



Financial and Operating Information



As of September 30, 2018

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Condensed Consolidated Statements of Income

(dollars in millions, except per share amounts)

Unaudited	2016	2017	9 Mos. Ended 9/30/18
Operating Revenues			
Service revenues and other	\$ 108,468	\$ 107,145	\$ 81,145
Wireless equipment revenues	17,512	18,889	15,437
Total Operating Revenues	125,980	126,034	96,582
Operating Expenses			
Cost of services	30,463	30,916	24,022
Wireless cost of equipment	22,238	22,147	16,195
Selling, general and administrative expense	28,102	28,592	21,673
Depreciation and amortization expense	15,928	16,954	13,051
Total Operating Expenses	96,731	98,609	74,941
Operating Income	29,249	27,425	21,641
Equity in losses of unconsolidated businesses	(98)	(77)	(250)
Other income (expense), net	(3,789)	(2,021)	499
Interest expense	(4,376)	(4,733)	(3,634)
Income Before Provision For Income Taxes	20,986	20,594	18,256
Benefit (provision) for income taxes	(7,378)	9,956	(4,282)
Net Income	\$ 13,608	\$ 30,550	\$ 13,974
Net income attributable to noncontrolling interests	\$ 481	\$ 449	\$ 385
Net income attributable to Verizon	13,127	30,101	13,589
Net Income	\$ 13,608	\$ 30,550	\$ 13,974
Basic Earnings Per Common Share			
Net income attributable to Verizon	\$ 3.22	\$ 7.37	\$ 3.29
<i>Weighted average number of common shares (in millions)</i>	<i>4,080</i>	<i>4,084</i>	<i>4,125</i>
Diluted Earnings Per Common Share ⁽¹⁾			
Net income attributable to Verizon	\$ 3.21	\$ 7.36	\$ 3.29
<i>Weighted average number of common shares-assuming dilution (in millions)</i>	<i>4,086</i>	<i>4,089</i>	<i>4,129</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.

Condensed Consolidated Statements of Income

(dollars in millions, except per share amounts)

Unaudited	2016		2017			2018		
	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Operating Revenues								
Service revenues and other	\$ 26,610	\$ 26,050	\$ 26,250	\$ 27,365	\$ 27,480	\$ 26,732	\$ 27,159	\$ 27,254
Wireless equipment revenues	5,730	3,764	4,298	4,352	6,475	5,040	5,044	5,353
Total Operating Revenues	32,340	29,814	30,548	31,717	33,955	31,772	32,203	32,607
Operating Expenses								
Cost of services	7,379	7,239	7,449	8,009	8,219	7,946	8,234	7,842
Wireless cost of equipment	7,356	4,808	5,035	4,965	7,339	5,309	5,397	5,489
Selling, general and administrative expense	7,544	6,746	5,883	7,483	8,480	6,844	7,605	7,224
Depreciation and amortization expense	3,987	4,059	4,167	4,272	4,456	4,324	4,350	4,377
Total Operating Expenses	26,266	22,852	22,534	24,729	28,494	24,423	25,586	24,932
Operating Income	6,074	6,962	8,014	6,988	5,461	7,349	6,617	7,675
Equity in losses of unconsolidated businesses	(35)	(21)	(28)	(22)	(6)	(19)	(228)	(3)
Other income (expense), net	2,047	(627)	199	(291)	(1,302)	(75)	360	214
Interest expense	(1,137)	(1,132)	(1,218)	(1,164)	(1,219)	(1,201)	(1,222)	(1,211)
Income Before Provision For Income Taxes	6,949	5,182	6,967	5,511	2,934	6,054	5,527	6,675
Benefit (provision) for income taxes	(2,349)	(1,629)	(2,489)	(1,775)	15,849	(1,388)	(1,281)	(1,613)
Net Income	\$ 4,600	\$ 3,553	\$ 4,478	\$ 3,736	\$ 18,783	\$ 4,666	\$ 4,246	\$ 5,062
Net income attributable to noncontrolling interests	\$ 105	\$ 103	\$ 116	\$ 116	\$ 114	\$ 121	\$ 126	\$ 138
Net income attributable to Verizon	4,495	3,450	4,362	3,620	18,669	4,545	4,120	4,924
Net Income	\$ 4,600	\$ 3,553	\$ 4,478	\$ 3,736	\$ 18,783	\$ 4,666	\$ 4,246	\$ 5,062
Basic Earnings Per Common Share								
Net income attributable to Verizon	\$ 1.10	\$ 0.85	\$ 1.07	\$ 0.89	\$ 4.57	\$ 1.11	\$ 1.00	\$ 1.19
Weighted average number of common shares (in millions)	4,081	4,082	4,082	4,084	4,087	4,104	4,135	4,136
Diluted Earnings Per Common Share ⁽¹⁾								
Net income attributable to Verizon	\$ 1.10	\$ 0.84	\$ 1.07	\$ 0.89	\$ 4.56	\$ 1.11	\$ 1.00	\$ 1.19
Weighted average number of common shares-assuming dilution (in millions)	4,087	4,087	4,087	4,089	4,090	4,107	4,139	4,140

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	12/31/16	12/31/17	9/30/18
Assets			
Current assets			
Cash and cash equivalents	\$ 2,880	\$ 2,079	\$ 2,538
Accounts receivable, net	17,513	23,493	24,012
Inventories	1,202	1,034	1,270
Assets held for sale	882	—	—
Prepaid expenses and other	3,918	3,307	5,334
Total current assets	26,395	29,913	33,154
Property, plant and equipment	232,215	246,498	252,030
Less accumulated depreciation	147,464	157,930	164,566
Property, plant and equipment, net	84,751	88,568	87,464
Investments in unconsolidated businesses	1,110	1,039	732
Wireless licenses	86,673	88,417	94,006
Goodwill	27,205	29,172	29,200
Other intangible assets, net	8,897	10,247	9,731
Non-current assets held for sale	613	—	—
Other assets	8,536	9,787	11,275
Total assets	\$ 244,180	\$ 257,143	\$ 265,562
Liabilities and Equity			
Current liabilities			
Debt maturing within one year	\$ 2,645	\$ 3,453	\$ 6,502
Accounts payable and accrued liabilities	19,593	21,232	19,342
Other current liabilities	8,102	8,352	8,323
Total current liabilities	30,340	33,037	34,167
Long-term debt	105,433	113,642	106,440
Employee benefit obligations	26,166	22,112	19,660
Deferred income taxes	45,964	31,232	35,712
Other liabilities	12,245	12,433	13,496
Total long-term liabilities	189,808	179,419	175,308
Equity			
Common stock	424	424	429
Additional paid in capital	11,182	11,101	13,436
Retained earnings	15,059	35,635	44,091
Accumulated other comprehensive income	2,673	2,659	3,201
Common stock in treasury, at cost	(7,263)	(7,139)	(6,987)
Deferred compensation – employee stock ownership plans and other	449	416	325
Noncontrolling interests	1,508	1,591	1,592
Total equity	24,032	44,687	56,087
Total liabilities and equity	\$ 244,180	\$ 257,143	\$ 265,562

Verizon - Selected Financial and Operating Statistics

Unaudited	12/31/16	12/31/17	9/30/18
Total debt (in millions)	\$ 108,078	\$ 117,095	\$ 112,942
Net debt (in millions)	\$ 105,198	\$ 115,016	\$ 110,404
Net debt / Consolidated Adjusted EBITDA ⁽¹⁾	2.4x	2.6x	2.4x
Common shares outstanding end of period (in millions)	4,077	4,079	4,132
Total employees ('000)	160.9	155.4	152.3
Cash dividends declared per common share	\$ 2.2850	\$ 2.3350	\$ 1.7825

Footnotes:

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

Condensed Consolidated Balance Sheets

(dollars in millions)

Unaudited	12/31/16	3/31/17	6/30/17	9/30/17	12/31/17	3/31/18	6/30/18	9/30/18
Assets								
Current assets								
Cash and cash equivalents	\$ 2,880	\$ 4,307	\$ 4,583	\$ 4,487	\$ 2,079	\$ 1,923	\$ 1,750	\$ 2,538
Accounts receivable, net	17,513	16,863	19,771	21,549	23,493	22,595	23,099	24,012
Inventories	1,202	1,194	1,116	1,276	1,034	1,285	1,102	1,270
Assets held for sale	882	149	—	275	—	—	—	—
Prepaid expenses and other	3,918	4,645	3,353	3,280	3,307	5,222	4,925	5,334
Total current assets	26,395	27,158	28,823	30,867	29,913	31,025	30,876	33,154
Property, plant and equipment	232,215	235,550	239,226	242,608	246,498	246,877	249,294	252,030
Less accumulated depreciation	147,464	150,337	152,705	155,986	157,930	158,955	161,513	164,566
Property, plant and equipment, net	84,751	85,213	86,521	86,622	88,568	87,922	87,781	87,464
Investments in unconsolidated businesses	1,110	1,080	1,075	1,054	1,039	994	787	732
Wireless licenses	86,673	87,754	88,004	87,883	88,417	93,677	93,855	94,006
Goodwill	27,205	27,630	28,527	28,725	29,172	29,121	29,200	29,200
Other intangible assets, net	8,897	8,912	11,143	10,993	10,247	10,014	9,861	9,731
Non-current assets held for sale	613	762	90	—	—	—	—	—
Other assets	8,536	8,222	8,795	8,538	9,787	11,763	10,943	11,275
Total assets	\$ 244,180	\$ 246,731	\$ 252,978	\$ 254,682	\$ 257,143	\$ 264,516	\$ 263,303	\$ 265,562
Liabilities and Equity								
Current liabilities								
Debt maturing within one year	\$ 2,645	\$ 3,707	\$ 1,153	\$ 2,180	\$ 3,453	\$ 6,323	\$ 5,466	\$ 6,502
Accounts payable and accrued liabilities	19,593	14,826	17,825	18,434	21,232	17,052	18,560	19,342
Other current liabilities	8,102	8,131	8,780	8,316	8,352	8,240	8,303	8,323
Total current liabilities	30,340	26,664	27,758	28,930	33,037	31,615	32,329	34,167
Long-term debt	105,433	112,839	116,390	115,317	113,642	112,734	109,174	106,440
Employee benefit obligations	26,166	22,079	21,775	21,131	22,112	20,689	19,955	19,660
Deferred income taxes	45,964	47,847	47,506	48,345	31,232	34,414	35,069	35,712
Other liabilities	12,245	12,265	12,788	12,508	12,433	12,719	13,201	13,496
Total long-term liabilities	189,808	195,030	198,459	197,301	179,419	180,556	177,399	175,308
Equity								
Common stock	424	424	424	424	424	429	429	429
Additional paid in capital	11,182	11,161	11,099	11,098	11,101	13,437	13,438	13,436
Retained earnings	15,059	16,153	18,159	19,373	35,635	39,974	41,657	44,091
Accumulated other comprehensive income	2,673	2,609	2,284	2,683	2,659	3,705	3,205	3,201
Common stock in treasury, at cost	(7,263)	(7,144)	(7,142)	(7,141)	(7,139)	(6,992)	(6,990)	(6,987)
Deferred compensation – employee stock ownership plans and other	449	290	365	411	416	228	285	325
Noncontrolling interests	1,508	1,544	1,572	1,603	1,591	1,564	1,551	1,592
Total equity	24,032	25,037	26,761	28,451	44,687	52,345	53,575	56,087
Total liabilities and equity	\$ 244,180	\$ 246,731	\$ 252,978	\$ 254,682	\$ 257,143	\$ 264,516	\$ 263,303	\$ 265,562

Verizon - Selected Financial and Operating Statistics

Unaudited	12/31/16	3/31/17	6/30/17	9/30/17	12/31/17	3/31/18	6/30/18	9/30/18
Total debt (in millions)	\$ 108,078	\$ 116,546	\$ 117,543	\$ 117,497	\$ 117,095	\$ 119,057	\$ 114,640	\$ 112,942
Net debt (in millions)	\$ 105,198	\$ 112,239	\$ 112,960	\$ 113,010	\$ 115,016	\$ 117,134	\$ 112,890	\$ 110,404
Net debt / Consolidated Adjusted EBITDA ⁽¹⁾				2.6x	2.6x	2.6x	2.5x	2.4x
Common shares outstanding end of period (in millions)	4,077	4,079	4,079	4,079	4,079	4,132	4,132	4,132
Total employees ('000)	160.9	161.0	163.4	160.1	155.4	154.7	153.1	152.3
Quarterly cash dividends declared per common share	\$ 0.5775	\$ 0.5775	\$ 0.5775	\$ 0.5900	\$ 0.5900	\$ 0.5900	\$ 0.5900	\$ 0.6025

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	12 Mos. Ended 12/31/16	12 Mos. Ended 12/31/17	9 Mos. Ended 9/30/18
Cash Flows from Operating Activities			
Net Income	\$ 13,608	\$ 30,550	\$ 13,974
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization expense	15,928	16,954	13,051
Employee retirement benefits	2,705	440	(886)
Deferred income taxes	(1,063)	(14,463)	2,023
Provision for uncollectible accounts	1,420	1,167	699
Equity in losses of unconsolidated businesses, net of dividends received	138	117	291
Net gain on sale of divested businesses	(1,007)	(1,774)	—
Changes in current assets and liabilities, net of effects from acquisition/disposition of businesses	(6,755)	(5,938)	(1,944)
Discretionary employee benefits contributions	(186)	(3,411)	(1,679)
Other, net	(3,099)	676	715
Net cash provided by operating activities	21,689	24,318	26,244
Cash Flows from Investing Activities			
Capital expenditures (including capitalized software)	(17,059)	(17,247)	(12,026)
Acquisitions of businesses, net of cash acquired	(3,765)	(5,880)	(39)
Acquisitions of wireless licenses	(534)	(583)	(1,307)
Proceeds from dispositions of businesses	9,882	3,614	—
Other, net	1,602	1,640	236
Net cash used in investing activities	(9,874)	(18,456)	(13,136)
Cash Flows from Financing Activities			
Proceeds from long-term borrowings	12,964	27,707	5,932
Proceeds from asset-backed long-term borrowings	4,986	4,290	3,216
Repayments of long-term borrowings and capital lease obligations	(19,159)	(23,837)	(9,776)
Repayments of asset-backed long-term borrowings	—	(400)	(2,915)
Dividends paid	(9,262)	(9,472)	(7,283)
Other, net	(2,905)	(4,439)	(1,595)
Net cash used in financing activities	(13,376)	(6,151)	(12,421)
Increase (decrease) in cash, cash equivalents and restricted cash	(1,561)	(289)	687
Cash, cash equivalents and restricted cash, beginning of period	4,738	3,177	2,888
Cash, cash equivalents and restricted cash, end of period	\$ 3,177	\$ 2,888	\$ 3,575

Footnotes:

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

Condensed Consolidated Statements of Cash Flows

	(dollars in millions)								
Unaudited	12 Mos. Ended 12/31/16	3 Mos. Ended 3/31/17	6 Mos. Ended 6/30/17	9 Mos. Ended 9/30/17	12 Mos. Ended 12/31/17	3 Mos. Ended 3/31/18	6 Mos. Ended 6/30/18	9 Mos. Ended 9/30/18	
Cash Flows from Operating Activities									
Net Income	\$ 13,608	\$ 3,553	\$ 8,031	\$ 11,767	\$ 30,550	\$ 4,666	\$ 8,912	\$ 13,974	
Adjustments to reconcile net income to net cash provided by operating activities:									
Depreciation and amortization expense	15,928	4,059	8,226	12,498	16,954	4,324	8,674	13,051	
Employee retirement benefits	2,705	(111)	(223)	(334)	440	(151)	(300)	(886)	
Deferred income taxes	(1,063)	2,025	1,880	2,577	(14,463)	702	1,354	2,023	
Provision for uncollectible accounts	1,420	330	632	842	1,167	239	462	699	
Equity in losses of unconsolidated businesses, net of dividends received	138	28	67	100	117	30	268	291	
Net gain on sale of divested businesses	(1,007)	—	(1,774)	(1,774)	(1,774)	—	—	—	
Changes in current assets and liabilities, net of effects from acquisition/disposition of businesses	(6,755)	(4,998)	(3,721)	(6,257)	(5,938)	(2,033)	(1,538)	(1,944)	
Discretionary employee benefits contributions	(186)	(3,411)	(3,411)	(3,411)	(3,411)	(1,000)	(1,679)	(1,679)	
Other, net	(3,099)	(99)	(401)	467	676	(129)	280	715	
Net cash provided by operating activities	21,689	1,376	9,306	16,475	24,318	6,648	16,433	26,244	
Cash Flows from Investing Activities									
Capital expenditures (including capitalized software)	(17,059)	(3,067)	(7,011)	(11,282)	(17,247)	(4,552)	(7,838)	(12,026)	
Acquisitions of businesses, net of cash acquired	(3,765)	(1,746)	(6,231)	(6,247)	(5,880)	(32)	(38)	(39)	
Acquisitions of wireless licenses	(534)	(196)	(315)	(469)	(583)	(970)	(1,155)	(1,307)	
Proceeds from dispositions of businesses	9,882	—	3,512	3,614	3,614	—	—	—	
Other, net	1,602	459	786	1,397	1,640	269	303	236	
Net cash used in investing activities	(9,874)	(4,550)	(9,259)	(12,987)	(18,456)	(5,285)	(8,728)	(13,136)	
Cash Flows from Financing Activities									
Proceeds from long-term borrowings	12,964	13,054	16,009	21,915	27,707	1,956	4,584	5,932	
Proceeds from asset-backed long-term borrowings	4,986	1,283	2,878	2,878	4,290	1,178	1,716	3,216	
Repayments of long-term borrowings and capital lease obligations	(19,159)	(5,592)	(10,294)	(16,457)	(23,837)	(2,984)	(6,568)	(9,776)	
Repayments of asset-backed long-term borrowings	—	—	—	—	(400)	—	(2,000)	(2,915)	
Dividends paid	(9,262)	(2,354)	(4,710)	(7,067)	(9,472)	(2,407)	(4,845)	(7,283)	
Other, net	(2,905)	(1,726)	(1,983)	(2,866)	(4,439)	941	(752)	(1,595)	
Net cash provided by (used in) financing activities	(13,376)	4,665	1,900	(1,597)	(6,151)	(1,316)	(7,865)	(12,421)	
Increase (decrease) in cash, cash equivalents and restricted cash	(1,561)	1,491	1,947	1,891	(289)	47	(160)	687	
Cash, cash equivalents and restricted cash, beginning of period	4,738	3,177	3,177	3,177	3,177	2,888	2,888	2,888	
Cash, cash equivalents and restricted cash, end of period	\$ 3,177	\$ 4,668	\$ 5,124	\$ 5,068	\$ 2,888	\$ 2,935	\$ 2,728	\$ 3,575	

Footnotes:

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

verizon^v

Wireless

Wireless - Selected Financial Results

(dollars in millions)

Unaudited	2016		2017			2018		
	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Operating Revenues								
Service	\$ 16,346	\$ 15,778	\$ 15,622	\$ 15,841	\$ 15,880	\$ 15,402	\$ 15,754	\$ 15,966
Equipment	5,733	3,764	4,298	4,352	6,475	5,040	5,044	5,353
Other	1,298	1,336	1,362	1,387	1,416	1,458	1,651	1,654
Total Operating Revenues	23,377	20,878	21,282	21,580	23,771	21,900	22,449	22,973
Operating Expenses								
Cost of services	2,298	2,187	2,219	2,270	2,210	2,215	2,335	2,350
Cost of equipment	7,356	4,808	5,035	4,965	7,339	5,309	5,397	5,489
Selling, general and administrative expense	5,093	4,469	4,271	4,376	4,760	3,899	3,984	4,169
Depreciation and amortization expense	2,321	2,338	2,347	2,366	2,344	2,428	2,459	2,454
Total Operating Expenses	17,068	13,802	13,872	13,977	16,653	13,851	14,175	14,462
Operating Income	\$ 6,309	\$ 7,076	\$ 7,410	\$ 7,603	\$ 7,118	\$ 8,049	\$ 8,274	\$ 8,511
Operating Income Margin	27.0 %	33.9 %	34.8 %	35.2 %	29.9 %	36.8 %	36.9 %	37.0 %
Segment EBITDA	\$ 8,630	\$ 9,414	\$ 9,757	\$ 9,969	\$ 9,462	\$ 10,477	\$ 10,733	\$ 10,965
Segment EBITDA Margin	36.9 %	45.1 %	45.8 %	46.2 %	39.8 %	47.8 %	47.8 %	47.7 %

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	2016		2017			2018		
	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Connections ('000)								
Retail postpaid	108,796	108,483	109,088	109,686	110,854	111,114	111,622	112,135
Retail prepaid	5,447	5,430	5,448	5,588	5,403	5,068	4,832	4,736
Total retail	114,243	113,913	114,536	115,274	116,257	116,182	116,454	116,871
Net Add Detail ('000) ⁽¹⁾								
Retail postpaid	591	(307)	614	603	1,174	260	531	515
Retail prepaid	(9)	(17)	19	139	(184)	(335)	(236)	(96)
Total retail	582	(324)	633	742	990	(75)	295	419
Account Statistics								
Retail postpaid accounts ('000) ⁽²⁾	35,410	35,270	35,334	35,364	35,404	35,333	35,309	35,309
Retail postpaid connections per account ⁽²⁾	3.07	3.08	3.09	3.10	3.13	3.14	3.16	3.18
Retail postpaid ARPA ^{(3) (5)}	\$ 141.89	\$ 136.98	\$ 134.89	\$ 136.31	\$ 135.78	\$ 131.71	\$ 134.56	\$ 136.58
Retail postpaid I-ARPA ^{(4) (5)}	\$ 169.10	\$ 166.01	\$ 164.94	\$ 166.98	\$ 167.19	\$ 164.72	\$ 168.30	\$ 170.92
Churn Detail								
Retail postpaid	1.10 %	1.15 %	0.94 %	0.97 %	1.00 %	1.04 %	0.97 %	1.04 %
Retail	1.34 %	1.39 %	1.18 %	1.19 %	1.24 %	1.28 %	1.18 %	1.22 %
Retail Postpaid Connection Statistics ⁽²⁾								
Total smartphone postpaid phone base	87.3 %	88.1 %	88.8 %	89.4 %	90.1 %	90.7 %	91.2 %	91.7 %
Total Internet postpaid base	18.3 %	18.3 %	18.4 %	18.6 %	19.0 %	19.2 %	19.4 %	19.4 %
Other Operating Statistics								
Capital expenditures (in millions)	\$ 3,464	\$ 1,831	\$ 2,444	\$ 2,652	\$ 3,383	\$ 2,367	\$ 1,650	\$ 2,127

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.



Wireline

Wireline - Selected Financial Results

(dollars in millions)

Unaudited	2016			2017			2018		
	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	
Operating Revenues									
Consumer Markets	\$ 3,232	\$ 3,201	\$ 3,184	\$ 3,204	\$ 3,188	\$ 3,150	\$ 3,132	\$ 3,138	
Enterprise Solutions	2,276	2,311	2,309	2,262	2,285	2,240	2,211	2,172	
Partner Solutions	1,205	1,229	1,235	1,244	1,209	1,228	1,200	1,166	
Business Markets	822	879	918	903	885	871	850	840	
Other	72	62	73	49	50	68	66	55	
Total Operating Revenues	7,607	7,682	7,719	7,662	7,617	7,557	7,459	7,371	
Operating Expenses									
Cost of services	4,357	4,419	4,542	4,496	4,465	4,475	4,377	4,371	
Selling, general and administrative expense	1,478	1,582	1,582	1,552	1,558	1,479	1,577	1,498	
Depreciation and amortization expense	1,435	1,475	1,548	1,549	1,532	1,534	1,524	1,552	
Total Operating Expenses	7,270	7,476	7,672	7,597	7,555	7,488	7,478	7,421	
Operating Income (Loss)	\$ 337	\$ 206	\$ 47	\$ 65	\$ 62	\$ 69	\$ (19)	\$ (50)	
Operating Income (Loss) Margin	4.4 %	2.7 %	0.6 %	0.8 %	0.8 %	0.9 %	(0.3)%	(0.7)%	
Segment EBITDA	\$ 1,772	\$ 1,681	\$ 1,595	\$ 1,614	\$ 1,594	\$ 1,603	\$ 1,505	\$ 1,502	
Segment EBITDA Margin	23.3 %	21.9 %	20.7 %	21.1 %	20.9 %	21.2 %	20.2 %	20.4 %	

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 business unit performance.

Intersegment transactions have not been eliminated.

Wireline - Selected Operating Statistics

Unaudited	2016		2017				2018		
	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	
Connections ('000)									
Fios video connections	4,694	4,681	4,666	4,648	4,619	4,597	4,560	4,497	
Fios Internet connections	5,653	5,688	5,737	5,803	5,850	5,916	5,959	6,013	
Fios digital voice residence connections	3,895	3,887	3,909	3,920	3,905	3,891	3,863	3,833	
Fios digital connections	14,242	14,256	14,312	14,371	14,374	14,404	14,382	14,343	
High-speed Internet (HSI) connections	1,385	1,323	1,251	1,175	1,109	1,050	997	945	
Total broadband connections	7,038	7,011	6,988	6,978	6,959	6,966	6,956	6,958	
Total voice connections	13,939	13,634	13,352	13,100	12,821	12,555	12,270	12,009	
Net Add Detail ('000)									
Fios video connections	21	(13)	(15)	(18)	(29)	(22)	(37)	(63)	
Fios Internet connections	68	35	49	66	47	66	43	54	
Fios digital voice residence connections	13	(8)	22	11	(15)	(14)	(28)	(30)	
Fios digital connections	102	14	56	59	3	30	(22)	(39)	
High-speed Internet (HSI) connections	(68)	(62)	(72)	(76)	(66)	(59)	(53)	(52)	
Total broadband connections	—	(27)	(23)	(10)	(19)	7	(10)	2	
Total voice connections	(255)	(305)	(282)	(252)	(279)	(266)	(285)	(261)	
Revenue Statistics									
Fios revenues (in millions)	\$ 2,892	\$ 2,891	\$ 2,899	\$ 2,942	\$ 2,959	\$ 2,951	\$ 2,956	\$ 2,986	
Other Operating Statistics									
Capital expenditures (in millions)	\$ 1,648	\$ 960	\$ 1,190	\$ 1,208	\$ 1,981	\$ 1,673	\$ 1,176	\$ 1,551	
Wireline employees ('000)	57.6	59.4	58.6	58.2	57.1	57.2	56.9	57.0	

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.



Supplemental Information

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		9/30/17	\$ Change	% Change
		Topic 606	Adjustments	As reported		
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		9/30/17	\$ Change	% Change
		Topic 606	Adjustments	As reported		
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	Year Over Year	
	As reported	Balances without adoption of		As reported	\$ Change	% Change
		Topic 606				
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	Year Over Year	
	As reported	Balances without adoption of		As reported	\$ Change	% Change
		Topic 606				
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)	(1.8)
Enterprise Solutions	2,172	2,172	—	2,262	(90)	(4.0)	(4.0)
Partner Solutions	1,166	1,166	—	1,244	(78)	(6.3)	(6.3)
Business Markets	840	840	—	903	(63)	(7.0)	(7.0)
Other	55	52	3	49	3	6.1	6.1
Total Operating Revenues	7,371	7,376	(5)	7,662	(286)	(3.7)	(3.7)
Operating Expenses							
Cost of services	4,371	4,380	(9)	4,496	(116)	(2.6)	(2.6)
Selling, general and administrative expense	1,498	1,526	(28)	1,552	(26)	(1.7)	(1.7)
Depreciation and amortization expense	1,552	1,552	—	1,549	3	0.2	0.2
Total Operating Expenses	7,421	7,458	(37)	7,597	(139)	(1.8)	(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)	(1.6)
Enterprise Solutions	6,623	6,623	—	6,882	(259)	(3.8)	(3.8)
Partner Solutions	3,594	3,594	—	3,708	(114)	(3.1)	(3.1)
Business Markets	2,561	2,560	1	2,700	(140)	(5.2)	(5.2)
Other	189	160	29	184	(24)	(13.0)	(13.0)
Total Operating Revenues	22,387	22,369	18	23,063	(694)	(3.0)	(3.0)
Operating Expenses							
Cost of services	13,223	13,255	(32)	13,457	(202)	(1.5)	(1.5)
Selling, general and administrative expense	4,554	4,642	(88)	4,716	(74)	(1.6)	(1.6)
Depreciation and amortization expense	4,610	4,610	—	4,572	38	0.8	0.8
Total Operating Expenses	22,387	22,507	(120)	22,745	(238)	(1.0)	(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

**Non-GAAP
Reconciliations**

Non-GAAP Measures

Verizon's financial information was prepared in conformity with generally accepted accounting principles (GAAP) as well as on a non-GAAP basis. It is management's intent to provide non-GAAP financial information to enhance the understanding of Verizon's GAAP financial information and it should be considered by the reader in addition to, but not instead of, the financial statements prepared in accordance with GAAP. Each non-GAAP financial measure is presented along with the corresponding GAAP measure so as not to imply that more emphasis should be placed on the non-GAAP measure. We believe that non-GAAP measures provide relevant and useful information, which is used by management, investors and other users of our financial information in assessing both consolidated and segment performance. The non-GAAP financial information presented may be determined or calculated differently by other companies and may not be directly comparable to that of other companies.

EBITDA and EBITDA Margin Related Non-GAAP Measures

Consolidated earnings before interest, taxes, depreciation and amortization (Consolidated EBITDA), Segment EBITDA, Segment EBITDA Margin, Pre-Topic 606 Segment EBITDA and Pre-Topic 606 Segment EBITDA Margin are non-GAAP financial measures that we believe are useful to management, investors and other users of our financial information in evaluating operating profitability on a more variable cost basis as they exclude depreciation and amortization expense related primarily to capital expenditures and acquisitions that occurred in prior periods, as well as in evaluating operating performance in relation to Verizon's competitors. Further, the exclusion of the impact of Accounting Standards Codification Topic 606, "Revenues from Contracts with Customers (Topic 606)" (Topic 606, ASC 606 or Revenue Recognition Standard), which we adopted beginning on January 1, 2018, enables comparability to prior period performance and trend analysis.

Consolidated EBITDA is calculated by adding back interest, taxes and depreciation and amortization expense to net income.

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

Pre-Topic 606 Segment EBITDA is calculated by adding back depreciation and amortization expense to segment operating income and excluding the impact of Topic 606. Pre-Topic 606 Segment EBITDA Margin is calculated by dividing Pre-Topic 606 Segment EBITDA by segment total operating revenues excluding the impact of Topic 606.

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

Consolidated Adjusted EBITDA, Consolidated Adjusted EBITDA Margin, Consolidated Adjusted EBITDA Excluding Operating Results from Divested Businesses, Pre-Topic 606 Consolidated Adjusted EBITDA and Pre-Topic 606 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, Consolidated Adjusted EBITDA Margin, Consolidated Adjusted EBITDA Excluding Operating Results from Divested Businesses, Pre-Topic 606 Consolidated Adjusted EBITDA and Pre-Topic 606 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, special items and the impact of Topic 606 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 of unconsolidated businesses and other income and expense, net, and the following special items: severance charges, net gain on sale of divested businesses, gain on spectrum license transactions, product realignment charges and acquisition and integration related charges. Product realignment charges primarily relate to the discontinuation of the go90 platform and associated content and other early-stage developmental technologies. Acquisition and integration related charges represent transaction expenses related to business acquisitions and incremental expenses directly incurred to integrate the acquired businesses into our operations.

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

Consolidated Adjusted EBITDA Excluding Operating Results from Divested Businesses is calculated by excluding the operating results from divested businesses from Consolidated Adjusted EBITDA. Management uses this measure to assess our ability to repay debt and we believe that this measure is also useful to rating agencies, lenders and other parties in evaluating our creditworthiness.

Pre-Topic 606 Consolidated Adjusted EBITDA is calculated by subtracting the impact of Topic 606 from Consolidated Adjusted EBITDA. Pre-Topic 606 Consolidated EBITDA Margin is calculated by dividing Pre-Topic 606 Consolidated EBITDA by Pre-Topic 606 consolidated operating revenues.

Adjusted Earnings per Common Share (Adjusted EPS) and Adjusted Earnings per Common Share excluding the net impacts of tax reform and revenue recognition (Adjusted EPS excluding Tax Reform and Topic 606)

Adjusted EPS and Adjusted EPS excluding Tax Reform and Topic 606 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 and other items that affect comparability. We believe excluding special items and the net impacts of tax reform and Topic 606 provides more comparable assessment of our financial results from period to period.

Adjusted EPS is calculated by excluding the effect of the following special items: severance, pension and benefits charges (credits), early debt redemption costs and acquisition and integration related charges.

Adjusted EPS excluding Tax Reform and Topic 606 is calculated by excluding the net impacts of tax reform and the Revenue Recognition Standard, both of which impacted 2018 results but not 2017 results, from the calculation of Adjusted EPS.

Net Debt and Net Debt to Consolidated Adjusted EBITDA Ratio

Net Debt and Net Debt to Consolidated Adjusted EBITDA Ratio are non-GAAP financial measures that we believe are useful to management, investors and other users of our financial information in evaluating Verizon's ability to service its debt.

Net Debt is calculated by subtracting cash and cash equivalents from the sum of debt maturing within one year and long-term debt. Net Debt to Consolidated Adjusted EBITDA Ratio is calculated by dividing Net Debt by Consolidated Adjusted EBITDA excluding Operating Results from Divested Businesses. For purposes of Net Debt to Consolidated Adjusted EBITDA Ratio, Consolidated Adjusted EBITDA Excluding Operating Results from Divested Businesses is calculated for the last twelve months.

Free Cash Flow

Free cash flow is a non-GAAP financial measure that reflects an additional way of viewing our liquidity that, when viewed with our GAAP results, provides a more complete understanding of factors and trends affecting our cash flows. We believe it is a more conservative measure of cash flow since capital expenditures are necessary for ongoing operations. Free cash flow has limitations due to the fact that it does not represent the residual cash flow available for discretionary expenditures. For example, free cash flow does not incorporate payments made on 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.

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

Enterprise Solutions Constant Currency Growth Rate

We evaluate our results of operations for Enterprise Solutions on both an as reported and a constant currency basis. The constant currency revenue growth rate, which is a non-GAAP measure, excludes the impact of fluctuations in foreign currency exchange rates. We believe providing constant currency information provides valuable supplemental information regarding our results of operations, consistent with how we evaluate our performance.

We calculate constant currency growth rate by converting our current-period local currency operating revenues using the prior period exchange rates and comparing these adjusted amounts to our prior period reported results.

Non-GAAP Reconciliations - Consolidated

Consolidated EBITDA, Consolidated Adjusted EBITDA, Consolidated Adjusted EBITDA Margin and Consolidated Adjusted EBITDA
Excluding Operating Results from Divested Businesses

	(dollars in millions)							
Unaudited	3 Months Ended 12/31/16	3 Months Ended 3/31/17	3 Months Ended 6/30/17	3 Months Ended 9/30/17	3 Months Ended 12/31/17	3 Months Ended 3/31/18	3 Months Ended 6/30/18	3 Months Ended 9/30/18
Consolidated Net Income	\$ 4,600	\$ 3,553	\$ 4,478	\$ 3,736	\$ 18,783	\$ 4,666	\$ 4,246	\$ 5,062
Add/(subtract):								
Provision (benefit) for income taxes	2,349	1,629	2,489	1,775	(15,849)	1,388	1,281	1,613
Interest expense	1,137	1,132	1,218	1,164	1,219	1,201	1,222	1,211
Depreciation and amortization expense	3,987	4,059	4,167	4,272	4,456	4,324	4,350	4,377
Consolidated EBITDA*	\$ 12,073	\$ 10,373	\$ 12,352	\$ 10,947	\$ 8,609	\$ 11,579	\$ 11,099	\$ 12,263
Add/subtract:								
Other (income) expense, net†	\$ (2,047)	\$ 627	\$ (199)	\$ 291	\$ 1,302	\$ 75	\$ (360)	\$ (214)
Equity in losses of unconsolidated businesses‡	35	21	28	22	6	19	228	3
Severance charges	182	—	195	—	302	—	339	—
Product realignment charges§	—	—	—	—	463	—	450	—
Gain on spectrum license transactions	—	(126)	—	—	(144)	—	—	—
Net gain on sale of divested businesses	—	—	(1,774)	—	—	—	—	—
Acquisition and integration related charges§	—	—	559	166	154	105	109	130
Consolidated Adjusted EBITDA	10,243	10,895	11,161	11,426	10,692	11,778	11,865	12,182
Operating results from divested businesses§	(107)	(104)	(50)	(17)	—	—	—	—
Consolidated Adjusted EBITDA Excluding Operating Results from Divested Businesses	\$ 10,136	\$ 10,791	\$ 11,111	\$ 11,409	\$ 10,692	\$ 11,778	\$ 11,865	\$ 12,182
Consolidated Operating Revenues - Quarter to Date				\$ 31,717				\$ 32,607
Consolidated Operating Revenues - Year to Date				\$ 92,079				\$ 96,582
Operating Income Margin - Quarter to Date				22.0 %				23.5 %
Consolidated Adjusted EBITDA Margin - Quarter to Date				36.0 %				37.4 %
Consolidated Adjusted EBITDA Margin - Year to Date								37.1 %

* Prior period figures have been amended to conform to the current period's calculation of Consolidated EBITDA.

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

‡ Includes Product realignment charges, where applicable.

§ Excludes depreciation and amortization expense.

Non-GAAP Reconciliations - Consolidated

Adjusted Earnings per Common Share (Adjusted EPS)

(dollars in millions except EPS)

Unaudited				3 Mos. Ended			3 Mos. Ended		
	Pre-tax	Tax	After-Tax	9/30/17			9/30/18		
EPS				\$	0.89			\$	1.19
Severance, pension and benefits charges (credits)	\$ —	\$ —	\$ —	\$	—	\$ (454)	\$ 119	\$ (335)	(0.08)
Early debt redemption costs	454	(180)	274		0.07	476	(124)	352	0.09
Acquisition and integration related charges	166	(66)	100		0.02	137	(34)	103	0.02
	\$ 620	\$ (246)	\$ 374		0.09	\$ 159	\$ (39)	\$ 120	0.03
Adjusted EPS				\$	0.98			\$	1.22
Year over year change									24.5 %
Impact of Topic 606	\$ —	\$ —	\$ —	\$	—	\$ 367	\$ (130)	\$ 237	0.06
Net Impact of Tax Reform	—	—	—		—	—	615	615	0.15
	\$ —	\$ —	\$ —		—	\$ 367	\$ 485	\$ 852	0.21
Adjusted EPS excluding Tax Reform and Topic 606				\$	0.98			\$	1.01
Year over year change									3.1 %

(dollars in millions except EPS)

Unaudited				3 Mos. Ended		
	Pre-tax	Tax	After-Tax	6/30/18		
EPS				\$	1.00	
Severance, pension and benefits charges (credits)	\$ 339	\$ (89)	\$ 250		0.06	
Product realignment charges	658	(149)	509		0.12	
Acquisition and integration related charges	120	(28)	92		0.02	
	\$ 1,117	\$ (266)	\$ 851		0.20	
Adjusted EPS				\$	1.20	
Impact of Topic 606	\$ 458	\$ (163)	\$ 295	\$	0.07	
Net Impact of Tax Reform	—	592	592		0.14	
	\$ 458	\$ 429	\$ 887		0.21	
Adjusted EPS excluding Tax Reform and Topic 606				\$	0.99	

Note:

Adjusted EPS may not add due to rounding.

Net Debt and Net Debt to Consolidated Adjusted EBITDA Ratio

(dollars in millions)

Unaudited	12/31/16	3/31/17	6/30/17	9/30/17	12/31/17	3/31/18	6/30/18	9/30/18
Net Debt								
Debt maturing within one year	\$ 2,645	\$ 3,707	\$ 1,153	\$ 2,180	\$ 3,453	\$ 6,323	\$ 5,466	\$ 6,502
Long-term debt	105,433	112,839	116,390	115,317	113,642	112,734	109,174	106,440
Total Debt	108,078	116,546	117,543	117,497	117,095	119,057	114,640	112,942
Less Cash and cash equivalents	2,880	4,307	4,583	4,487	2,079	1,923	1,750	2,538
Net Debt	\$ 105,198	\$ 112,239	\$ 112,960	\$ 113,010	\$ 115,016	\$ 117,134	\$ 112,890	\$ 110,404
Net Debt to Consolidated Adjusted EBITDA Ratio				2.6x	2.6x	2.6x	2.5x	2.4x

Free Cash Flow

(dollars in millions)

Unaudited	9 Months Ended	9 Months Ended
	9/30/17	9/30/18
Net Cash Provided by Operating Activities	\$ 16,475	\$ 26,244
Capital expenditures (including capitalized software)	(11,282)	(12,026)
Free Cash Flow	\$ 5,193	\$ 14,218

Non-GAAP Reconciliations - Segments

Segment EBITDA and Segment EBITDA Margin

Wireless

(dollars in millions)

Unaudited	3 Months	3 Months	3 Months	3 Months	3 Months	3 Months	3 Months	3 Months	3 Months
	Ended	Ended	Ended	Ended	Ended	Ended	Ended	Ended	Ended
	12/31/16	3/31/17	6/30/17	9/30/17	12/31/17	3/31/18	6/30/18	9/30/18	9/30/18
Operating Income	\$ 6,309	\$ 7,076	\$ 7,410	\$ 7,603	\$ 7,118	\$ 8,049	\$ 8,274	\$ 8,511	\$ 8,511
Add Depreciation and amortization expense	2,321	2,338	2,347	2,366	2,344	2,428	2,459	2,454	2,454
Segment EBITDA	\$ 8,630	\$ 9,414	\$ 9,757	\$ 9,969	\$ 9,462	\$ 10,477	\$ 10,733	\$ 10,965	\$ 10,965
Total operating revenues	\$ 23,377	\$ 20,878	\$ 21,282	\$ 21,580	\$ 23,771	\$ 21,900	\$ 22,449	\$ 22,973	\$ 22,973
Operating Income Margin	27.0 %	33.9 %	34.8 %	35.2 %	29.9 %	36.8 %	36.9 %	37.0 %	37.0 %
Segment EBITDA Margin	36.9 %	45.1 %	45.8 %	46.2 %	39.8 %	47.8 %	47.8 %	47.7 %	47.7 %
Segment EBITDA Margin - Year to Date									47.8 %

Wireline

(dollars in millions)

Unaudited	3 Months	3 Months	3 Months	3 Months	3 Months	3 Months	3 Months	3 Months	3 Months
	Ended	Ended	Ended	Ended	Ended	Ended	Ended	Ended	Ended
	12/31/16	3/31/17	6/30/17	9/30/17	12/31/17	3/31/18	6/30/18	9/30/18	9/30/18
Operating Income (Loss)	\$ 337	\$ 206	\$ 47	\$ 65	\$ 62	\$ 69	\$ (19)	\$ (50)	\$ (50)
Add Depreciation and amortization expense	1,435	1,475	1,548	1,549	1,532	1,534	1,524	1,552	1,552
Segment EBITDA	\$ 1,772	\$ 1,681	\$ 1,595	\$ 1,614	\$ 1,594	\$ 1,603	\$ 1,505	\$ 1,502	\$ 1,502
Total operating revenues	\$ 7,607	\$ 7,682	\$ 7,719	\$ 7,662	\$ 7,617	\$ 7,557	\$ 7,459	\$ 7,371	\$ 7,371
Operating Income (Loss) Margin	4.4 %	2.7 %	0.6 %	0.8 %	0.8 %	0.9 %	(0.3)%	(0.7)%	(0.7)%
Segment EBITDA Margin	23.3 %	21.9 %	20.7 %	21.1 %	20.9 %	21.2 %	20.2 %	20.4 %	20.4 %
Segment EBITDA Margin - Year to Date									20.6 %

Enterprise Solutions Constant Currency Growth Rate

(dollars in millions)

Unaudited	Reported			Constant Currency	
	3 Mos. Ended	3 Mos. Ended	Growth Rate	3 Mos. Ended	Growth Rate
	9/30/17	9/30/18		9/30/18	
Enterprise Solutions Revenues	\$ 2,262	\$ 2,172	(4.0)%	\$ 2,176	(3.8)%

EBITDA Excluding Impact of Topic 606⁽¹⁾

Consolidated

Unaudited	(dollars in millions)	
	3 Mos. Ended 9/30/17	3 Mos. Ended 9/30/18
Consolidated Net Income	\$ 3,736	\$ 5,062
Add:		
Provision for income taxes	1,775	1,613
Interest expense	1,164	1,211
Depreciation and amortization expense	4,272	4,377
Consolidated EBITDA*	\$ 10,947	\$ 12,263
Add/subtract:		
Other (income) expense, net†	\$ 291	\$ (214)
Equity in losses of unconsolidated businesses‡	22	3
Acquisition and integration related charges§	166	130
	479	(81)
Consolidated Adjusted EBITDA	\$ 11,426	\$ 12,182
Less Impact of Topic 606	—	367
Consolidated Adjusted EBITDA Excluding Impact of Topic 606	\$ 11,426	\$ 11,815
Total operating revenues	\$ 31,717	\$ 32,532
Consolidated Adjusted EBITDA Margin Excluding Impact of Topic 606	36.0 %	36.3 %
Year over year increase to Consolidated Adjusted EBITDA		\$ 389
Year over year percentage change in Consolidated Adjusted EBITDA		3.4 %

Unaudited	(dollars in millions)	
	9 Mos. Ended 9/30/18	
Consolidated Net Income		\$ 13,974
Add:		
Provision for income taxes		4,282
Interest expense		3,634
Depreciation and amortization expense		13,051
Consolidated EBITDA		\$ 34,941
Add/subtract:		
Other income, net†	\$	(499)
Equity in losses of unconsolidated businesses‡		250
Severance charges		339
Product realignment charges§		450
Acquisition and integration related charges§		344
		884
Consolidated Adjusted EBITDA	\$	35,825
Less Impact of Topic 606		1,248
Consolidated Adjusted EBITDA Excluding Impact of Topic 606	\$	34,577
Total operating revenues	\$	96,318
Consolidated Adjusted EBITDA Margin Excluding Impact of Topic 606		35.9 %

* Prior period figures have been amended to conform to the current period's calculation of Consolidated EBITDA.

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

‡ Includes Product realignment charges, where applicable.

§ Excludes depreciation and amortization expense.

EBITDA Excluding Impact of Topic 606⁽¹⁾

Wireless

	(dollars in millions)	
Unaudited	3 Mos. Ended 9/30/17	3 Mos. Ended 9/30/18
Operating Income	\$ 7,603	\$ 8,179
Add Depreciation and amortization expense	2,366	2,454
Segment EBITDA	\$ 9,969	\$ 10,633
Total operating revenues	\$ 21,580	\$ 22,895
Segment EBITDA Margin	46.2 %	46.4 %
Year over year increase in Segment EBITDA		\$ 664
Year over year percentage change in Segment EBITDA		6.7 %
Year over year change in Segment EBITDA Margin		20 bps

	(dollars in millions)	
Unaudited	9 Mos. Ended 9/30/18	
Operating Income		\$ 23,702
Add Depreciation and amortization expense		7,341
Segment EBITDA		\$ 31,043
Total operating revenues		\$ 67,051
Segment EBITDA Margin		46.3 %

Wireline

	(dollars in millions)	
Unaudited	3 Mos. Ended 9/30/18	
Operating Loss		\$ (82)
Add Depreciation and amortization expense		1,552
Segment EBITDA		\$ 1,470
Total operating revenues		\$ 7,376
Segment EBITDA Margin		19.9 %

	(dollars in millions)	
Unaudited	9 Mos. Ended 9/30/18	
Operating Loss		\$ (138)
Add Depreciation and amortization expense		4,610
Segment EBITDA		\$ 4,472
Total operating revenues		\$ 22,369
Segment EBITDA Margin		20.0 %

(1) Amounts for the three and nine months ended September 30, 2018 exclude impacts of Accounting Standard Update 2014-09, "Revenue from Contracts with Customers (Topic 606)", which we adopted on January 1, 2018.