

Condensed Consolidated Statements of Income

(dollars in millions, except per share amounts)

Unaudited	3 Mos. Ended 12/31/18	3 Mos. Ended 12/31/17	% Change	12 Mos. Ended 12/31/18	12 Mos. Ended 12/31/17	% Change
Operating Revenues						
Service revenues and other	\$ 27,460	\$ 27,480	(0.1)	\$ 108,605	\$ 107,145	1.4
Wireless equipment revenues	6,821	6,475	5.3	22,258	18,889	17.8
Total Operating Revenues	34,281	33,955	1.0	130,863	126,034	3.8
Operating Expenses						
Cost of services	8,163	8,219	(0.7)	32,185	30,916	4.1
Wireless cost of equipment	7,128	7,339	(2.9)	23,323	22,147	5.3
Selling, general and administrative expense	9,410	8,480	11.0	31,083	28,592	8.7
Depreciation and amortization expense	4,352	4,456	(2.3)	17,403	16,954	2.6
Oath goodwill impairment	4,591	—	*	4,591	—	*
Total Operating Expenses	33,644	28,494	18.1	108,585	98,609	10.1
Operating Income	637	5,461	(88.3)	22,278	27,425	(18.8)
Equity in earnings (losses) of unconsolidated businesses	64	(6)	*	(186)	(77)	*
Other income (expense), net	1,865	(1,302)	*	2,364	(2,021)	*
Interest expense	(1,199)	(1,219)	(1.6)	(4,833)	(4,733)	2.1
Income Before (Provision) Benefit For Income Taxes	1,367	2,934	(53.4)	19,623	20,594	(4.7)
(Provision) benefit for income taxes	698	15,849	(95.6)	(3,584)	9,956	*
Net Income	\$ 2,065	\$ 18,783	(89.0)	\$ 16,039	\$ 30,550	(47.5)
Net income attributable to noncontrolling interests	\$ 126	\$ 114	10.5	\$ 511	\$ 449	13.8
Net income attributable to Verizon	1,939	18,669	(89.6)	15,528	30,101	(48.4)
Net Income	\$ 2,065	\$ 18,783	(89.0)	\$ 16,039	\$ 30,550	(47.5)
Basic Earnings Per Common Share						
Net income attributable to Verizon	\$ 0.47	\$ 4.57	(89.7)	\$ 3.76	\$ 7.37	(49.0)
<i>Weighted average number of common shares (in millions)</i>	4,137	4,087		4,128	4,084	
Diluted Earnings Per Common Share ⁽¹⁾						
Net income attributable to Verizon	\$ 0.47	\$ 4.56	(89.7)	\$ 3.76	\$ 7.36	(48.9)
<i>Weighted average number of common shares-assuming dilution (in millions)</i>	4,141	4,090		4,132	4,089	

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	12/31/18	12/31/17	\$ Change
Assets			
Current assets			
Cash and cash equivalents	\$ 2,745	\$ 2,079	\$ 666
Accounts receivable, net	25,102	23,493	1,609
Inventories	1,336	1,034	302
Prepaid expenses and other	5,453	3,307	2,146
Total current assets	34,636	29,913	4,723
Property, plant and equipment	252,835	246,498	6,337
Less accumulated depreciation	163,549	157,930	5,619
Property, plant and equipment, net	89,286	88,568	718
Investments in unconsolidated businesses	671	1,039	(368)
Wireless licenses	94,130	88,417	5,713
Goodwill	24,614	29,172	(4,558)
Other intangible assets, net	9,775	10,247	(472)
Other assets	11,717	9,787	1,930
Total assets	\$ 264,829	\$ 257,143	\$ 7,686
Liabilities and Equity			
Current liabilities			
Debt maturing within one year	\$ 7,190	\$ 3,453	\$ 3,737
Accounts payable and accrued liabilities	22,501	21,232	1,269
Other current liabilities	8,239	8,352	(113)
Total current liabilities	37,930	33,037	4,893
Long-term debt	105,873	113,642	(7,769)
Employee benefit obligations	18,599	22,112	(3,513)
Deferred income taxes	33,795	31,232	2,563
Other liabilities	13,922	12,433	1,489
Total long-term liabilities	172,189	179,419	(7,230)
Equity			
Common stock	429	424	5
Additional paid in capital	13,437	11,101	2,336
Retained earnings	43,542	35,635	7,907
Accumulated other comprehensive income	2,370	2,659	(289)
Common stock in treasury, at cost	(6,986)	(7,139)	153
Deferred compensation – employee stock ownership plans and other	353	416	(63)
Noncontrolling interests	1,565	1,591	(26)
Total equity	54,710	44,687	10,023
Total liabilities and equity	\$ 264,829	\$ 257,143	\$ 7,686

Verizon - Selected Financial and Operating Statistics

Unaudited	12/31/18	12/31/17
Total debt (in millions)	\$ 113,063	\$ 117,095
Net debt (in millions)	\$ 110,318	\$ 115,016
Net debt / Consolidated Adjusted EBITDA ⁽¹⁾	2.3x	2.6x
Common shares outstanding end of period (in millions)	4,132	4,079
Total employees ('000)	144.5	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	12 Mos. Ended 12/31/18	12 Mos. Ended 12/31/17	\$ Change
Cash Flows from Operating Activities			
Net Income	\$ 16,039	\$ 30,550	\$ (14,511)
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization expense	17,403	16,954	449
Employee retirement benefits	(2,657)	440	(3,097)
Deferred income taxes	389	(14,463)	14,852
Provision for uncollectible accounts	980	1,167	(187)
Equity in losses of unconsolidated businesses, net of dividends received	231	117	114
Net gain on sale of divested businesses	—	(1,774)	1,774
Oath goodwill impairment	4,591	—	4,591
Changes in current assets and liabilities, net of effects from acquisition/disposition of businesses	(1,177)	(5,938)	4,761
Discretionary employee benefits contributions	(1,679)	(3,411)	1,732
Other, net	219	676	(457)
Net cash provided by operating activities	<u>34,339</u>	<u>24,318</u>	<u>10,021</u>
Cash Flows from Investing Activities			
Capital expenditures (including capitalized software)	(16,658)	(17,247)	589
Acquisitions of businesses, net of cash acquired	(230)	(5,880)	5,650
Acquisitions of wireless licenses	(1,429)	(583)	(846)
Proceeds from dispositions of businesses	—	3,614	(3,614)
Other, net	383	1,640	(1,257)
Net cash used in investing activities	<u>(17,934)</u>	<u>(18,456)</u>	<u>522</u>
Cash Flows from Financing Activities			
Proceeds from long-term borrowings	5,967	27,707	(21,740)
Proceeds from asset-backed long-term borrowings	4,810	4,290	520
Repayments of long-term borrowings and capital lease obligations	(10,923)	(23,837)	12,914
Repayments of asset-backed long-term borrowings	(3,635)	(400)	(3,235)
Dividends paid	(9,772)	(9,472)	(300)
Other, net	(1,824)	(4,439)	2,615
Net cash used in financing activities	<u>(15,377)</u>	<u>(6,151)</u>	<u>(9,226)</u>
Increase (decrease) in cash, cash equivalents and restricted cash	1,028	(289)	1,317
Cash, cash equivalents and restricted cash, beginning of period	2,888	3,177	(289)
Cash, cash equivalents and restricted cash, end of period	\$ 3,916	\$ 2,888	\$ 1,028

Wireless - Selected Financial Results

(dollars in millions)

Unaudited	3 Mos. Ended 12/31/18	3 Mos. Ended 12/31/17	% Change	12 Mos. Ended 12/31/18	12 Mos. Ended 12/31/17	% Change
Operating Revenues						
Service	\$ 15,898	\$ 15,880	0.1	\$ 63,020	\$ 63,121	(0.2)
Equipment	6,821	6,475	5.3	22,258	18,889	17.8
Other	1,693	1,416	19.6	6,456	5,501	17.4
Total Operating Revenues	24,412	23,771	2.7	91,734	87,511	4.8
Operating Expenses						
Cost of services	2,351	2,210	6.4	9,251	8,886	4.1
Cost of equipment	7,128	7,339	(2.9)	23,323	22,147	5.3
Selling, general and administrative expense	4,552	4,760	(4.4)	16,604	17,876	(7.1)
Depreciation and amortization expense	2,395	2,344	2.2	9,736	9,395	3.6
Total Operating Expenses	16,426	16,653	(1.4)	58,914	58,304	1.0
Operating Income	\$ 7,986	\$ 7,118	12.2	\$ 32,820	\$ 29,207	12.4
Operating Income Margin	32.7 %	29.9 %		35.8 %	33.4 %	
Segment EBITDA	\$ 10,381	\$ 9,462	9.7	\$ 42,556	\$ 38,602	10.2
Segment EBITDA Margin	42.5 %	39.8 %		46.4 %	44.1 %	

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			12/31/18	12/31/17	% Change	
Connections ('000)						
Retail postpaid			113,353	110,854	2.3	
Retail prepaid			4,646	5,403	(14.0)	
Total retail			117,999	116,257	1.5	
Net Add Detail ('000) ⁽¹⁾						
	3 Mos. Ended	3 Mos. Ended				
	12/31/18	12/31/17	% Change	12 Mos. Ended	12 Mos. Ended	
				12/31/18	12/31/17	% Change
Retail postpaid	1,220	1,174	3.9	2,526	2,084	21.2
Retail prepaid	(90)	(184)	51.1	(757)	(43)	*
Total retail	1,130	990	14.1	1,769	2,041	(13.3)
Account Statistics						
Retail postpaid accounts ('000) ⁽²⁾				35,427	35,404	0.1
Retail postpaid connections per account ⁽²⁾				3.20	3.13	2.2
Retail postpaid ARPA ^{(3) (5)}	\$ 135.11	\$ 135.78	(0.5)	\$ 134.49	\$ 135.99	(1.1)
Retail postpaid I-ARPA ^{(4) (5)}	\$ 170.51	\$ 167.19	2.0	\$ 168.61	\$ 166.28	1.4
Churn Detail						
Retail postpaid	1.08 %	1.00 %		1.03 %	1.01 %	
Retail	1.24 %	1.24 %		1.23 %	1.25 %	
Retail Postpaid Connection Statistics ⁽²⁾						
Total smartphone postpaid phone base				92.2 %	90.1 %	
Total Internet postpaid base				19.7 %	19 %	
Other Operating Statistics						
Capital expenditures (in millions)	\$ 2,342	\$ 3,383	(30.8)	\$ 8,486	\$ 10,310	(17.7)

Footnotes:

(1) Connection net additions exclude acquisitions and adjustments.

(2) Statistics presented as of end of period.

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

(4) Retail postpaid I-ARPA - average service revenue per account from retail postpaid account plus recurring device installment billings.

(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 12/31/18	3 Mos. Ended 12/31/17	% Change	12 Mos. Ended 12/31/18	12 Mos. Ended 12/31/17	% Change
Operating Revenues						
Consumer Markets	\$ 3,169	\$ 3,188	(0.6)	\$ 12,589	\$ 12,777	(1.5)
Enterprise Solutions	2,217	2,285	(3.0)	8,840	9,167	(3.6)
Partner Solutions	1,098	1,209	(9.2)	4,692	4,917	(4.6)
Business Markets	836	885	(5.5)	3,397	3,585	(5.2)
Other	53	50	6.0	242	234	3.4
Total Operating Revenues	7,373	7,617	(3.2)	29,760	30,680	(3.0)
Operating Expenses						
Cost of services	4,478	4,465	0.3	17,701	17,922	(1.2)
Selling, general and administrative expense	1,597	1,558	2.5	6,151	6,274	(2.0)
Depreciation and amortization expense	1,571	1,532	2.5	6,181	6,104	1.3
Total Operating Expenses	7,646	7,555	1.2	30,033	30,300	(0.9)
Operating Income (Loss)	\$ (273)	\$ 62	*	\$ (273)	\$ 380	*
Operating Income (Loss) Margin	(3.7)%	0.8 %		(0.9)%	1.2 %	
Segment EBITDA	\$ 1,298	\$ 1,594	(18.6)	\$ 5,908	\$ 6,484	(8.9)
Segment EBITDA Margin	17.6 %	20.9 %		19.9 %	21.1 %	

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	12/31/18	12/31/17	% Change
Connections ('000)			
Fios video connections	4,451	4,619	(3.6)
Fios Internet connections	6,067	5,850	3.7
Fios digital voice residence connections	3,803	3,905	(2.6)
Fios digital connections	14,321	14,374	(0.4)
High-speed Internet (HSI) connections	894	1,109	(19.4)
Total broadband connections	6,961	6,959	—
Total voice connections	11,732	12,821	(8.5)

Unaudited	3 Mos. Ended 12/31/18	3 Mos. Ended 12/31/17	% Change	12 Mos. Ended 12/31/18	12 Mos. Ended 12/31/17	% Change
Net Add Detail ('000)						
Fios video connections	(46)	(29)	(58.6)	(168)	(75)	*
Fios Internet connections	54	47	14.9	217	197	10.2
Fios digital voice residence connections	(30)	(15)	*	(102)	10	*
Fios digital connections	(22)	3	*	(53)	132	*
High-speed Internet (HSI) connections	(51)	(66)	22.7	(215)	(276)	22.1
Total broadband connections	3	(19)	*	2	(79)	*
Total voice connections	(277)	(279)	0.7	(1,089)	(1,118)	2.6

Revenue Statistics

Fios revenues (in millions)	\$ 3,046	\$ 2,959	2.9	\$ 11,939	\$ 11,691	2.1
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Other Operating Statistics

Capital expenditures (in millions)	\$ 1,855	\$ 1,981	(6.4)	\$ 6,255	\$ 5,339	17.2
Wireline employees ('000)				54.3	57.1	

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 12/31/18			3 Mos. Ended 12/31/17		Year Over Year	
	As reported	Balances without adoption of Topic 606		As reported	\$ Change	% Change	
			Adjustments				
Operating Revenues							
Service revenues and other	\$ 27,460	\$ 27,780	\$ (320)	\$ 27,480	\$ 300	1.1	
Wireless equipment revenues	6,821	6,340	481	6,475	(135)	(2.1)	
Total Operating Revenues	34,281	34,120	161	33,955	165	0.5	
Operating Expenses							
Cost of services	8,163	8,180	(17)	8,219	(39)	(0.5)	
Wireless cost of equipment	7,128	7,102	26	7,339	(237)	(3.2)	
Selling, general and administrative expense	9,410	9,861	(451)	8,480	1,381	16.3	
Depreciation and amortization expense	4,352	4,352	—	4,456	(104)	(2.3)	
Oath goodwill impairment	4,591	4,591	—	—	4,591	*	
Total Operating Expenses	33,644	34,086	(442)	28,494	5,592	19.6	
Operating Income	\$ 637	\$ 34	\$ 603	\$ 5,461	\$ (5,427)	(99.4)	

(dollars in millions)

Unaudited	12 Mos. Ended 12/31/18			12 Mos. Ended 12/31/17		Year Over Year	
	As reported	Balances without adoption of Topic 606		As reported	\$ Change	% Change	
			Adjustments				
Operating Revenues							
Service revenues and other	\$ 108,605	\$ 109,964	\$ (1,359)	\$ 107,145	\$ 2,819	2.6	
Wireless equipment revenues	22,258	20,474	1,784	18,889	1,585	8.4	
Total Operating Revenues	130,863	130,438	425	126,034	4,404	3.5	
Operating Expenses							
Cost of services	32,185	32,240	(55)	30,916	1,324	4.3	
Wireless cost of equipment	23,323	23,189	134	22,147	1,042	4.7	
Selling, general and administrative expense	31,083	32,588	(1,505)	28,592	3,996	14.0	
Depreciation and amortization expense	17,403	17,403	—	16,954	449	2.6	
Oath goodwill impairment	4,591	4,591	—	—	4,591	*	
Total Operating Expenses	108,585	110,011	(1,426)	98,609	11,402	11.6	
Operating Income	\$ 22,278	\$ 20,427	\$ 1,851	\$ 27,425	\$ (6,998)	(25.5)	

Supplemental Information - Impact of Topic 606

Wireless⁽¹⁾⁽²⁾

(dollars in millions)

Unaudited	3 Mos. Ended 12/31/18			3 Mos. Ended	Year Over Year	
	As reported	Balances without adoption of Topic 606	Adjustments	12/31/17 As reported	\$ Change	% Change
Operating Revenues						
Service	\$ 15,898	\$ 16,183	\$ (285)	\$ 15,880	\$ 303	1.9
Equipment	6,821	6,340	481	6,475	(135)	(2.1)
Other	1,693	1,746	(53)	1,416	330	23.3
Total Operating Revenues	24,412	24,269	143	23,771	498	2.1
Operating Expenses						
Cost of services	2,351	2,351	—	2,210	141	6.4
Cost of equipment	7,128	7,102	26	7,339	(237)	(3.2)
Selling, general and administrative expense	4,552	4,985	(433)	4,760	225	4.7
Depreciation and amortization expense	2,395	2,395	—	2,344	51	2.2
Total Operating Expenses	16,426	16,833	(407)	16,653	180	1.1
Operating Income	\$ 7,986	\$ 7,436	\$ 550	\$ 7,118	\$ 318	4.5

(dollars in millions)

Unaudited	12 Mos. Ended 12/31/18			12 Mos. Ended	Year Over Year	
	As reported	Balances without adoption of Topic 606	Adjustments	12/31/17 As reported	\$ Change	% Change
Operating Revenues						
Service	\$ 63,020	\$ 64,222	\$ (1,202)	\$ 63,121	\$ 1,101	1.7
Equipment	22,258	20,474	1,784	18,889	1,585	8.4
Other	6,456	6,624	(168)	5,501	1,123	20.4
Total Operating Revenues	91,734	91,320	414	87,511	3,809	4.4
Operating Expenses						
Cost of services	9,251	9,251	—	8,886	365	4.1
Cost of equipment	23,323	23,189	134	22,147	1,042	4.7
Selling, general and administrative expense	16,604	18,006	(1,402)	17,876	130	0.7
Depreciation and amortization expense	9,736	9,736	—	9,395	341	3.6
Total Operating Expenses	58,914	60,182	(1,268)	58,304	1,878	3.2
Operating Income	\$ 32,820	\$ 31,138	\$ 1,682	\$ 29,207	\$ 1,931	6.6

Supplemental Information - Impact of Topic 606

Wireline⁽¹⁾⁽²⁾

(dollars in millions)

Unaudited	3 Mos. Ended 12/31/18			3 Mos. Ended 12/31/17		Year Over Year	
	As reported	Balances without adoption of Topic 606		As reported	\$ Change	% Change	
			Adjustments				
Operating Revenues							
Consumer Markets	\$ 3,169	\$ 3,156	\$ 13	\$ 3,188	\$ (32)	(1.0)	
Enterprise Solutions	2,217	2,217	—	2,285	(68)	(3.0)	
Partner Solutions	1,098	1,098	—	1,209	(111)	(9.2)	
Business Markets	836	835	1	885	(50)	(5.6)	
Other	53	47	6	50	(3)	(6.0)	
Total Operating Revenues	7,373	7,353	20	7,617	(264)	(3.5)	
Operating Expenses							
Cost of services	4,478	4,494	(16)	4,465	29	0.6	
Selling, general and administrative expense	1,597	1,616	(19)	1,558	58	3.7	
Depreciation and amortization expense	1,571	1,571	—	1,532	39	2.5	
Total Operating Expenses	7,646	7,681	(35)	7,555	126	1.7	
Operating Income (Loss)	\$ (273)	\$ (328)	\$ 55	\$ 62	\$ (390)	*	

(dollars in millions)

Unaudited	12 Mos. Ended 12/31/18			12 Mos. Ended 12/31/17		Year Over Year	
	As reported	Balances without adoption of Topic 606		As reported	\$ Change	% Change	
			Adjustments				
Operating Revenues							
Consumer Markets	\$ 12,589	\$ 12,588	\$ 1	\$ 12,777	\$ (189)	(1.5)	
Enterprise Solutions	8,840	8,840	—	9,167	(327)	(3.6)	
Partner Solutions	4,692	4,692	—	4,917	(225)	(4.6)	
Business Markets	3,397	3,395	2	3,585	(190)	(5.3)	
Other	242	207	35	234	(27)	(11.5)	
Total Operating Revenues	29,760	29,722	38	30,680	(958)	(3.1)	
Operating Expenses							
Cost of services	17,701	17,750	(49)	17,922	(172)	(1.0)	
Selling, general and administrative expense	6,151	6,257	(106)	6,274	(17)	(0.3)	
Depreciation and amortization expense	6,181	6,181	—	6,104	77	1.3	
Total Operating Expenses	30,033	30,188	(155)	30,300	(112)	(0.4)	
Operating Income (Loss)	\$ (273)	\$ (466)	\$ 193	\$ 380	\$ (846)	*	

Supplemental Information - Impact of Topic 606

Fios Revenues

(dollars in millions)

Unaudited	3 Mos. Ended 12/31/18			3 Mos. Ended	Year Over Year	
	As reported	Balances without adoption of Topic 606	Adjustments	12/31/17	\$ Change	% Change
Fios Revenues	\$ 3,046	\$ 3,033	\$ 13	\$ 2,959	\$ 74	2.5

(dollars in millions)

Unaudited	12 Mos. Ended 12/31/18			12 Mos. Ended	Year Over Year	
	As reported	Balances without adoption of Topic 606	Adjustments	12/31/17	\$ Change	% Change
Fios Revenues	\$ 11,939	\$ 11,934	\$ 5	\$ 11,691	\$ 243	2.1

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