



Financial and Operating Information



As of December 31, 2018

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Condensed Consolidated Statements of Income

(dollars in millions, except per share amounts)

Unaudited	12 Mos. Ended 12/31/16	12 Mos. Ended 12/31/17	12 Mos. Ended 12/31/18
Operating Revenues			
Service revenues and other	\$ 108,468	\$ 107,145	\$ 108,605
Wireless equipment revenues	17,512	18,889	22,258
Total Operating Revenues	125,980	126,034	130,863
Operating Expenses			
Cost of services	30,463	30,916	32,185
Wireless cost of equipment	22,238	22,147	23,323
Selling, general and administrative expense	28,102	28,592	31,083
Depreciation and amortization expense	15,928	16,954	17,403
Oath goodwill impairment	—	—	4,591
Total Operating Expenses	96,731	98,609	108,585
Operating Income	29,249	27,425	22,278
Equity in losses of unconsolidated businesses	(98)	(77)	(186)
Other income (expense), net	(3,789)	(2,021)	2,364
Interest expense	(4,376)	(4,733)	(4,833)
Income Before (Provision) Benefit For Income Taxes	20,986	20,594	19,623
(Provision) benefit for income taxes	(7,378)	9,956	(3,584)
Net Income	\$ 13,608	\$ 30,550	\$ 16,039
Net income attributable to noncontrolling interests	\$ 481	\$ 449	\$ 511
Net income attributable to Verizon	13,127	30,101	15,528
Net Income	\$ 13,608	\$ 30,550	\$ 16,039
Basic Earnings Per Common Share			
Net income attributable to Verizon	\$ 3.22	\$ 7.37	\$ 3.76
<i>Weighted average number of common shares (in millions)</i>	4,080	4,084	4,128
Diluted Earnings Per Common Share ⁽¹⁾			
Net income attributable to Verizon	\$ 3.21	\$ 7.36	\$ 3.76
<i>Weighted average number of common shares-assuming dilution (in millions)</i>	4,086	4,089	4,132

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	2017				2018			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Operating Revenues								
Service revenues and other	\$ 26,050	\$ 26,250	\$ 27,365	\$ 27,480	\$ 26,732	\$ 27,159	\$ 27,254	\$ 27,460
Wireless equipment revenues	3,764	4,298	4,352	6,475	5,040	5,044	5,353	6,821
Total Operating Revenues	29,814	30,548	31,717	33,955	31,772	32,203	32,607	34,281
Operating Expenses								
Cost of services	7,239	7,449	8,009	8,219	7,946	8,234	7,842	8,163
Wireless cost of equipment	4,808	5,035	4,965	7,339	5,309	5,397	5,489	7,128
Selling, general and administrative expense	6,746	5,883	7,483	8,480	6,844	7,605	7,224	9,410
Depreciation and amortization expense	4,059	4,167	4,272	4,456	4,324	4,350	4,377	4,352
Oath goodwill impairment	—	—	—	—	—	—	—	4,591
Total Operating Expenses	22,852	22,534	24,729	28,494	24,423	25,586	24,932	33,644
Operating Income	6,962	8,014	6,988	5,461	7,349	6,617	7,675	637
Equity in earnings (losses) of unconsolidated businesses	(21)	(28)	(22)	(6)	(19)	(228)	(3)	64
Other income (expense), net	(627)	199	(291)	(1,302)	(75)	360	214	1,865
Interest expense	(1,132)	(1,218)	(1,164)	(1,219)	(1,201)	(1,222)	(1,211)	(1,199)
Income Before (Provision) Benefit For Income Taxes	5,182	6,967	5,511	2,934	6,054	5,527	6,675	1,367
(Provision) benefit for income taxes	(1,629)	(2,489)	(1,775)	15,849	(1,388)	(1,281)	(1,613)	698
Net Income	\$ 3,553	\$ 4,478	\$ 3,736	\$ 18,783	\$ 4,666	\$ 4,246	\$ 5,062	\$ 2,065
Net income attributable to noncontrolling interests	\$ 103	\$ 116	\$ 116	\$ 114	\$ 121	\$ 126	\$ 138	\$ 126
Net income attributable to Verizon	3,450	4,362	3,620	18,669	4,545	4,120	4,924	1,939
Net Income	\$ 3,553	\$ 4,478	\$ 3,736	\$ 18,783	\$ 4,666	\$ 4,246	\$ 5,062	\$ 2,065
Basic Earnings Per Common Share								
Net income attributable to Verizon	\$ 0.85	\$ 1.07	\$ 0.89	\$ 4.57	\$ 1.11	\$ 1.00	\$ 1.19	\$ 0.47
Weighted average number of common shares (in millions)	4,082	4,082	4,084	4,087	4,104	4,135	4,136	4,137
Diluted Earnings Per Common Share ⁽¹⁾								
Net income attributable to Verizon	\$ 0.84	\$ 1.07	\$ 0.89	\$ 4.56	\$ 1.11	\$ 1.00	\$ 1.19	\$ 0.47
Weighted average number of common shares- assuming dilution (in millions)	4,087	4,087	4,089	4,090	4,107	4,139	4,140	4,141

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	12/31/18
Assets			
Current assets			
Cash and cash equivalents	\$ 2,880	\$ 2,079	\$ 2,745
Accounts receivable, net	17,513	23,493	25,102
Inventories	1,202	1,034	1,336
Assets held for sale	882	—	—
Prepaid expenses and other	3,918	3,307	5,453
Total current assets	26,395	29,913	34,636
Property, plant and equipment			
Less accumulated depreciation	232,215	246,498	252,835
	147,464	157,930	163,549
Property, plant and equipment, net	84,751	88,568	89,286
Investments in unconsolidated businesses	1,110	1,039	671
Wireless licenses	86,673	88,417	94,130
Goodwill	27,205	29,172	24,614
Other intangible assets, net	8,897	10,247	9,775
Non-current assets held for sale	613	—	—
Other assets	8,536	9,787	11,717
Total assets	\$ 244,180	\$ 257,143	\$ 264,829
Liabilities and Equity			
Current liabilities			
Debt maturing within one year	\$ 2,645	\$ 3,453	\$ 7,190
Accounts payable and accrued liabilities	19,593	21,232	22,501
Other current liabilities	8,102	8,352	8,239
Total current liabilities	30,340	33,037	37,930
Long-term debt			
Employee benefit obligations	105,433	113,642	105,873
Deferred income taxes	26,166	22,112	18,599
Other liabilities	45,964	31,232	33,795
Other liabilities	12,245	12,433	13,922
Total long-term liabilities	189,808	179,419	172,189
Equity			
Common stock	424	424	429
Additional paid in capital	11,182	11,101	13,437
Retained earnings	15,059	35,635	43,542
Accumulated other comprehensive income	2,673	2,659	2,370
Common stock in treasury, at cost	(7,263)	(7,139)	(6,986)
Deferred compensation – employee stock ownership plans and other	449	416	353
Noncontrolling interests	1,508	1,591	1,565
Total equity	24,032	44,687	54,710
Total liabilities and equity	\$ 244,180	\$ 257,143	\$ 264,829

Verizon - Selected Financial and Operating Statistics

Unaudited	12/31/16	12/31/17	12/31/18
Total debt (in millions)	\$ 108,078	\$ 117,095	\$ 113,063
Net debt (in millions)	\$ 105,198	\$ 115,016	\$ 110,318
Net debt / Consolidated Adjusted EBITDA ⁽¹⁾	2.4x	2.6x	2.3x
Common shares outstanding end of period (in millions)	4,077	4,079	4,132
Total employees ('000)	160.9	155.4	144.5
Cash dividends declared per common share	\$ 2.2850	\$ 2.3350	\$ 2.3850

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	3/31/17	6/30/17	9/30/17	12/31/17	3/31/18	6/30/18	9/30/18	12/31/18
Assets								
Current assets								
Cash and cash equivalents	\$ 4,307	\$ 4,583	\$ 4,487	\$ 2,079	\$ 1,923	\$ 1,750	\$ 2,538	\$ 2,745
Accounts receivable, net	16,863	19,771	21,549	23,493	22,595	23,099	24,012	25,102
Inventories	1,194	1,116	1,276	1,034	1,285	1,102	1,270	1,336
Assets held for sale	149	—	275	—	—	—	—	—
Prepaid expenses and other	4,645	3,353	3,280	3,307	5,222	4,925	5,334	5,453
Total current assets	27,158	28,823	30,867	29,913	31,025	30,876	33,154	34,636
Property, plant and equipment	235,550	239,226	242,608	246,498	246,877	249,294	252,030	252,835
Less accumulated depreciation	150,337	152,705	155,986	157,930	158,955	161,513	164,566	163,549
Property, plant and equipment, net	85,213	86,521	86,622	88,568	87,922	87,781	87,464	89,286
Investments in unconsolidated businesses	1,080	1,075	1,054	1,039	994	787	732	671
Wireless licenses	87,754	88,004	87,883	88,417	93,677	93,855	94,006	94,130
Goodwill	27,630	28,527	28,725	29,172	29,121	29,200	29,200	24,614
Other intangible assets, net	8,912	11,143	10,993	10,247	10,014	9,861	9,731	9,775
Non-current assets held for sale	762	90	—	—	—	—	—	—
Other assets	8,222	8,795	8,538	9,787	11,763	10,943	11,275	11,717
Total assets	\$ 246,731	\$ 252,978	\$ 254,682	\$ 257,143	\$ 264,516	\$ 263,303	\$ 265,562	\$ 264,829
Liabilities and Equity								
Current liabilities								
Debt maturing within one year	\$ 3,707	\$ 1,153	\$ 2,180	\$ 3,453	\$ 6,323	\$ 5,466	\$ 6,502	\$ 7,190
Accounts payable and accrued liabilities	14,826	17,825	18,434	21,232	17,052	18,560	19,342	22,501
Other current liabilities	8,131	8,780	8,316	8,352	8,240	8,303	8,323	8,239
Total current liabilities	26,664	27,758	28,930	33,037	31,615	32,329	34,167	37,930
Long-term debt	112,839	116,390	115,317	113,642	112,734	109,174	106,440	105,873
Employee benefit obligations	22,079	21,775	21,131	22,112	20,689	19,955	19,660	18,599
Deferred income taxes	47,847	47,506	48,345	31,232	34,414	35,069	35,712	33,795
Other liabilities	12,265	12,788	12,508	12,433	12,719	13,201	13,496	13,922
Total long-term liabilities	195,030	198,459	197,301	179,419	180,556	177,399	175,308	172,189
Equity								
Common stock	424	424	424	424	429	429	429	429
Additional paid in capital	11,161	11,099	11,098	11,101	13,437	13,438	13,436	13,437
Retained earnings	16,153	18,159	19,373	35,635	39,974	41,657	44,091	43,542
Accumulated other comprehensive income	2,609	2,284	2,683	2,659	3,705	3,205	3,201	2,370
Common stock in treasury, at cost	(7,144)	(7,142)	(7,141)	(7,139)	(6,992)	(6,990)	(6,987)	(6,986)
Deferred compensation – employee stock ownership plans and other	290	365	411	416	228	285	325	353
Noncontrolling interests	1,544	1,572	1,603	1,591	1,564	1,551	1,592	1,565
Total equity	25,037	26,761	28,451	44,687	52,345	53,575	56,087	54,710
Total liabilities and equity	\$ 246,731	\$ 252,978	\$ 254,682	\$ 257,143	\$ 264,516	\$ 263,303	\$ 265,562	\$ 264,829

Verizon - Selected Financial and Operating Statistics

Unaudited	3/31/17	6/30/17	9/30/17	12/31/17	3/31/18	6/30/18	9/30/18	12/31/18
Total debt (in millions)	\$ 116,546	\$ 117,543	\$ 117,497	\$ 117,095	\$ 119,057	\$ 114,640	\$ 112,942	\$ 113,063
Net debt (in millions)	\$ 112,239	\$ 112,960	\$ 113,010	\$ 115,016	\$ 117,134	\$ 112,890	\$ 110,404	\$ 110,318
Net debt / Consolidated Adjusted EBITDA ⁽¹⁾				2.6x	2.6x	2.5x	2.4x	2.3x
Common shares outstanding end of period (in millions)	4,079	4,079	4,079	4,079	4,132	4,132	4,132	4,132
Total employees ('000)	161.0	163.4	160.1	155.4	154.7	153.1	152.3	144.5
Quarterly cash dividends declared per common share	\$ 0.5775	\$ 0.5775	\$ 0.5900	\$ 0.5900	\$ 0.5900	\$ 0.5900	\$ 0.6025	\$ 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	12 Mos. Ended 12/31/18
Cash Flows from Operating Activities			
Net Income	\$ 13,608	\$ 30,550	\$ 16,039
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization expense	15,928	16,954	17,403
Employee retirement benefits	2,705	440	(2,657)
Deferred income taxes	(1,063)	(14,463)	389
Provision for uncollectible accounts	1,420	1,167	980
Equity in losses of unconsolidated businesses, net of dividends received	138	117	231
Net gain on sale of divested businesses	(1,007)	(1,774)	—
Oath goodwill impairment	—	—	4,591
Changes in current assets and liabilities, net of effects from acquisition/disposition of businesses	(6,755)	(5,938)	(1,177)
Discretionary employee benefits contributions	(186)	(3,411)	(1,679)
Other, net	(3,099)	676	219
Net cash provided by operating activities	21,689	24,318	34,339
Cash Flows from Investing Activities			
Capital expenditures (including capitalized software)	(17,059)	(17,247)	(16,658)
Acquisitions of businesses, net of cash acquired	(3,765)	(5,880)	(230)
Acquisitions of wireless licenses	(534)	(583)	(1,429)
Proceeds from dispositions of businesses	9,882	3,614	—
Other, net	1,602	1,640	383
Net cash provided by (used in) investing activities	(9,874)	(18,456)	(17,934)
Cash Flows from Financing Activities			
Proceeds from long-term borrowings	12,964	27,707	5,967
Proceeds from asset-backed long-term borrowings	4,986	4,290	4,810
Repayments of long-term borrowings and capital lease obligations	(19,159)	(23,837)	(10,923)
Repayments of asset-backed long-term borrowings	—	(400)	(3,635)
Dividends paid	(9,262)	(9,472)	(9,772)
Other, net	(2,905)	(4,439)	(1,824)
Net cash provided by (used in) financing activities	(13,376)	(6,151)	(15,377)
Increase (decrease) in cash, cash equivalents and restricted cash	(1,561)	(289)	1,028
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	\$ 3,916

Condensed Consolidated Statements of Cash Flows

(dollars in millions)

Unaudited	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	12 Mos. Ended 12/31/18
Cash Flows from Operating Activities								
Net Income	\$ 3,553	\$ 8,031	\$ 11,767	\$ 30,550	\$ 4,666	\$ 8,912	\$ 13,974	\$ 16,039
Adjustments to reconcile net income to net cash provided by operating activities:								
Depreciation and amortization expense	4,059	8,226	12,498	16,954	4,324	8,674	13,051	17,403
Employee retirement benefits	(111)	(223)	(334)	440	(151)	(300)	(886)	(2,657)
Deferred income taxes	2,025	1,880	2,577	(14,463)	702	1,354	2,023	389
Provision for uncollectible accounts	330	632	842	1,167	239	462	699	980
Equity in losses of unconsolidated businesses, net of dividends received	28	67	100	117	30	268	291	231
Net gain on sale of divested businesses	—	(1,774)	(1,774)	(1,774)	—	—	—	—
Oath goodwill impairment	—	—	—	—	—	—	—	4,591
Changes in current assets and liabilities, net of effects from acquisition/disposition of businesses	(4,998)	(3,721)	(6,257)	(5,938)	(2,033)	(1,538)	(1,944)	(1,177)
Discretionary employee benefits contributions	(3,411)	(3,411)	(3,411)	(3,411)	(1,000)	(1,679)	(1,679)	(1,679)
Other, net	(99)	(401)	467	676	(129)	280	715	219
Net cash provided by operating activities	1,376	9,306	16,475	24,318	6,648	16,433	26,244	34,339
Cash Flows from Investing Activities								
Capital expenditures (including capitalized software)	(3,067)	(7,011)	(11,282)	(17,247)	(4,552)	(7,838)	(12,026)	(16,658)
Acquisitions of businesses, net of cash acquired	(1,746)	(6,231)	(6,247)	(5,880)	(32)	(38)	(39)	(230)
Acquisitions of wireless licenses	(196)	(315)	(469)	(583)	(970)	(1,155)	(1,307)	(1,429)
Proceeds from dispositions of businesses	—	3,512	3,614	3,614	—	—	—	—
Other, net	459	786	1,397	1,640	269	303	236	383
Net cash used in investing activities	(4,550)	(9,259)	(12,987)	(18,456)	(5,285)	(8,728)	(13,136)	(17,934)
Cash Flows from Financing Activities								
Proceeds from long-term borrowings	13,054	16,009	21,915	27,707	1,956	4,584	5,932	5,967
Proceeds from asset-backed long-term borrowings	1,283	2,878	2,878	4,290	1,178	1,716	3,216	4,810
Repayments of long-term borrowings and capital lease obligations	(5,592)	(10,294)	(16,457)	(23,837)	(2,984)	(6,568)	(9,776)	(10,923)
Repayments of asset-backed long-term borrowings	—	—	—	(400)	—	(2,000)	(2,915)	(3,635)
Dividends paid	(2,354)	(4,710)	(7,067)	(9,472)	(2,407)	(4,845)	(7,283)	(9,772)
Other, net	(1,726)	(1,983)	(2,866)	(4,439)	941	(752)	(1,595)	(1,824)
Net cash provided by (used in) financing activities	4,665	1,900	(1,597)	(6,151)	(1,316)	(7,865)	(12,421)	(15,377)
Increase (decrease) in cash, cash equivalents and restricted cash	1,491	1,947	1,891	(289)	47	(160)	687	1,028
Cash, cash equivalents and restricted cash, beginning of period	3,177	3,177	3,177	3,177	2,888	2,888	2,888	2,888
Cash, cash equivalents and restricted cash, end of period	\$ 4,668	\$ 5,124	\$ 5,068	\$ 2,888	\$ 2,935	\$ 2,728	\$ 3,575	\$ 3,916

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Wireless

Wireless - Selected Financial Results

(dollars in millions)

Unaudited	2017				2018			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Operating Revenues								
Service	\$ 15,778	\$ 15,622	\$ 15,841	\$ 15,880	\$ 15,402	\$ 15,754	\$ 15,966	\$ 15,898
Equipment	3,764	4,298	4,352	6,475	5,040	5,044	5,353	6,821
Other	1,336	1,362	1,387	1,416	1,458	1,651	1,654	1,693
Total Operating Revenues	20,878	21,282	21,580	23,771	21,900	22,449	22,973	24,412
Operating Expenses								
Cost of services	2,187	2,219	2,270	2,210	2,215	2,335	2,350	2,351
Cost of equipment	4,808	5,035	4,965	7,339	5,309	5,397	5,489	7,128
Selling, general and administrative expense	4,469	4,271	4,376	4,760	3,899	3,984	4,169	4,552
Depreciation and amortization expense	2,338	2,347	2,366	2,344	2,428	2,459	2,454	2,395
Total Operating Expenses	13,802	13,872	13,977	16,653	13,851	14,175	14,462	16,426
Operating Income	\$ 7,076	\$ 7,410	\$ 7,603	\$ 7,118	\$ 8,049	\$ 8,274	\$ 8,511	\$ 7,986
Operating Income Margin	33.9 %	34.8 %	35.2 %	29.9 %	36.8 %	36.9 %	37.0 %	32.7 %
Segment EBITDA	\$ 9,414	\$ 9,757	\$ 9,969	\$ 9,462	\$ 10,477	\$ 10,733	\$ 10,965	\$ 10,381
Segment EBITDA Margin	45.1 %	45.8 %	46.2 %	39.8 %	47.8 %	47.8 %	47.7 %	42.5 %

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	2017				2018			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Connections ('000)								
Retail postpaid	108,483	109,088	109,686	110,854	111,114	111,622	112,135	113,353
Retail prepaid	5,430	5,448	5,588	5,403	5,068	4,832	4,736	4,646
Total retail	113,913	114,536	115,274	116,257	116,182	116,454	116,871	117,999
Net Add Detail ('000) ⁽¹⁾								
Retail postpaid	(307)	614	603	1,174	260	531	515	1,220
Retail prepaid	(17)	19	139	(184)	(335)	(236)	(96)	(90)
Total retail	(324)	633	742	990	(75)	295	419	1,130
Account Statistics								
Retail postpaid accounts ('000) ⁽²⁾	35,270	35,334	35,364	35,404	35,333	35,309	35,309	35,427
Retail postpaid connections per account ⁽²⁾	3.08	3.09	3.10	3.13	3.14	3.16	3.18	3.20
Retail postpaid ARPA ^{(3) (5)}	\$ 136.98	\$ 134.89	\$ 136.31	\$ 135.78	\$ 131.71	\$ 134.56	\$ 136.58	\$ 135.11
Retail postpaid I-ARPA ^{(4) (5)}	\$ 166.01	\$ 164.94	\$ 166.98	\$ 167.19	\$ 164.72	\$ 168.30	\$ 170.92	\$ 170.51
Churn Detail								
Retail postpaid	1.15 %	0.94 %	0.97 %	1.00 %	1.04 %	0.97 %	1.04 %	1.08 %
Retail	1.39 %	1.18 %	1.19 %	1.24 %	1.28 %	1.18 %	1.22 %	1.24 %
Retail Postpaid Connection Statistics ⁽²⁾								
Total smartphone postpaid phone base	88.1 %	88.8 %	89.4 %	90.1 %	90.7 %	91.2 %	91.7 %	92.2 %
Total Internet postpaid base	18.3 %	18.4 %	18.6 %	19.0 %	19.2 %	19.4 %	19.4 %	19.7 %
Other Operating Statistics								
Capital expenditures (in millions)	\$ 1,831	\$ 2,444	\$ 2,652	\$ 3,383	\$ 2,367	\$ 1,650	\$ 2,127	\$ 2,342

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	2017				2018			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Operating Revenues								
Consumer Markets	\$ 3,201	\$ 3,184	\$ 3,204	\$ 3,188	\$ 3,150	\$ 3,132	\$ 3,138	\$ 3,169
Enterprise Solutions	2,311	2,309	2,262	2,285	2,240	2,211	2,172	2,217
Partner Solutions	1,229	1,235	1,244	1,209	1,228	1,200	1,166	1,098
Business Markets	879	918	903	885	871	850	840	836
Other	62	73	49	50	68	66	55	53
Total Operating Revenues	7,682	7,719	7,662	7,617	7,557	7,459	7,371	7,373
Operating Expenses								
Cost of services	4,419	4,542	4,496	4,465	4,475	4,377	4,371	4,478
Selling, general and administrative expense	1,582	1,582	1,552	1,558	1,479	1,577	1,498	1,597
Depreciation and amortization expense	1,475	1,548	1,549	1,532	1,534	1,524	1,552	1,571
Total Operating Expenses	7,476	7,672	7,597	7,555	7,488	7,478	7,421	7,646
Operating Income (Loss)	\$ 206	\$ 47	\$ 65	\$ 62	\$ 69	\$ (19)	\$ (50)	\$ (273)
Operating Income (Loss) Margin	2.7 %	0.6 %	0.8 %	0.8 %	0.9 %	(0.3)%	(0.7)%	(3.7)%
Segment EBITDA	\$ 1,681	\$ 1,595	\$ 1,614	\$ 1,594	\$ 1,603	\$ 1,505	\$ 1,502	\$ 1,298
Segment EBITDA Margin	21.9 %	20.7 %	21.1 %	20.9 %	21.2 %	20.2 %	20.4 %	17.6 %

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	2017				2018			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Connections ('000)								
Fios video connections	4,681	4,666	4,648	4,619	4,597	4,560	4,497	4,451
Fios Internet connections	5,688	5,737	5,803	5,850	5,916	5,959	6,013	6,067
Fios digital voice residence connections	3,887	3,909	3,920	3,905	3,891	3,863	3,833	3,803
Fios digital connections	14,256	14,312	14,371	14,374	14,404	14,382	14,343	14,321
High-speed Internet (HSI) connections	1,323	1,251	1,175	1,109	1,050	997	945	894
Total broadband connections	7,011	6,988	6,978	6,959	6,966	6,956	6,958	6,961
Total voice connections	13,634	13,352	13,100	12,821	12,555	12,270	12,009	11,732
Net Add Detail ('000)								
Fios video connections	(13)	(15)	(18)	(29)	(22)	(37)	(63)	(46)
Fios Internet connections	35	49	66	47	66	43	54	54
Fios digital voice residence connections	(8)	22	11	(15)	(14)	(28)	(30)	(30)
Fios digital connections	14	56	59	3	30	(22)	(39)	(22)
High-speed Internet (HSI) connections	(62)	(72)	(76)	(66)	(59)	(53)	(52)	(51)
Total broadband connections	(27)	(23)	(10)	(19)	7	(10)	2	3
Total voice connections	(305)	(282)	(252)	(279)	(266)	(285)	(261)	(277)
Revenue Statistics								
Fios revenues (in millions)	\$ 2,891	\$ 2,899	\$ 2,942	\$ 2,959	\$ 2,951	\$ 2,956	\$ 2,986	\$ 3,046
Other Operating Statistics								
Capital expenditures (in millions)	\$ 960	\$ 1,190	\$ 1,208	\$ 1,981	\$ 1,673	\$ 1,176	\$ 1,551	\$ 1,855
Wireline employees ('000)	59.4	58.6	58.2	57.1	57.2	56.9	57.0	54.3

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 12/31/18			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	\$ 27,460	\$ 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.	Year Over Year	
	As reported	Balances without adoption of		As reported	\$ Change	% Change
		Topic 606				
			Adjustments	12/31/17		
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		As reported	\$ Change	% Change
		Topic 606				
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		As reported	\$ Change	% Change
		Topic 606				
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.	Year Over Year	
	As reported	Balances without adoption of Topic 606	Adjustments	Ended 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



Non-GAAP Reconciliations

Verizon Communications Inc.

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 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.

Consolidated Operating Revenues Excluding the Media Group, Divested Businesses and the Revenue Recognition Standard

Consolidated Operating Revenues Excluding the Media Group, Divested Businesses and the Revenue Recognition Standard 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.

For the twelve months ended December 31, 2018, Consolidated Operating Revenues Excluding the Media Group, Divested Businesses and the Revenue Recognition Standard excludes (i) operating revenues from our Media Group business through June 30 and (ii) 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. For the twelve months ended December 31, 2017, Consolidated Operating Revenues Excluding the Media Group, Divested Businesses and the Revenue Recognition Standard excludes (i) operating revenues from our Media Group business through June 30 and (ii) the data center businesses divested on May 1, 2017 and insignificant divestitures completed in the third quarter of 2017.

Consolidated Operating Revenues Excluding the Media Group, Divested Businesses and the Revenue Recognition Standard is calculated by subtracting operating revenues from (i) our Media Group, (ii) divested businesses and (iii) impacts from the Revenue Recognition Standard from our consolidated operating revenues.

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 Topic 606 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 and earnings of unconsolidated businesses and other income and expense, net, and the following special items: Oath goodwill impairment, severance charges, net gain on sale of divested businesses, gain on spectrum license transactions, product realignment charges and acquisition and integration related charges. Oath goodwill impairment relates to impairment charges recognized in the fourth quarter of 2018 as a result of the Company's annual goodwill impairment testing of its Media business, branded Oath. Severance charges recorded during 2018 are primarily related to the voluntary separation program and other headcount reduction initiatives. 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, early debt redemption costs, product realignment charges, acquisition and integration related charges, Oath goodwill impairment, Wireless legal entity restructuring, gain on spectrum license transactions, net gain on sale of divested businesses, and impact of adoption of tax reform, from the calculation of reported EPS.

Adjusted EPS excluding Tax Reform and Topic 606 is calculated by excluding the net impacts of the change in tax rates due to 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.

Non-GAAP Reconciliations - Consolidated

Consolidated Operating Revenues Excluding the Media Group, Divested Businesses and the Revenue Recognition Standard

Unaudited	(dollars in millions)	
	12 Mos. Ended 12/31/17	12 Mos. Ended 12/31/18
Consolidated Operating Revenues	\$ 126,034	\$ 130,863
Less Media Group operating revenues	1,697	3,749
Less Operating revenues from divested businesses	368	—
Less Impact of Topic 606	—	425
Consolidated Operating Revenues Excluding the Media Group, Divested Businesses and the Revenue Recognition Standard	\$ 123,969	\$ 126,689
Year over year change		2.2 %

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

Unaudited	(dollars in millions)							
	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	3 Months Ended 12/31/18
Consolidated Net Income	\$ 3,553	\$ 4,478	\$ 3,736	\$ 18,783	\$ 4,666	\$ 4,246	\$ 5,062	\$ 2,065
Add/(subtract):								
Provision (benefit) for income taxes	1,629	2,489	1,775	(15,849)	1,388	1,281	1,613	(698)
Interest expense	1,132	1,218	1,164	1,219	1,201	1,222	1,211	1,199
Depreciation and amortization expense	4,059	4,167	4,272	4,456	4,324	4,350	4,377	4,352
Consolidated EBITDA	\$ 10,373	\$ 12,352	\$ 10,947	\$ 8,609	\$ 11,579	\$ 11,099	\$ 12,263	\$ 6,918
Add/subtract:								
Other (income) expense, net*	\$ 627	\$ (199)	\$ 291	\$ 1,302	\$ 75	\$ (360)	\$ (214)	\$ (1,865)
Equity in losses (earnings) of unconsolidated businesses†	21	28	22	6	19	228	3	(64)
Oath goodwill impairment	—	—	—	—	—	—	—	4,591
Severance charges	—	195	—	302	—	339	—	1,818
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	187
Consolidated Adjusted EBITDA	10,895	11,161	11,426	10,692	11,778	11,865	12,182	11,585
Operating results from divested businesses‡	(104)	(50)	(17)	—	—	—	—	—
Consolidated Adjusted EBITDA Excluding Operating Results from Divested Businesses	\$ 10,791	\$ 11,111	\$ 11,409	\$ 10,692	\$ 11,778	\$ 11,865	\$ 12,182	\$ 11,585

Consolidated Operating Revenues - Quarter to Date **34,281**
Operating Income Margin - Quarter to Date **1.9 %**

Consolidated Adjusted EBITDA Margin - Quarter to Date **33.8 %**

Consolidated Adjusted EBITDA Margin - Year to Date **36.2 %**

* 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		
				12/31/17			12/31/18		
	Pre-tax	Tax	After-Tax		Pre-tax	Tax	After-Tax		
EPS				\$ 4.56				\$ 0.47	
Severance, pension and benefits charges	\$ 1,196	\$ (464)	\$ 732	0.18	\$ 165	\$ (57)	\$ 108	0.03	
Acquisition and integration related charges	154	(59)	95	0.02	189	(47)	142	0.03	
Oath goodwill impairment	—	—	—	—	4,591	(64)	4,527	1.09	
Wireless legal entity restructuring	—	—	—	—	—	(2,065)	(2,065)	(0.50)	
Early debt redemption costs	681	(272)	409	0.10	—	—	—	—	
Product realignment charges	671	(210)	461	0.11	—	—	—	—	
Gain on spectrum license transactions	(144)	53	(91)	(0.02)	—	—	—	—	
Impact of adoption of tax reform	—	(16,761)	(16,761)	(4.10)	—	—	—	—	
	\$ 2,558	\$ (17,713)	\$ (15,155)	(3.71)	\$ 4,945	\$ (2,233)	\$ 2,712	0.65	
Adjusted EPS				\$ 0.86				\$ 1.12	
Impact of Topic 606	\$ —	\$ —	\$ —	\$ —	\$ 603	\$ (214)	\$ 389	\$ 0.09	
Net Impact of Tax Reform	—	—	—	—	—	544	544	0.13	
	\$ —	\$ —	\$ —	—	\$ 603	\$ 330	\$ 933	0.22	
Adjusted EPS excluding Tax Reform and Topic 606				\$ 0.86				\$ 0.90	
Year over year change								4.7 %	

(dollars in millions except EPS)

Unaudited				12 Mos. Ended			12 Mos. Ended		
				12/31/17			12/31/18		
	Pre-tax	Tax	After-Tax		Pre-tax	Tax	After-Tax		
EPS				\$ 7.36				\$ 3.76	
Severance, pension and benefits charges	\$ 1,391	\$ (541)	\$ 850	0.21	\$ 50	\$ (27)	\$ 23	0.01	
Early debt redemption costs	1,983	(788)	1,195	0.29	725	(189)	536	0.13	
Product realignment charges	671	(210)	461	0.11	658	(149)	509	0.12	
Acquisition and integration related charges	884	(334)	550	0.13	553	(134)	419	0.10	
Oath goodwill impairment	—	—	—	—	4,591	(64)	4,527	1.10	
Wireless legal entity restructuring	—	—	—	—	—	(2,065)	(2,065)	(0.50)	
Gain on spectrum license transactions	(270)	102	(168)	(0.04)	—	—	—	—	
Net gain on sale of divested businesses	(1,774)	843	(931)	(0.23)	—	—	—	—	
Impact of adoption of tax reform	—	(16,761)	(16,761)	(4.10)	—	—	—	—	
	\$ 2,885	\$ (17,689)	\$ (14,804)	(3.62)	\$ 6,577	\$ (2,628)	\$ 3,949	0.96	
Adjusted EPS				\$ 3.74				\$ 4.71	
Year over year change								25.9 %	
Impact of Topic 606	\$ —	\$ —	\$ —	\$ —	\$ 1,851	\$ (657)	\$ 1,194	\$ 0.28	
Net Impact of Tax Reform	—	—	—	—	—	2,335	2,335	0.56	
	\$ —	\$ —	\$ —	—	\$ 1,851	\$ 1,678	\$ 3,529	0.84	
Adjusted EPS excluding Tax Reform and Topic 606				\$ 3.74				\$ 3.87	
Year over year change								3.5 %	

Note:

Adjusted EPS may not add due to rounding.

Net Debt and Net Debt to Consolidated Adjusted EBITDA Ratio

(dollars in millions)

Unaudited	3/31/17	6/30/17	9/30/17	12/31/17	3/31/18	6/30/18	9/30/18	12/31/18
Net Debt								
Debt maturing within one year	\$ 3,707	\$ 1,153	\$ 2,180	\$ 3,453	\$ 6,323	\$ 5,466	\$ 6,502	\$ 7,190
Long-term debt	112,839	116,390	115,317	113,642	112,734	109,174	106,440	105,873
Total Debt	116,546	117,543	117,497	117,095	119,057	114,640	112,942	113,063
Less Cash and cash equivalents	4,307	4,583	4,487	2,079	1,923	1,750	2,538	2,745
Net Debt	\$ 112,239	\$ 112,960	\$ 113,010	\$ 115,016	\$ 117,134	\$ 112,890	\$ 110,404	\$ 110,318
Net Debt to Consolidated Adjusted EBITDA Ratio				2.6x	2.6x	2.5x	2.4x	2.3x

Free Cash Flow

(dollars in millions)

Unaudited	12 Months Ended 12/31/17	12 Months Ended 12/31/18
Net Cash Provided by Operating Activities	\$ 24,318	\$ 34,339
Capital expenditures (including capitalized software)	(17,247)	(16,658)
Free Cash Flow	\$ 7,071	\$ 17,681
Year over year free cash flow change		\$ 10,610

Non-GAAP Reconciliations - Segments

Segment EBITDA and Segment EBITDA Margin

Wireless

	(dollars in millions)							
Unaudited	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	3 Months Ended 12/31/18
Operating Income	\$ 7,076	\$ 7,410	\$ 7,603	\$ 7,118	\$ 8,049	\$ 8,274	\$ 8,511	\$ 7,986
Add Depreciation and amortization expense	2,338	2,347	2,366	2,344	2,428	2,459	2,454	2,395
Segment EBITDA	\$ 9,414	\$ 9,757	\$ 9,969	\$ 9,462	\$ 10,477	\$ 10,733	\$ 10,965	\$ 10,381
Total operating revenues	\$ 20,878	\$ 21,282	\$ 21,580	\$ 23,771	\$ 21,900	\$ 22,449	\$ 22,973	\$ 24,412
Operating Income Margin	33.9 %	34.8 %	35.2 %	29.9 %	36.8 %	36.9 %	37.0 %	32.7 %
Segment EBITDA Margin	45.1 %	45.8 %	46.2 %	39.8 %	47.8 %	47.8 %	47.7 %	42.5 %
Segment EBITDA Margin - Year to Date				44.1 %				46.4 %
Year over year Segment EBITDA change - Year to Date								10.2%

Wireline

	(dollars in millions)							
Unaudited	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	3 Months Ended 12/31/18
Operating Income (Loss)	\$ 206	\$ 47	\$ 65	\$ 62	\$ 69	\$ (19)	\$ (50)	\$ (273)
Add Depreciation and amortization expense	1,475	1,548	1,549	1,532	1,534	1,524	1,552	1,571
Segment EBITDA	\$ 1,681	\$ 1,595	\$ 1,614	\$ 1,594	\$ 1,603	\$ 1,505	\$ 1,502	\$ 1,298
Total operating revenues	\$ 7,682	\$ 7,719	\$ 7,662	\$ 7,617	\$ 7,557	\$ 7,459	\$ 7,371	\$ 7,373
Operating Income (Loss) Margin	2.7 %	0.6 %	0.8 %	0.8 %	0.9 %	(0.3)%	(0.7)%	(3.7)%
Segment EBITDA Margin	21.9 %	20.7 %	21.1 %	20.9 %	21.2 %	20.2 %	20.4 %	17.6 %
Segment EBITDA Margin - Year to Date				21.1 %				19.9 %
Year over year Segment EBITDA Margin change - Year to Date								(120) bps

EBITDA Excluding Impact of Topic 606⁽¹⁾

Unaudited	(dollars in millions)	
	3 Mos. Ended 12/31/17	3 Mos. Ended 12/31/18
Consolidated Net Income	\$ 18,783	\$ 2,065
Add/subtract:		
Benefit for income taxes	(15,849)	(698)
Interest expense	1,219	1,199
Depreciation and amortization expense	4,456	4,352
Consolidated EBITDA	\$ 8,609	\$ 6,918
Add/subtract:		
Other (income) expense, net*	\$ 1,302	\$ (1,865)
Equity in losses (earnings) of unconsolidated businesses†	6	(64)
Oath goodwill impairment	—	4,591
Severance charges	302	1,818
Product realignment charges‡	463	—
Acquisition and integration related charges‡	154	187
Gain on spectrum license transactions	(144)	—
	2,083	4,667
Consolidated Adjusted EBITDA	\$ 10,692	\$ 11,585
Less Impact of Topic 606	—	603
Consolidated Adjusted EBITDA Excluding Impact of Topic 606	\$ 10,692	\$ 10,982
Total operating revenues	\$ 33,955	\$ 34,120
Consolidated Adjusted EBITDA Margin Excluding Impact of Topic 606	31.5 %	32.2 %
Year over year increase in Consolidated Adjusted EBITDA		\$ 290

Unaudited	(dollars in millions)	
	12 Mos. Ended 12/31/17	12 Mos. Ended 12/31/18
Consolidated Net Income	\$ 30,550	\$ 16,039
Add/subtract:		
Provision (benefit) for income taxes	(9,956)	3,584
Interest expense	4,733	4,833
Depreciation and amortization expense	16,954	17,403
Consolidated EBITDA	\$ 42,281	\$ 41,859
Add/subtract:		
Other expense (income), net*	\$ 2,021	\$ (2,364)
Equity in losses of unconsolidated businesses†	77	186
Oath goodwill impairment	—	4,591
Severance charges	497	2,157
Product realignment charges‡	463	450
Acquisition and integration related charges‡	879	531
Gain on spectrum license transactions	(270)	—
Net gain on sale of divested businesses	(1,774)	—
	1,893	5,551
Consolidated Adjusted EBITDA	\$ 44,174	\$ 47,410
Less Impact of Topic 606	—	1,851
Consolidated Adjusted EBITDA Excluding Impact of Topic 606	\$ 44,174	\$ 45,559
Total operating revenues	\$ 126,034	\$ 130,438
Consolidated Adjusted EBITDA Margin Excluding Impact of Topic 606	35.0 %	34.9 %
Year over year percentage change in Consolidated Adjusted EBITDA		3.1 %

* 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

Unaudited	(dollars in millions)	
	3 Mos. Ended 12/31/17	3 Mos. Ended 12/31/18
Operating Income	\$ 7,118	\$ 7,436
Add Depreciation and amortization expense	2,344	2,395
Segment EBITDA	\$ 9,462	\$ 9,831
Total operating revenues	\$ 23,771	\$ 24,269
Segment EBITDA Margin	39.8 %	40.5 %
Year over year percentage change in Segment EBITDA		3.9 %
Year over year change in Segment EBITDA Margin		70 bps

Unaudited	(dollars in millions)	
	12 Mos. Ended 12/31/18	
Operating Income	\$ 29,207	\$ 31,138
Add Depreciation and amortization expense	9,395	9,736
Segment EBITDA	\$ 38,602	\$ 40,874
Total operating revenues	\$ 87,511	\$ 91,320
Segment EBITDA Margin	44.1 %	44.8 %
Year over year increase in Segment EBITDA		\$ 2,272

Wireline

Unaudited	(dollars in millions)	
	3 Mos. Ended 12/31/18	
Operating Loss		\$ (328)
Add Depreciation and amortization expense		1,571
Segment EBITDA		\$ 1,243
Total operating revenues		\$ 7,353
Segment EBITDA Margin		16.9 %

Unaudited	(dollars in millions)	
	12 Mos. Ended 12/31/18	
Operating Loss		\$ (466)
Add Depreciation and amortization expense		6,181
Segment EBITDA		\$ 5,715
Total operating revenues		\$ 29,722
Segment EBITDA Margin		19.2 %

(1) Amounts for the three and twelve months ended December 31, 2018 exclude impacts of Accounting Standard Update 2014-09, "Revenue from Contracts with Customers (Topic 606)", which we adopted on January 1, 2018.