

Condensed Consolidated Statements of Income

(dollars in millions, except per share amounts)

Unaudited	3 Mos. Ended 9/30/18	3 Mos. Ended 9/30/17	% Change	9 Mos. Ended 9/30/18	9 Mos. Ended 9/30/17	% Change
Operating Revenues						
Service revenues and other	\$ 27,254	\$ 27,365	(0.4)	\$ 81,145	\$ 79,665	1.9
Wireless equipment revenues	5,353	4,352	23.0	15,437	12,414	24.4
Total Operating Revenues	32,607	31,717	2.8	96,582	92,079	4.9
Operating Expenses						
Cost of services	7,842	8,009	(2.1)	24,022	22,697	5.8
Wireless cost of equipment	5,489	4,965	10.6	16,195	14,808	9.4
Selling, general and administrative expense	7,224	7,483	(3.5)	21,673	20,112	7.8
Depreciation and amortization expense	4,377	4,272	2.5	13,051	12,498	4.4
Total Operating Expenses	24,932	24,729	0.8	74,941	70,115	6.9
Operating Income	7,675	6,988	9.8	21,641	21,964	(1.5)
Equity in losses of unconsolidated businesses	(3)	(22)	(86.4)	(250)	(71)	*
Other income (expense), net	214	(291)	*	499	(719)	*
Interest expense	(1,211)	(1,164)	4.0	(3,634)	(3,514)	3.4
Income Before Provision For Income Taxes	6,675	5,511	21.1	18,256	17,660	3.4
Provision for income taxes	(1,613)	(1,775)	(9.1)	(4,282)	(5,893)	(27.3)
Net Income	\$ 5,062	\$ 3,736	35.5	\$ 13,974	\$ 11,767	18.8
Net income attributable to noncontrolling interests	\$ 138	\$ 116	19.0	\$ 385	\$ 335	14.9
Net income attributable to Verizon	4,924	3,620	36.0	13,589	11,432	18.9
Net Income	\$ 5,062	\$ 3,736	35.5	\$ 13,974	\$ 11,767	18.8
Basic Earnings Per Common Share						
Net income attributable to Verizon	\$ 1.19	\$ 0.89	33.7	\$ 3.29	\$ 2.80	17.5
<i>Weighted average number of common shares (in millions)</i>	<i>4,136</i>	<i>4,084</i>		<i>4,125</i>	<i>4,083</i>	
Diluted Earnings Per Common Share ⁽¹⁾						
Net income attributable to Verizon	\$ 1.19	\$ 0.89	33.7	\$ 3.29	\$ 2.80	17.5
<i>Weighted average number of common shares-assuming dilution (in millions)</i>	<i>4,140</i>	<i>4,089</i>		<i>4,129</i>	<i>4,088</i>	

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	9/30/18	12/31/17	\$ Change
Assets			
Current assets			
Cash and cash equivalents	\$ 2,538	\$ 2,079	\$ 459
Accounts receivable, net	24,012	23,493	519
Inventories	1,270	1,034	236
Prepaid expenses and other	5,334	3,307	2,027
Total current assets	33,154	29,913	3,241
Property, plant and equipment	252,030	246,498	5,532
Less accumulated depreciation	164,566	157,930	6,636
Property, plant and equipment, net	87,464	88,568	(1,104)
Investments in unconsolidated businesses	732	1,039	(307)
Wireless licenses	94,006	88,417	5,589
Goodwill	29,200	29,172	28
Other intangible assets, net	9,731	10,247	(516)
Other assets	11,275	9,787	1,488
Total assets	\$ 265,562	\$ 257,143	\$ 8,419
Liabilities and Equity			
Current liabilities			
Debt maturing within one year	\$ 6,502	\$ 3,453	\$ 3,049
Accounts payable and accrued liabilities	19,342	21,232	(1,890)
Other current liabilities	8,323	8,352	(29)
Total current liabilities	34,167	33,037	1,130
Long-term debt	106,440	113,642	(7,202)
Employee benefit obligations	19,660	22,112	(2,452)
Deferred income taxes	35,712	31,232	4,480
Other liabilities	13,496	12,433	1,063
Total long-term liabilities	175,308	179,419	(4,111)
Equity			
Common stock	429	424	5
Additional paid in capital	13,436	11,101	2,335
Retained earnings	44,091	35,635	8,456
Accumulated other comprehensive income	3,201	2,659	542
Common stock in treasury, at cost	(6,987)	(7,139)	152
Deferred compensation – employee stock ownership plans and other	325	416	(91)
Noncontrolling interests	1,592	1,591	1
Total equity	56,087	44,687	11,400
Total liabilities and equity	\$ 265,562	\$ 257,143	\$ 8,419

Verizon - Selected Financial and Operating Statistics

Unaudited	9/30/18	12/31/17
Total debt (in millions)	\$ 112,942	\$ 117,095
Net debt (in millions)	\$ 110,404	\$ 115,016
Net debt / Consolidated Adjusted EBITDA ⁽¹⁾	2.4x	2.6x
Common shares outstanding end of period (in millions)	4,132	4,079
Total employees ('000)	152.3	155.4
Quarterly cash dividends declared per common share	\$ 0.6025	\$ 0.5900

Footnotes:

(1) Consolidated adjusted EBITDA excludes the effects of non-operational items, special items and operating results of divested businesses.

Condensed Consolidated Statements of Cash Flows

(dollars in millions)

Unaudited	9 Mos. Ended 9/30/18	9 Mos. Ended 9/30/17	\$ Change
Cash Flows from Operating Activities			
Net Income	\$ 13,974	\$ 11,767	\$ 2,207
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization expense	13,051	12,498	553
Employee retirement benefits	(886)	(334)	(552)
Deferred income taxes	2,023	2,577	(554)
Provision for uncollectible accounts	699	842	(143)
Equity in losses of unconsolidated businesses, net of dividends received	291	100	191
Net gain on sale of divested businesses	—	(1,774)	1,774
Changes in current assets and liabilities, net of effects from acquisition/disposition of businesses	(1,944)	(6,257)	4,313
Discretionary employee benefits contributions	(1,679)	(3,411)	1,732
Other, net	715	467	248
Net cash provided by operating activities	<u>26,244</u>	<u>16,475</u>	<u>9,769</u>
Cash Flows from Investing Activities			
Capital expenditures (including capitalized software)	(12,026)	(11,282)	(744)
Acquisitions of businesses, net of cash acquired	(39)	(6,247)	6,208
Acquisitions of wireless licenses	(1,307)	(469)	(838)
Proceeds from dispositions of businesses	—	3,614	(3,614)
Other, net	236	1,397	(1,161)
Net cash used in investing activities	<u>(13,136)</u>	<u>(12,987)</u>	<u>(149)</u>
Cash Flows from Financing Activities			
Proceeds from long-term borrowings	5,932	21,915	(15,983)
Proceeds from asset-backed long-term borrowings	3,216	2,878	338
Repayments of long-term borrowings and capital lease obligations	(9,776)	(16,457)	6,681
Repayments of asset-backed long-term borrowings	(2,915)	—	(2,915)
Dividends paid	(7,283)	(7,067)	(216)
Other, net	(1,595)	(2,866)	1,271
Net cash used in financing activities	<u>(12,421)</u>	<u>(1,597)</u>	<u>(10,824)</u>
Increase in cash, cash equivalents and restricted cash	687	1,891	(1,204)
Cash, cash equivalents and restricted cash, beginning of period	<u>2,888</u>	<u>3,177</u>	<u>(289)</u>
Cash, cash equivalents and restricted cash, end of period	<u>\$ 3,575</u>	<u>\$ 5,068</u>	<u>\$ (1,493)</u>

Footnotes:

Certain amounts have been reclassified to conform to the current period presentation.

Wireless - Selected Financial Results

(dollars in millions)

Unaudited	3 Mos. Ended 9/30/18	3 Mos. Ended 9/30/17	% Change	9 Mos. Ended 9/30/18	9 Mos. Ended 9/30/17	% Change
Operating Revenues						
Service	\$ 15,966	\$ 15,841	0.8	\$ 47,122	\$ 47,241	(0.3)
Equipment	5,353	4,352	23.0	15,437	12,414	24.4
Other	1,654	1,387	19.3	4,763	4,085	16.6
Total Operating Revenues	22,973	21,580	6.5	67,322	63,740	5.6
Operating Expenses						
Cost of services	2,350	2,270	3.5	6,900	6,676	3.4
Cost of equipment	5,489	4,965	10.6	16,195	14,808	9.4
Selling, general and administrative expense	4,169	4,376	(4.7)	12,052	13,116	(8.1)
Depreciation and amortization expense	2,454	2,366	3.7	7,341	7,051	4.1
Total Operating Expenses	14,462	13,977	3.5	42,488	41,651	2.0
Operating Income	\$ 8,511	\$ 7,603	11.9	\$ 24,834	\$ 22,089	12.4
Operating Income Margin	37.0 %	35.2 %		36.9 %	34.7 %	
Segment EBITDA	\$ 10,965	\$ 9,969	10.0	\$ 32,175	\$ 29,140	10.4
Segment EBITDA Margin	47.7 %	46.2 %		47.8 %	45.7 %	

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 business unit performance.

Intersegment transactions have not been eliminated.

Wireless - Selected Operating Statistics

Unaudited	9/30/18	9/30/17	% Change
Connections ('000)			
Retail postpaid	112,135	109,686	2.2
Retail prepaid	4,736	5,588	(15.2)
Total retail	116,871	115,274	1.4

Unaudited	3 Mos. Ended 9/30/18	3 Mos. Ended 9/30/17	% Change	9 Mos. Ended 9/30/18	9 Mos. Ended 9/30/17	% Change
Net Add Detail ('000) ⁽¹⁾						
Retail postpaid	515	603	(14.6)	1,306	910	43.5
Retail prepaid	(96)	139	*	(667)	141	*
Total retail	419	742	(43.5)	639	1,051	(39.2)

Account Statistics

Retail postpaid accounts ('000) ⁽²⁾				35,309	35,364	(0.2)
Retail postpaid connections per account ⁽²⁾				3.18	3.10	2.6
Retail postpaid ARPA ^{(3) (5)}	\$ 136.58	\$ 136.31	0.2	\$ 134.28	\$ 136.06	(1.3)
Retail postpaid I-ARPA ^{(4) (5)}	\$ 170.92	\$ 166.98	2.4	\$ 167.98	\$ 165.98	1.2

Churn Detail

Retail postpaid	1.04 %	0.97 %		1.02 %	1.02 %	
Retail	1.22 %	1.19 %		1.23 %	1.25 %	

Retail Postpaid Connection Statistics ⁽²⁾

Total smartphone postpaid phone base	91.7 %	89.4 %	
Total Internet postpaid base	19.4 %	18.6 %	

Other Operating Statistics

Capital expenditures (in millions)	\$ 2,127	\$ 2,652	(19.8)	\$ 6,144	\$ 6,927	(11.3)
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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.
- (5) ARPA and I-ARPA for periods beginning after January 1, 2018 reflect the adoption of Accounting Standard Update 2014-09, "Revenue from Contracts with Customers (Topic 606)". ARPA and I-ARPA for periods ending prior to January 1, 2018 were calculated based on the guidance per ASC Topic 605, "Revenue Recognition". Accordingly, amounts are not calculated on a comparative basis.

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 business unit performance.

Intersegment transactions have not been eliminated.

* Not meaningful

Wireline - Selected Financial Results

(dollars in millions)

Unaudited	3 Mos. Ended 9/30/18	3 Mos. Ended 9/30/17	% Change	9 Mos. Ended 9/30/18	9 Mos. Ended 9/30/17	% Change
Operating Revenues						
Consumer Markets	\$ 3,138	\$ 3,204	(2.1)	\$ 9,420	\$ 9,589	(1.8)
Enterprise Solutions	2,172	2,262	(4.0)	6,623	6,882	(3.8)
Partner Solutions	1,166	1,244	(6.3)	3,594	3,708	(3.1)
Business Markets	840	903	(7.0)	2,561	2,700	(5.1)
Other	55	49	12.2	189	184	2.7
Total Operating Revenues	7,371	7,662	(3.8)	22,387	23,063	(2.9)
Operating Expenses						
Cost of services	4,371	4,496	(2.8)	13,223	13,457	(1.7)
Selling, general and administrative expense	1,498	1,552	(3.5)	4,554	4,716	(3.4)
Depreciation and amortization expense	1,552	1,549	0.2	4,610	4,572	0.8
Total Operating Expenses	7,421	7,597	(2.3)	22,387	22,745	(1.6)
Operating Income (Loss)	\$ (50)	\$ 65	*	\$ —	\$ 318	*
Operating Income (Loss) Margin	(0.7)%	0.8 %		0.0 %	1.4 %	
Segment EBITDA	\$ 1,502	\$ 1,614	(6.9)	\$ 4,610	\$ 4,890	(5.7)
Segment EBITDA Margin	20.4 %	21.1 %		20.6 %	21.2 %	

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 business unit performance.

Intersegment transactions have not been eliminated.

* Not meaningful

Wireline - Selected Operating Statistics

Unaudited	9/30/18	9/30/17	% Change
Connections ('000)			
Fios video connections	4,497	4,648	(3.2)
Fios Internet connections	6,013	5,803	3.6
Fios digital voice residence connections	3,833	3,920	(2.2)
Fios digital connections	14,343	14,371	(0.2)
High-speed Internet (HSI) connections	945	1,175	(19.6)
Total broadband connections	6,958	6,978	(0.3)
Total voice connections	12,009	13,100	(8.3)

Unaudited	3 Mos. Ended 9/30/18	3 Mos. Ended 9/30/17	% Change	9 Mos. Ended 9/30/18	9 Mos. Ended 9/30/17	% Change
Net Add Detail ('000)						
Fios video connections	(63)	(18)	*	(122)	(46)	*
Fios Internet connections	54	66	(18.2)	163	150	8.7
Fios digital voice residence connections	(30)	11	*	(72)	25	*
Fios digital connections	(39)	59	*	(31)	129	*
High-speed Internet (HSI) connections	(52)	(76)	31.6	(164)	(210)	21.9
Total broadband connections	2	(10)	*	(1)	(60)	98.3
Total voice connections	(261)	(252)	(3.6)	(812)	(839)	3.2

Revenue Statistics

Fios revenues (in millions)	\$ 2,986	\$ 2,942	1.5	\$ 8,893	\$ 8,732	1.8
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Other Operating Statistics

Capital expenditures (in millions)	\$ 1,551	\$ 1,208	28.4	\$ 4,400	\$ 3,358	31.0
Wireline employees ('000)				57.0	58.2	

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 business unit performance.

Intersegment transactions have not been eliminated.

* Not meaningful

Supplemental Information - Impact of Topic 606

We adopted Accounting Standard Update 2014-09, "Revenue from Contracts with Customers (Topic 606)" on January 1, 2018, using the modified retrospective application. This method does not impact the prior periods, which continue to reflect the accounting treatment prior to the adoption of Topic 606. As a result, for items that were affected by our adoption of Topic 606, financial results of periods prior to January 1, 2018 are not comparable to the current period financial results. To provide comparability to our results, we provide the following supplemental schedule which contains certain financial information on a pre adoption of Topic 606 basis.

Consolidated

(dollars in millions)

Unaudited	3 Mos. Ended 9/30/18			3 Mos. Ended	Year Over Year	
	As reported	Balances without adoption of		As reported	\$ Change	% Change
		Topic 606				
			Adjustments			
Operating Revenues						
Service revenues and other	\$ 27,254	\$ 27,582	\$ (328)	\$ 27,365	\$ 217	0.8
Wireless equipment revenues	5,353	4,950	403	4,352	598	13.7
Total Operating Revenues	32,607	32,532	75	31,717	815	2.6
Operating Expenses						
Cost of services	7,842	7,853	(11)	8,009	(156)	(1.9)
Wireless cost of equipment	5,489	5,449	40	4,965	484	9.7
Selling, general and administrative expense	7,224	7,545	(321)	7,483	62	0.8
Depreciation and amortization expense	4,377	4,377	—	4,272	105	2.5
Total Operating Expenses	24,932	25,224	(292)	24,729	495	2.0
Operating Income	\$ 7,675	\$ 7,308	\$ 367	\$ 6,988	\$ 320	4.6

(dollars in millions)

Unaudited	9 Mos. Ended 9/30/18			9 Mos. Ended	Year Over Year	
	As reported	Balances without adoption of		As reported	\$ Change	% Change
		Topic 606				
			Adjustments			
Operating Revenues						
Service revenues and other	\$ 81,145	\$ 82,184	\$ (1,039)	\$ 79,665	\$ 2,519	3.2
Wireless equipment revenues	15,437	14,134	1,303	12,414	1,720	13.9
Total Operating Revenues	96,582	96,318	264	92,079	4,239	4.6
Operating Expenses						
Cost of services	24,022	24,060	(38)	22,697	1,363	6.0
Wireless cost of equipment	16,195	16,087	108	14,808	1,279	8.6
Selling, general and administrative expense	21,673	22,727	(1,054)	20,112	2,615	13.0
Depreciation and amortization expense	13,051	13,051	—	12,498	553	4.4
Total Operating Expenses	74,941	75,925	(984)	70,115	5,810	8.3
Operating Income	\$ 21,641	\$ 20,393	\$ 1,248	\$ 21,964	\$ (1,571)	(7.2)

Supplemental Information - Impact of Topic 606

Wireless⁽¹⁾⁽²⁾

(dollars in millions)

Unaudited	3 Mos. Ended 9/30/18			3 Mos. Ended 9/30/17		Year Over Year	
	As reported	Balances without adoption of Topic 606		As reported	\$ Change	% Change	
			Adjustments				
Operating Revenues							
Service	\$ 15,966	\$ 16,246	\$ (280)	\$ 15,841	\$ 405	2.6	
Equipment	5,353	4,950	403	4,352	598	13.7	
Other	1,654	1,699	(45)	1,387	312	22.5	
Total Operating Revenues	22,973	22,895	78	21,580	1,315	6.1	
Operating Expenses							
Cost of services	2,350	2,350	—	2,270	80	3.5	
Cost of equipment	5,489	5,449	40	4,965	484	9.7	
Selling, general and administrative expense	4,169	4,463	(294)	4,376	87	2.0	
Depreciation and amortization expense	2,454	2,454	—	2,366	88	3.7	
Total Operating Expenses	14,462	14,716	(254)	13,977	739	5.3	
Operating Income	\$ 8,511	\$ 8,179	\$ 332	\$ 7,603	\$ 576	7.6	

(dollars in millions)

Unaudited	9 Mos. Ended 9/30/18			9 Mos. Ended 9/30/17		Year Over Year	
	As reported	Balances without adoption of Topic 606		As reported	\$ Change	% Change	
			Adjustments				
Operating Revenues							
Service	\$ 47,122	\$ 48,039	\$ (917)	\$ 47,241	\$ 798	1.7	
Equipment	15,437	14,134	1,303	12,414	1,720	13.9	
Other	4,763	4,878	(115)	4,085	793	19.4	
Total Operating Revenues	67,322	67,051	271	63,740	3,311	5.2	
Operating Expenses							
Cost of services	6,900	6,900	—	6,676	224	3.4	
Cost of equipment	16,195	16,087	108	14,808	1,279	8.6	
Selling, general and administrative expense	12,052	13,021	(969)	13,116	(95)	(0.7)	
Depreciation and amortization expense	7,341	7,341	—	7,051	290	4.1	
Total Operating Expenses	42,488	43,349	(861)	41,651	1,698	4.1	
Operating Income	\$ 24,834	\$ 23,702	\$ 1,132	\$ 22,089	\$ 1,613	7.3	

Supplemental Information - Impact of Topic 606

Wireline⁽¹⁾⁽²⁾

(dollars in millions)

Unaudited	3 Mos. Ended 9/30/18			3 Mos. Ended 9/30/17		Year Over Year	
	As reported	Balances without adoption of Topic 606	Adjustments	As reported	\$ Change	% Change	
Operating Revenues							
Consumer Markets	\$ 3,138	\$ 3,146	\$ (8)	\$ 3,204	\$ (58)	(1.8)	
Enterprise Solutions	2,172	2,172	—	2,262	(90)	(4.0)	
Partner Solutions	1,166	1,166	—	1,244	(78)	(6.3)	
Business Markets	840	840	—	903	(63)	(7.0)	
Other	55	52	3	49	3	6.1	
Total Operating Revenues	7,371	7,376	(5)	7,662	(286)	(3.7)	
Operating Expenses							
Cost of services	4,371	4,380	(9)	4,496	(116)	(2.6)	
Selling, general and administrative expense	1,498	1,526	(28)	1,552	(26)	(1.7)	
Depreciation and amortization expense	1,552	1,552	—	1,549	3	0.2	
Total Operating Expenses	7,421	7,458	(37)	7,597	(139)	(1.8)	
Operating Income (Loss)	\$ (50)	\$ (82)	\$ 32	\$ 65	\$ (147)		*

(dollars in millions)

Unaudited	9 Mos. Ended 9/30/18			9 Mos. Ended 9/30/17		Year Over Year	
	As reported	Balances without adoption of Topic 606	Adjustments	As reported	\$ Change	% Change	
Operating Revenues							
Consumer Markets	\$ 9,420	\$ 9,432	\$ (12)	\$ 9,589	\$ (157)	(1.6)	
Enterprise Solutions	6,623	6,623	—	6,882	(259)	(3.8)	
Partner Solutions	3,594	3,594	—	3,708	(114)	(3.1)	
Business Markets	2,561	2,560	1	2,700	(140)	(5.2)	
Other	189	160	29	184	(24)	(13.0)	
Total Operating Revenues	22,387	22,369	18	23,063	(694)	(3.0)	
Operating Expenses							
Cost of services	13,223	13,255	(32)	13,457	(202)	(1.5)	
Selling, general and administrative expense	4,554	4,642	(88)	4,716	(74)	(1.6)	
Depreciation and amortization expense	4,610	4,610	—	4,572	38	0.8	
Total Operating Expenses	22,387	22,507	(120)	22,745	(238)	(1.0)	
Operating Income (Loss)	\$ —	\$ (138)	\$ 138	\$ 318	\$ (456)		*

Supplemental Information - Impact of Topic 606

Fios Revenues

(dollars in millions)

Unaudited	3 Mos. Ended 9/30/18			3 Mos. Ended 9/30/17	Year Over Year	
	As reported	Balances without adoption of Topic 606	Adjustments	As reported	\$ Change	% Change
Fios Revenues	\$ 2,986	\$ 2,989	\$ (3)	\$ 2,942	\$ 47	1.6

Footnotes:

(1) The financial results above are adjusted to exclude the effects of special items, as the Company's chief operating decision maker excludes these items in assessing business unit performance.

(2) Intersegment transactions have not been eliminated.

* Not meaningful