12,594)	(17,669)	(5,576)	(5,797)	(7,168)	(9,340)	(376)	(11,300)
Increase (decrease) in short-term obligations, excluding current maturities	(426)	(475)	482	(106)	(305)	(344)	(40)	610
Dividends paid	(5,653)	(7,803)	(2,153)	(4,266)	(6,373)	(8,538)	(2,302)	(4,605)
Proceeds from sale of common stock	34	34	-	-	31	40	3	3
Purchase of common stock for treasury	-	-	(5,000)	(5,074)	(5,134)	(5,134)	-	-
Acquisition of noncontrolling interest	(58,886)	(58,886)	-	-	-	-	-	-
Other, net	(3,087)	(3,873)	2,545	2,421	1,899	1,634	108	(1,804)
Net cash used in financing activities	(59,037)	(57,705)	(3,205)	(6,325)	(10,553)	(15,015)	(2,607)	(17,096)
Increase (decrease) in cash and cash equivalents	(46,310)	(42,930)	(6,212)	(7,590)	(6,723)	(6,128)	1,376	(1,613)
Cash and cash equivalents, beginning of period	53,528	53,528	10,598	10,598	10,598	10,598	4,470	4,470
Cash and cash equivalents, end of period	\$ 7,218	\$ 10,598	\$ 4,386	\$ 3,008	\$ 3,875	\$ 4,470	\$ 5,846	\$ 2,857



Wireless

Wireless - Selected Financial Results

Unaudited	2014		2015				(dollars in millions) 2016	
	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
Operating Revenues								
Service	\$ 18,356	\$ 18,209	\$ 17,914	\$ 17,689	\$ 17,598	\$ 17,195	\$ 16,809	\$ 16,741
Equipment	2,480	4,222	3,373	3,861	4,292	5,398	3,954	3,704
Other	999	1,018	1,041	1,063	1,115	1,141	1,241	1,259
Total Operating Revenues	21,835	23,449	22,328	22,613	23,005	23,734	22,004	21,704
Operating Expenses								
Cost of services	1,837	1,857	1,851	1,948	2,010	1,994	1,942	1,984
Cost of equipment	5,206	7,327	5,108	5,455	5,716	6,840	4,998	4,644
Selling, general & administrative expense	5,698	6,611	5,369	5,289	5,351	5,796	4,891	4,777
Depreciation and amortization expense	2,139	2,152	2,190	2,225	2,260	2,305	2,293	2,282
Total Operating Expenses	14,880	17,947	14,518	14,917	15,337	16,935	14,124	13,687
Operating Income	\$ 6,955	\$ 5,502	\$ 7,810	\$ 7,696	\$ 7,668	\$ 6,799	\$ 7,880	\$ 8,017
Operating Income Margin	31.9%	23.5%	35.0%	34.0%	33.3%	28.6%	35.8%	36.9%
Segment EBITDA	\$ 9,094	\$ 7,654	\$ 10,000	\$ 9,921	\$ 9,928	\$ 9,104	\$ 10,173	\$ 10,299
Segment EBITDA Margin	41.6%	32.6%	44.8%	43.9%	43.2%	38.4%	46.2%	47.5%

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	2014		2015				2016	
	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
Connections ('000)								
Retail postpaid	100,103	102,079	102,637	103,731	105,023	106,528	107,171	107,780
Retail prepaid	6,053	6,132	5,945	5,817	5,737	5,580	5,402	5,374
Retail	106,156	108,211	108,582	109,548	110,760	112,108	112,573	113,154
Net Add Detail ('000) ⁽¹⁾								
Retail postpaid	1,516	1,986	565	1,134	1,289	1,519	640	615
Retail prepaid	9	81	(188)	(126)	(80)	(157)	(177)	(30)
Retail	1,525	2,067	377	1,008	1,209	1,362	463	585
Account Statistics								
Retail postpaid accounts ('000)	35,435	35,616	35,516	35,560	35,677	35,736	35,720	35,637
Retail postpaid connections per account	2.82	2.87	2.89	2.92	2.94	2.98	3.00	3.02
Retail postpaid ARPA ⁽³⁾	\$ 161.24	\$ 158.82	\$ 156.14	\$ 153.73	\$ 152.38	\$ 148.30	\$ 145.34	\$ 145.09
Retail postpaid I-ARPA ⁽⁴⁾	\$ 163.93	\$ 162.98	\$ 162.78	\$ 163.01	\$ 164.31	\$ 164.40	\$ 165.03	\$ 167.18
Churn Detail								
Retail postpaid	1.00%	1.14%	1.03%	0.90%	0.93%	0.96%	0.96%	0.94%
Retail	1.29%	1.39%	1.33%	1.18%	1.21%	1.23%	1.23%	1.19%
Retail Postpaid Connection Statistics								
Total Smartphone postpaid % of phones activated	91.0%	93.6%	91.4%	91.7%	91.3%	93.7%	92.5%	92.1%
Total Smartphone postpaid phone base ⁽²⁾	76.5%	78.6%	79.9%	81.2%	82.4%	83.7%	84.7%	85.5%
Total Internet postpaid base ⁽²⁾	13.1%	14.1%	14.8%	15.4%	16.0%	16.8%	17.3%	17.7%
4G LTE devices as % of retail postpaid connections	59.3%	66.0%	69.9%	73.3%	76.2%	79.2%	81.1%	82.5%
Other Operating Statistics								
Capital expenditures (\$M)	\$ 2,483	\$ 2,707	\$ 2,419	\$ 3,126	\$ 2,921	\$ 3,259	\$ 2,190	\$ 2,815

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 accounts 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

Wireline - Selected Financial Results

	(dollars in millions)							
	2014		2015				2016	
Unaudited	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
Operating Revenues								
Consumer retail	\$ 3,053	\$ 3,114	\$ 3,128	\$ 3,174	\$ 3,168	\$ 3,226	\$ 3,180	\$ 3,165
Small business	456	449	445	441	434	424	422	408
Mass Markets	3,509	3,563	3,573	3,615	3,602	3,650	3,602	3,573
Global Enterprise	3,163	3,151	3,047	3,007	2,988	3,008	2,956	2,907
Global Wholesale	1,363	1,318	1,339	1,310	1,289	1,325	1,283	1,256
Other	140	116	91	81	88	81	82	87
Total Operating Revenues	8,175	8,148	8,050	8,013	7,967	8,064	7,923	7,823
Operating Expenses								
Cost of services	4,845	4,844	4,785	4,704	4,695	4,632	4,644	5,107
Selling, general & administrative expense	1,848	1,742	1,838	1,813	1,770	1,835	1,770	1,617
Depreciation and amortization expense	1,724	1,614	1,647	1,695	1,611	1,590	1,576	1,562
Total Operating Expenses	8,417	8,200	8,270	8,212	8,076	8,057	7,990	8,286
Operating Income (Loss)	(242)	(52)	(220)	(199)	(109)	7	(67)	\$ (463)
Operating Income (Loss) Margin	(3.0)%	(0.6)%	(2.7)%	(2.5)%	(1.4)%	0.1%	(0.8)%	(5.9)%
Segment EBITDA	\$ 1,482	\$ 1,562	\$ 1,427	\$ 1,496	\$ 1,502	\$ 1,597	\$ 1,509	\$ 1,099
Segment EBITDA Margin	18.1%	19.2%	17.7%	18.7%	18.9%	19.8%	19.0%	14.0%

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.

Certain reclassifications have been made to prior periods to conform to the current period.

Intersegment transactions have not been eliminated.

Wireline - Selected Operating Statistics

Unaudited	2014		2015				2016	
	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
Connections ('000)								
Fios Video Subscribers	4,352	4,453	4,535	4,565	4,610	4,635	4,678	4,637
Fios Internet Subscribers	4,946	5,068	5,178	5,240	5,336	5,418	5,508	5,495
Fios Digital Voice residence connections	3,651	3,727	3,784	3,788	3,829	3,872	3,917	3,879
Fios Digital connections	12,949	13,248	13,497	13,593	13,775	13,925	14,103	14,011
HSI	2,023	1,956	1,891	1,820	1,738	1,667	1,589	1,519
Total Broadband connections	6,969	7,024	7,069	7,060	7,074	7,085	7,097	7,014
Primary residence switched access connections	4,566	4,415	4,264	4,113	3,951	3,799	3,643	3,501
Primary residence connections	8,217	8,142	8,048	7,901	7,780	7,671	7,560	7,380
Total retail residence voice connections	8,565	8,475	8,368	8,209	8,072	7,949	7,824	7,634
Total voice connections	16,375	16,140	15,897	15,586	15,324	15,035	14,781	14,476
Net Add Detail ('000)								
Fios Video Subscribers	100	101	82	30	45	25	43	(41)
Fios Internet Subscribers	128	122	110	62	96	82	90	(13)
Fios Digital Voice residence connections	66	76	57	4	41	43	45	(38)
Fios Digital connections	294	299	249	96	182	150	178	(92)
HSI	(68)	(67)	(65)	(71)	(82)	(71)	(78)	(70)
Total Broadband connections	60	55	45	(9)	14	11	12	(83)
Primary residence switched access connections	(164)	(151)	(151)	(151)	(162)	(152)	(156)	(142)
Primary residence connections	(98)	(75)	(94)	(147)	(121)	(109)	(111)	(180)
Total retail residence voice connections	(114)	(90)	(107)	(159)	(137)	(123)	(125)	(190)
Total voice connections	(238)	(235)	(243)	(311)	(262)	(289)	(254)	(305)
Revenue Statistics								
Fios revenues (\$M)	\$ 2,478	\$ 2,562	\$ 2,602	\$ 2,678	\$ 2,689	\$ 2,770	\$ 2,761	\$ 2,776
Other Operating Statistics								
Capital expenditures (\$M)	\$ 1,464	\$ 1,556	\$ 1,077	\$ 1,134	\$ 1,202	\$ 1,636	\$ 1,006	\$ 814
Wireline employees (K)	68.8	66.5	65.3	62.8	61.8	61.0	59.5	59.3
Fios Video Open for Sale (K)	12,372	12,536	12,681	12,863	13,024	13,196	13,366	13,400
Fios Video penetration	35.2%	35.5%	35.8%	35.5%	35.4%	35.1%	35.0%	34.6%
Fios Internet Open for Sale (K)	12,671	12,825	12,970	13,154	13,317	13,491	13,661	13,696
Fios Internet penetration	39.0%	39.5%	39.9%	39.8%	40.1%	40.2%	40.3%	40.1%

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.

Certain reclassifications have been made to prior periods to conform to the current period.

Intersegment transactions have not been eliminated.



Non-GAAP Reconciliations

As of June 30, 2016

Definitions – Non-GAAP Measures

Non-GAAP Measures

Verizon's financial information was prepared in conformity with generally accepted accounting principles (GAAP) as well as on 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. Management believes that non-GAAP measures provide relevant and useful information, which is used by investors and other users of our financial information as well as by our management in assessing both consolidated and segment performance. The non-GAAP financial information presented may be determined or calculated differently by other companies.

Consolidated Operating Revenues Excluding AOL and Divested Businesses

Verizon consolidated operating revenues excluding AOL and Divested Businesses 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 since AOL was acquired on June 23, 2015 and the sale of local landline businesses in California, Florida and Texas (Divested Businesses) was completed on April 1, 2016.

Consolidated operating revenues excluding AOL and Divested Businesses is calculated by subtracting the operating revenues from AOL and the operating revenues from the Divested Businesses from consolidated operating revenues.

EBITDA and EBITDA Margin

Verizon consolidated earnings before interest, taxes, depreciation and amortization (Consolidated EBITDA), consolidated EBITDA margin, Segment EBITDA, and Segment EBITDA margin are non-GAAP financial measures and we believe these measures 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.

Verizon consolidated adjusted EBITDA (Consolidated Adjusted EBITDA) and Consolidated Adjusted EBITDA margin are non-GAAP financial measures and we believe these measures 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. Management believes Consolidated Adjusted EBITDA and Consolidated Adjusted EBITDA margin are widely 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 impact of Divested Businesses enables comparability to prior period performance and trend analysis. Adjusted EBITDA is also used by rating agencies, lenders and other parties to evaluate our creditworthiness.

Consolidated EBITDA is calculated by adding back interest, taxes, depreciation and amortization expense, equity in losses of unconsolidated businesses and other income, net to net income. Consolidated EBITDA margin is calculated by dividing Consolidated EBITDA by consolidated operating revenues.

Consolidated Adjusted EBITDA is calculated by excluding from Consolidated EBITDA the effect of (1) non-operational items such as actuarial gains or losses arising from the remeasurements of pension and other postretirement benefits, gain on sale of Divested Businesses and net gain on spectrum license transactions; and (2) the impact of Divested Businesses. Actuarial gains or losses as a result of the remeasurements of pension and other postretirement benefits are included in our operating expenses and are measured based on projected discount rates and estimated returns on plan assets. Such estimates are updated at least annually at the end of the fiscal year to reflect actual discount rates and returns on plan assets or more frequently if significant events arise which require an interim remeasurement. Management believes the exclusion of these remeasurement gains or losses enables 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.

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.

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.

Free cash flow is calculated by subtracting capital expenditures from net cash provided by operating activities.

The management believes it is a more conservative measure of cash flow since purchases of fixed assets 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.

Net Debt and the Net Debt to Consolidated Adjusted EBITDA Ratio

Net Debt and Net Debt to Consolidated Adjusted EBITDA Ratio are non-GAAP financial measures that management believes are useful to 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. For purposes of Net Debt to Consolidated Adjusted EBITDA Ratio, Consolidated Adjusted EBITDA is calculated for the last twelve months.

Adjusted Earnings per Common Share (Adjusted EPS)

Adjusted Earnings per Common Share (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 non-operational items. We believe that excluding non-operational items provides more meaningful comparisons of our financial results from period to period.

Adjusted EPS is calculated by excluding the effect of non-operational items such as actuarial gains or losses arising from the remeasurements of pension and other postretirement benefits, early debt redemption costs, and gain on sale of Divested Businesses from the calculation of reported EPS.

Consolidated Non-GAAP Reconciliations

Unaudited	(dollars in millions)	
	3 Months Ended 6/30/15	3 Months Ended 6/30/16
Consolidated Operating Revenues Excluding AOL and Divested Businesses		
Consolidated Operating Revenues	\$ 32,224	\$ 30,532
Less: Operating revenues from Divested Businesses	1,327	-
Less: AOL operating revenues	-	713
Consolidated Operating Revenues Excluding AOL and Divested Businesses	\$ 30,897	\$ 29,819
Year over Year Change		(3.5%)

Unaudited	(dollars in millions)							
	3 Months Ended 9/30/14	3 Months Ended 12/31/14	3 Months Ended 3/31/15	3 Months Ended 6/30/15	3 Months Ended 9/30/15	3 Months Ended 12/31/15	3 Months Ended 3/31/16	3 Months Ended 6/30/16
Consolidated EBITDA , Consolidated Adjusted EBITDA and Consolidated Adjusted EBITDA Margin								
Verizon Consolidated EBITDA								
Consolidated net income (loss)	\$ 3,794	\$ (2,148)	\$ 4,338	\$ 4,353	\$ 4,171	\$ 5,513	\$ 4,430	\$ 831
Add/Subtract non-operating items:								
Provision (Benefit) for income taxes	1,864	(1,738)	2,331	2,274	2,195	3,065	2,336	864
Interest expense	1,255	1,282	1,332	1,208	1,202	1,178	1,188	1,013
Other (income) and expense, net	(71)	437	(75)	(32)	(51)	(28)	(32)	1,826
Equity in losses of unconsolidated businesses	48	31	34	18	18	16	20	20
Operating Income (Loss)	6,890	(2,136)	7,960	7,821	7,535	9,744	7,942	4,554
Add: Depreciation and amortization expense	4,167	4,068	3,989	3,980	4,009	4,039	4,017	3,982
Consolidated EBITDA	\$ 11,057	\$ 1,932	\$ 11,949	\$ 11,801	\$ 11,544	\$ 13,783	\$ 11,959	\$ 8,536
Add/Subtract non-operational items (before tax):								
Severance, pension & benefit charges (credits)	-	7,507	-	-	342	(2,598)	165	3,550
Gain on spectrum license transactions	-	-	-	-	-	(254)	(142)	-
Divested Businesses	(746)	(769)	(739)	(741)	(717)	(709)	(661)	-
Gain sale of Divested Businesses	-	-	-	-	-	-	-	(1,007)
Other non-operational costs	-	334	-	-	-	-	-	-
	(746)	7,072	(739)	(741)	(375)	(3,561)	(638)	2,543
Consolidated Adjusted EBITDA	\$ 10,311	\$ 9,004	\$ 11,210	\$ 11,060	\$ 11,169	\$ 10,222	\$ 11,321	\$ 11,079
Consolidated Adjusted EBITDA Margin								36.3%

Unaudited	(dollars in millions)							
	9/30/14	12/31/14	3/31/15	6/30/15	9/30/15	12/31/15	3/31/16	6/30/16
Net Debt and Net Debt to Consolidated Adjusted EBITDA Ratio								
Net Debt								
Debt maturing within one year	\$ 1,603	\$ 2,735	\$ 4,439	\$ 4,206	\$ 7,264	\$ 6,489	\$ 6,265	\$ 6,803
Long-term debt	107,148	110,029	108,452	108,978	104,583	103,240	103,615	92,922
Total Debt	108,751	112,764	112,891	113,184	111,847	109,729	109,880	99,725
Less: Cash and cash equivalents	7,218	10,598	4,386	3,008	3,875	4,470	5,846	2,857
Net Debt	\$ 101,533	\$ 102,166	\$ 108,505	\$ 110,176	\$ 107,972	\$ 105,259	\$ 104,034	\$ 96,868
Net Debt to Consolidated Adjusted EBITDA Ratio				2.7x	2.5x	2.4x	2.4x	2.2x

Earnings Per Share Non-GAAP Reconciliations

(dollars in millions except EPS)

Unaudited

**3 Months
Ended
6/30/16**

Adjusted Earnings Per Common Share (Adjusted EPS)

	Pre-tax	Tax	After-Tax		
EPS				\$	0.17
Pension and benefit remeasurements	\$ 3,550	\$ (1,361)	\$ 2,189		0.54
Gain on sale of Divested Businesses	(1,007)	868	(139)		(0.03)
Early debt redemption costs ⁽¹⁾	1,822	(718)	1,104		0.27
	<u>\$ 4,365</u>	<u>\$ (1,211)</u>	<u>\$ 3,154</u>		0.77
Adjusted EPS⁽²⁾				\$	0.94

(1) includes costs related to debt tender offers

(2) EPS may not add due to rounding

Free Cash Flow Non-GAAP Reconciliations

(dollars in millions)

	3 Months Ended 3/31/16	3 Months Ended 6/30/16	6 Months Ended 6/30/16
Free Cash Flow			
Net cash provided by operating activities	\$ 7,419	\$ 5,411	\$ 12,830
Less: Capital expenditures	3,387	3,886	7,273
Free Cash Flow	\$ 4,032	\$ 1,525	\$ 5,557

Wireless Non-GAAP Reconciliations

(dollars in millions)								
Unaudited	3 Months Ended 9/30/14	3 Months Ended 12/31/14	3 Months Ended 3/31/15	3 Months Ended 6/30/15	3 Months Ended 9/30/15	3 Months Ended 12/31/15	3 Months Ended 3/31/16	3 Months Ended 6/30/16
Wireless Segment EBITDA and EBITDA Margin								
Operating Income	\$ 6,955	\$ 5,502	\$ 7,810	\$ 7,696	\$ 7,668	\$ 6,799	\$ 7,880	\$ 8,017
Add: Depreciation and amortization expense	2,139	2,152	2,190	2,225	2,260	2,305	2,293	2,282
Segment EBITDA	\$ 9,094	\$ 7,654	\$ 10,000	\$ 9,921	\$ 9,928	\$ 9,104	\$ 10,173	\$ 10,299
Operating revenues	\$ 21,835	\$ 23,449	\$ 22,328	\$ 22,613	\$ 23,005	\$ 23,734	\$ 22,004	\$ 21,704
Operating Income Margin	31.9%	23.5%	35.0%	34.0%	33.3%	28.6%	35.8%	36.9%
Segment EBITDA Margin	41.6%	32.6%	44.8%	43.9%	43.2%	38.4%	46.2%	47.5%

Wireline Non-GAAP Reconciliations

(dollars in millions)								
Unaudited	3 Months Ended 9/30/14	3 Months Ended 12/31/14	3 Months Ended 3/31/15	3 Months Ended 6/30/15	3 Months Ended 9/30/15	3 Months Ended 12/31/15	3 Months Ended 3/31/16	3 Months Ended 6/30/16
Wireline Segment EBITDA and EBITDA Margin								
Operating Income/(Loss)	\$ (242)	\$ (52)	\$ (220)	\$ (199)	\$ (109)	\$ 7	\$ (67)	\$ (463)
Add: Depreciation and amortization expense	1,724	1,614	1,647	1,695	1,611	1,590	1,576	1,562
Segment EBITDA	\$ 1,482	\$ 1,562	\$ 1,427	\$ 1,496	\$ 1,502	\$ 1,597	\$ 1,509	\$ 1,099
Operating revenues	\$ 8,175	\$ 8,148	\$ 8,050	\$ 8,013	\$ 7,967	\$ 8,064	\$ 7,923	\$ 7,823
Operating Income Margin	(3.0)%	(0.6)%	(2.7)%	(2.5)%	(1.4)%	0.1%	(0.8)%	(5.9)%
Segment EBITDA Margin	18.1%	19.2%	17.7%	18.7%	18.9%	19.8%	19.0%	14.0%