



Financial and Operating Information

As of March 31, 2019

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Condensed Consolidated Statements of Income

(dollars in millions, except per share amounts)

Unaudited	2017		2018			2019		
	Full Year	1Q	2Q	3Q	4Q	Full Year	1Q	Year to Date
Operating Revenues								
Service revenues and other	\$ 107,145	\$ 26,732	\$ 27,159	\$ 27,254	\$ 27,460	\$ 108,605	\$ 27,197	\$ 27,197
Wireless equipment revenues	18,889	5,040	5,044	5,353	6,821	22,258	4,931	4,931
Total Operating Revenues	126,034	31,772	32,203	32,607	34,281	130,863	32,128	32,128
Operating Expenses								
Cost of services	30,916	7,946	8,234	7,842	8,163	32,185	7,792	7,792
Wireless cost of equipment	22,147	5,309	5,397	5,489	7,128	23,323	5,198	5,198
Selling, general and administrative expense	28,592	6,844	7,605	7,224	9,410	31,083	7,198	7,198
Depreciation and amortization expense	16,954	4,324	4,350	4,377	4,352	17,403	4,231	4,231
Oath goodwill impairment	—	—	—	—	4,591	4,591	—	—
Total Operating Expenses	98,609	24,423	25,586	24,932	33,644	108,585	24,419	24,419
Operating Income	27,425	7,349	6,617	7,675	637	22,278	7,709	7,709
Equity in earnings (losses) of unconsolidated businesses	(77)	(19)	(228)	(3)	64	(186)	(6)	(6)
Other income (expense), net	(2,021)	(75)	360	214	1,865	2,364	295	295
Interest expense	(4,733)	(1,201)	(1,222)	(1,211)	(1,199)	(4,833)	(1,210)	(1,210)
Income Before (Provision) Benefit For Income Taxes	20,594	6,054	5,527	6,675	1,367	19,623	6,788	6,788
(Provision) benefit for income taxes	9,956	(1,388)	(1,281)	(1,613)	698	(3,584)	(1,628)	(1,628)
Net Income	\$ 30,550	\$ 4,666	\$ 4,246	\$ 5,062	\$ 2,065	\$ 16,039	\$ 5,160	\$ 5,160
Net income attributable to noncontrolling interests	\$ 449	\$ 121	\$ 126	\$ 138	\$ 126	\$ 511	\$ 128	\$ 128
Net income attributable to Verizon	30,101	4,545	4,120	4,924	1,939	15,528	5,032	5,032
Net Income	\$ 30,550	\$ 4,666	\$ 4,246	\$ 5,062	\$ 2,065	\$ 16,039	\$ 5,160	\$ 5,160
Basic Earnings Per Common Share								
Net income attributable to Verizon	\$ 7.37	\$ 1.11	\$ 1.00	\$ 1.19	\$ 0.47	\$ 3.76	\$ 1.22	\$ 1.22
Weighted average number of common shares (in millions)	4,084	4,104	4,135	4,136	4,137	4,128	4,138	4,138
Diluted Earnings Per Common Share ⁽¹⁾								
Net income attributable to Verizon	\$ 7.36	\$ 1.11	\$ 1.00	\$ 1.19	\$ 0.47	\$ 3.76	\$ 1.22	\$ 1.22
Weighted average number of common shares-assuming dilution (in millions)	4,089	4,107	4,139	4,140	4,141	4,132	4,140	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	12/31/17	3/31/18	6/30/18	9/30/18	12/31/18	3/31/19
Assets						
Current assets						
Cash and cash equivalents	\$ 2,079	\$ 1,923	\$ 1,750	\$ 2,538	\$ 2,745	\$ 2,322
Accounts receivable, net	23,493	22,595	23,099	24,012	25,102	24,469
Inventories	1,034	1,285	1,102	1,270	1,336	1,417
Prepaid expenses and other	3,307	5,222	4,925	5,334	5,453	5,189
Total current assets	29,913	31,025	30,876	33,154	34,636	33,397
Property, plant and equipment	246,498	246,877	249,294	252,030	252,835	254,457
Less accumulated depreciation	157,930	158,955	161,513	164,566	163,549	166,608
Property, plant and equipment, net	88,568	87,922	87,781	87,464	89,286	87,849
Investments in unconsolidated businesses	1,039	994	787	732	671	674
Wireless licenses	88,417	93,677	93,855	94,006	94,130	94,237
Goodwill	29,172	29,121	29,200	29,200	24,614	24,635
Other intangible assets, net	10,247	10,014	9,861	9,731	9,775	9,608
Operating lease right-of-use assets	—	—	—	—	—	23,105
Other assets	9,787	11,763	10,943	11,275	11,717	10,442
Total assets	\$ 257,143	\$ 264,516	\$ 263,303	\$ 265,562	\$ 264,829	\$ 283,947
Liabilities and Equity						
Current liabilities						
Debt maturing within one year	\$ 3,453	\$ 6,323	\$ 5,466	\$ 6,502	\$ 7,190	\$ 8,614
Accounts payable and accrued liabilities	21,232	17,052	18,560	19,342	22,501	18,664
Current operating lease liabilities	—	—	—	—	—	2,997
Other current liabilities	8,352	8,240	8,303	8,323	8,239	8,332
Total current liabilities	33,037	31,615	32,329	34,167	37,930	38,607
Long-term debt	113,642	112,734	109,174	106,440	105,873	105,045
Employee benefit obligations	22,112	20,689	19,955	19,660	18,599	17,888
Deferred income taxes	31,232	34,414	35,069	35,712	33,795	34,344
Non-current operating lease liabilities	—	—	—	—	—	18,971
Other liabilities	12,433	12,719	13,201	13,496	13,922	11,632
Total long-term liabilities	179,419	180,556	177,399	175,308	172,189	187,880
Equity						
Common stock	424	429	429	429	429	429
Additional paid in capital	11,101	13,437	13,438	13,436	13,437	13,418
Retained earnings	35,635	39,974	41,657	44,091	43,542	46,493
Accumulated other comprehensive income	2,659	3,705	3,205	3,201	2,370	2,216
Common stock in treasury, at cost	(7,139)	(6,992)	(6,990)	(6,987)	(6,986)	(6,825)
Deferred compensation – employee stock ownership plans and other	416	228	285	325	353	125
Noncontrolling interests	1,591	1,564	1,551	1,592	1,565	1,604
Total equity	44,687	52,345	53,575	56,087	54,710	57,460
Total liabilities and equity	\$ 257,143	\$ 264,516	\$ 263,303	\$ 265,562	\$ 264,829	\$ 283,947

Verizon - Selected Financial and Operating Statistics

(dollars in millions)

Unaudited	12/31/17	3/31/18	6/30/18	9/30/18	12/31/18	3/31/19
Total debt (in millions)	\$ 117,095	\$ 119,057	\$ 114,640	\$ 112,942	\$ 113,063	\$ 113,659
Net debt (in millions)	\$ 115,016	\$ 117,134	\$ 112,890	\$ 110,404	\$ 110,318	\$ 111,337
Net unsecured debt (in millions)	\$ 106,129	\$ 107,066	\$ 104,280	\$ 101,205	\$ 100,242	\$ 100,951
Net debt / Consolidated Adjusted EBITDA ⁽¹⁾	2.6x	2.6x	2.5x	2.4x	2.3x	2.3x
Net unsecured debt / Consolidated Adjusted EBITDA ⁽¹⁾	2.4x	2.4x	2.3x	2.2x	2.1x	2.1x
Common shares outstanding end of period (in millions)	4,079	4,132	4,132	4,132	4,132	4,136
Total employees ('000)	155.4	154.7	153.1	152.3	144.5	139.4
Quarterly cash dividends declared per common share	\$ 0.5900	\$ 0.5900	\$ 0.5900	\$ 0.6025	\$ 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 12/31/17	3 Mos. Ended 3/31/18	6 Mos. Ended 6/30/18	9 Mos. Ended 9/30/18	12 Mos. Ended 12/31/18	3 Mos. Ended 3/31/19
Cash Flows from Operating Activities						
Net Income	\$ 30,550	\$ 4,666	\$ 8,912	\$ 13,974	\$ 16,039	\$ 5,160
Adjustments to reconcile net income to net cash provided by operating activities:						
Depreciation and amortization expense	16,954	4,324	8,674	13,051	17,403	4,231
Employee retirement benefits	440	(151)	(300)	(886)	(2,657)	(195)
Deferred income taxes	(14,463)	702	1,354	2,023	389	459
Provision for uncollectible accounts	1,167	239	462	699	980	319
Equity in losses of unconsolidated businesses, net of dividends received	117	30	268	291	231	21
Net gain on sale of divested businesses	(1,774)	—	—	—	—	—
Oath goodwill impairment	—	—	—	—	4,591	—
Changes in current assets and liabilities, net of effects from acquisition/disposition of businesses	(5,938)	(2,033)	(1,538)	(1,944)	(1,177)	(2,702)
Discretionary employee benefits contributions	(3,411)	(1,000)	(1,679)	(1,679)	(1,679)	(300)
Other, net	676	(129)	280	715	219	88
Net cash provided by operating activities	24,318	6,648	16,433	26,244	34,339	7,081
Cash Flows from Investing Activities						
Capital expenditures (including capitalized software)	(17,247)	(4,552)	(7,838)	(12,026)	(16,658)	(4,268)
Acquisitions of businesses, net of cash acquired	(5,880)	(32)	(38)	(39)	(230)	(25)
Acquisitions of wireless licenses	(583)	(970)	(1,155)	(1,307)	(1,429)	(104)
Proceeds from dispositions of businesses	3,614	—	—	—	—	—
Other, net	1,640	269	303	236	383	(406)
Net cash used in investing activities	(18,456)	(5,285)	(8,728)	(13,136)	(17,934)	(4,803)
Cash Flows from Financing Activities						
Proceeds from long-term borrowings	27,707	1,956	4,584	5,932	5,967	2,131
Proceeds from asset-backed long-term borrowings	4,290	1,178	1,716	3,216	4,810	1,117
Repayments of long-term borrowings and finance lease obligations	(23,837)	(2,984)	(6,568)	(9,776)	(10,923)	(2,963)
Repayments of asset-backed long-term borrowings	(400)	—	(2,000)	(2,915)	(3,635)	(813)
Dividends paid	(9,472)	(2,407)	(4,845)	(7,283)	(9,772)	(2,489)
Other, net	(4,439)	941	(752)	(1,595)	(1,824)	360
Net cash used in financing activities	(6,151)	(1,316)	(7,865)	(12,421)	(15,377)	(2,657)
Increase (decrease) in cash, cash equivalents and restricted cash	(289)	47	(160)	687	1,028	(379)
Cash, cash equivalents and restricted cash, beginning of period	3,177	2,888	2,888	2,888	2,888	3,916
Cash, cash equivalents and restricted cash, end of period	\$ 2,888	\$ 2,935	\$ 2,728	\$ 3,575	\$ 3,916	\$ 3,537

Wireless - Selected Financial Results

(dollars in millions)

Unaudited	2018				2019
	1Q	2Q	3Q	4Q	1Q
Operating Revenues					
Service	\$ 15,402	\$ 15,754	\$ 15,966	\$ 15,898	\$ 16,072
Equipment	5,040	5,044	5,353	6,821	4,931
Other	1,458	1,651	1,654	1,693	1,697
Total Operating Revenues	21,900	22,449	22,973	24,412	22,700
Operating Expenses					
Cost of services	2,215	2,335	2,350	2,351	2,456
Cost of equipment	5,309	5,397	5,489	7,128	5,198
Selling, general and administrative expense	3,899	3,984	4,169	4,552	4,281
Depreciation and amortization expense	2,428	2,459	2,454	2,395	2,299
Total Operating Expenses	13,851	14,175	14,462	16,426	14,234
Operating Income	\$ 8,049	\$ 8,274	\$ 8,511	\$ 7,986	\$ 8,466
Operating Income Margin	36.8%	36.9%	37.0%	32.7%	37.3%
Segment EBITDA	\$ 10,477	\$ 10,733	\$ 10,965	\$ 10,381	\$ 10,765
Segment EBITDA Margin	47.8%	47.8%	47.7%	42.5%	47.4%

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.

Wireless - Selected Operating Statistics

Unaudited	2018				2019
	1Q	2Q	3Q	4Q	1Q
Connections ('000)					
Retail postpaid	111,114	111,622	112,135	113,353	113,407
Retail prepaid	5,068	4,832	4,736	4,646	4,479
Total retail	116,182	116,454	116,871	117,999	117,886
Net Add Detail ('000) ⁽¹⁾					
Retail postpaid	260	531	515	1,220	61
Retail prepaid	(335)	(236)	(96)	(90)	(176)
Total retail	(75)	295	419	1,130	(115)
Account Statistics					
Retail postpaid accounts ('000) ⁽²⁾	35,333	35,309	35,309	35,427	35,338
Retail postpaid connections per account ⁽²⁾	3.14	3.16	3.18	3.20	3.21
Retail postpaid ARPA ⁽³⁾	\$ 131.71	\$ 134.56	\$ 136.58	\$ 135.11	\$ 136.68
Retail postpaid I-ARPA ⁽⁴⁾	\$ 164.72	\$ 168.30	\$ 170.92	\$ 170.51	\$ 172.09
Churn Detail					
Retail postpaid	1.04%	0.97%	1.04%	1.08%	1.12%
Retail	1.28%	1.18%	1.22%	1.24%	1.31%
Retail Postpaid Connection Statistics ⁽²⁾					
Total smartphone postpaid phone base	90.7%	91.2%	91.7%	92.2%	92.7%
Total Internet postpaid base	19.2%	19.4%	19.4%	19.7%	19.7%
Other Operating Statistics					
Capital expenditures (in millions)	\$ 2,367	\$ 1,650	\$ 2,127	\$ 2,342	\$ 2,044

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.

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 Financial Results

(dollars in millions)

Unaudited	2018				2019
	1Q	2Q	3Q	4Q	1Q
Operating Revenues					
Consumer Markets	\$ 3,150	\$ 3,132	\$ 3,138	\$ 3,169	\$ 3,153
Enterprise Solutions	2,240	2,211	2,172	2,217	2,140
Partner Solutions	1,228	1,200	1,166	1,098	1,075
Business Markets	871	850	840	836	828
Other	68	66	55	53	68
Total Operating Revenues	7,557	7,459	7,371	7,373	7,264
Operating Expenses					
Cost of services	4,475	4,377	4,371	4,478	4,186
Selling, general and administrative expense	1,479	1,577	1,498	1,597	1,606
Depreciation and amortization expense	1,534	1,524	1,552	1,571	1,560
Total Operating Expenses	7,488	7,478	7,421	7,646	7,352
Operating Income (Loss)	\$ 69	\$ (19)	\$ (50)	\$ (273)	\$ (88)
Operating Income (Loss) Margin	0.9%	(0.3)%	(0.7)%	(3.7)%	(1.2)%
Segment EBITDA	\$ 1,603	\$ 1,505	\$ 1,502	\$ 1,298	\$ 1,472
Segment EBITDA Margin	21.2%	20.2 %	20.4 %	17.6 %	20.3 %

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.

Wireline - Selected Operating Statistics

Unaudited	2018				2019
	1Q	2Q	3Q	4Q	1Q
Connections ('000)					
Fios video connections	4,597	4,560	4,497	4,451	4,398
Fios Internet connections	5,916	5,959	6,013	6,067	6,119
Fios digital voice residence connections	3,891	3,863	3,833	3,803	3,758
Fios digital connections	14,404	14,382	14,343	14,321	14,275
High-speed Internet (HSI) connections	1,050	997	945	894	854
Total broadband connections	6,966	6,956	6,958	6,961	6,973
Total voice connections	12,555	12,270	12,009	11,732	11,453
Net Add Detail ('000)					
Fios video connections	(22)	(37)	(63)	(46)	(53)
Fios Internet connections	66	43	54	54	52
Fios digital voice residence connections	(14)	(28)	(30)	(30)	(45)
Fios digital connections	30	(22)	(39)	(22)	(46)
High-speed Internet (HSI) connections	(59)	(53)	(52)	(51)	(40)
Total broadband connections	7	(10)	2	3	12
Total voice connections	(266)	(285)	(261)	(277)	(279)
Revenue Statistics					
Fios revenues (in millions)	\$ 2,951	\$ 2,956	\$ 2,986	\$ 3,046	\$ 3,057
Other Operating Statistics					
Capital expenditures (in millions)	\$ 1,673	\$ 1,176	\$ 1,551	\$ 1,855	\$ 1,733
Wireline employees ('000)	57.2	56.9	57.0	54.3	53.2

Footnotes:

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

Intersegment transactions have not been eliminated.

Definitions - Non-GAAP Measures

Non-GAAP Measures

Verizon's financial information was prepared in conformity with generally accepted accounting principles in the United States (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 and 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.

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.

Adjusted EBITDA and Adjusted EBITDA Margin Related Non-GAAP Measures

Consolidated Adjusted EBITDA, Consolidated Adjusted EBITDA Margin and Consolidated Adjusted EBITDA Excluding Operating Results from Divested Businesses 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, and Consolidated Adjusted EBITDA Excluding Operating Results from Divested Businesses 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 and special items 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, Verizon Media, which operated in 2018 under the "Oath" brand. 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.

Segment Adjusted EBITDA and Segment Adjusted 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 comparable basis with prior period results. The lack of comparability results from the adoption of certain new accounting standards on a prospective basis.

Segment Adjusted EBITDA is calculated by adding back depreciation and amortization expense, the impacts caused primarily by the timing difference in recognizing commission expense during the period of transition following the adoption of the new revenue recognition accounting standard on January 1, 2018 and the expensing of certain lease costs under the new lease accounting standard adopted on January 1, 2019 to segment operating income.

Segment Adjusted EBITDA Margin is calculated by dividing Segment Adjusted EBITDA by segment total operating revenues.

Adjusted Earnings per Common Share (Adjusted EPS)

Adjusted EPS is a non-GAAP financial measure that we believe is useful to management, investors and other users of our financial information in evaluating our operating results and understanding our operating trends without the effect of special items. We believe excluding special items 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: a pension remeasurement credit, early debt redemption costs and acquisition and integration related charges, from the calculation of reported EPS.

Definitions - Non-GAAP Measures

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.

Net Unsecured Debt and Net Unsecured Debt to Consolidated Adjusted EBITDA Ratio

Net Unsecured Debt and Net Unsecured 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 unsecured debt from continuing operations.

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

(dollars in millions)

Unaudited	2017		2018				2019	
	Full Year	1Q	2Q	3Q	4Q	Full Year	1Q	YTD
Consolidated Net Income	\$ 30,550	\$ 4,666	\$ 4,246	\$ 5,062	\$ 2,065	\$ 16,039	\$ 5,160	\$ 5,160
Add/(subtract):								
Provision (benefit) for income taxes	(9,956)	1,388	1,281	1,613	(698)	3,584	1,628	1,628
Interest expense	4,733	1,201	1,222	1,211	1,199	4,833	1,210	1,210
Depreciation and amortization expense	16,954	4,324	4,350	4,377	4,352	17,403	4,231	4,231
Consolidated EBITDA	\$ 42,281	\$ 11,579	\$ 11,099	\$ 12,263	\$ 6,918	\$ 41,859	\$12,229	\$ 12,229
Add/subtract:								
Other (income) expense, net*	\$ 2,021	\$ 75	\$ (360)	\$ (214)	\$ (1,865)	\$ (2,364)	\$ (295)	\$ (295)
Equity in losses (earnings) of unconsolidated businesses†	77	19	228	3	(64)	186	6	6
Oath goodwill impairment	—	—	—	—	4,591	4,591	—	—
Severance charges	497	—	339	—	1,818	2,157	—	—
Product realignment charges‡	463	—	450	—	—	450	—	—
Gain on spectrum license transactions	(270)	—	—	—	—	—	—	—
Net gain on sale of divested businesses	(1,774)	—	—	—	—	—	—	—
Acquisition and integration related charges‡	879	105	109	130	187	531	—	—
Consolidated Adjusted EBITDA	\$ 44,174	\$ 11,778	\$ 11,865	\$ 12,182	\$ 11,585	\$ 47,410	\$11,940	\$ 11,940
Operating results from divested businesses‡	(171)	—	—	—	—	—	—	—
Consolidated Adjusted EBITDA Excluding Operating Results from Divested Businesses	\$ 44,003	\$ 11,778	\$ 11,865	\$ 12,182	\$ 11,585	\$ 47,410	\$11,940	\$ 11,940

Consolidated Adjusted EBITDA - Year Over Year

1.4%

Consolidated Operating Revenues - Quarter to Date

\$ 31,772

\$32,128

Consolidated Adjusted EBITDA Margin - Quarter to Date

37.1%

37.2%

* 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, where applicable.

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	3/31/18	Pre-tax	Tax	After-Tax	3/31/19
EPS				\$ 1.11				\$ 1.22
Pension remeasurement credit	\$ —	\$ —	\$ —	—	\$ (96)	\$ 25	\$ (71)	(0.02)
Acquisition and integration related charges	107	(25)	82	0.02	—	—	—	—
Early debt redemption costs	249	(65)	184	0.04	—	—	—	—
	<u>\$ 356</u>	<u>\$ (90)</u>	<u>\$ 266</u>	<u>0.06</u>	<u>\$ (96)</u>	<u>\$ 25</u>	<u>\$ (71)</u>	<u>(0.02)</u>
Adjusted EPS				<u>\$ 1.17</u>				<u>\$ 1.20</u>
Year over year change								2.6%

Unaudited				3 Mos. Ended
	Pre-tax	Tax	After-Tax	12/31/18
EPS				\$ 0.47
Severance, pension and benefits charges	\$ 165	\$ (57)	\$ 108	0.03
Acquisition and integration related charges	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)
	<u>\$ 4,945</u>	<u>\$ (2,233)</u>	<u>\$ 2,712</u>	<u>0.65</u>
Adjusted EPS				<u>\$ 1.12</u>

Note:

Adjusted EPS may not add due to rounding.

Net Debt and Net Debt to Consolidated Adjusted EBITDA Ratio

(dollars in millions)

Unaudited	12/31/17	3/31/18	6/30/18	9/30/18	12/31/18	3/31/19
Debt maturing within one year	\$ 3,453	\$ 6,323	\$ 5,466	\$ 6,502	\$ 7,190	\$ 8,614
Long-term debt	113,642	112,734	109,174	106,440	105,873	105,045
Total Debt	<u>117,095</u>	<u>119,057</u>	<u>114,640</u>	<u>112,942</u>	<u>113,063</u>	<u>113,659</u>
Less Cash and cash equivalents	2,079	1,923	1,750	2,538	2,745	2,322
Net Debt	<u>\$ 115,016</u>	<u>\$ 117,134</u>	<u>\$ 112,890</u>	<u>\$ 110,404</u>	<u>\$ 110,318</u>	<u>\$ 111,337</u>
Net Debt to Consolidated Adjusted EBITDA Ratio	2.6x	2.6x	2.5x	2.4x	2.3x	2.3x

Non-GAAP Reconciliations - Consolidated

Net Unsecured Debt and Net Unsecured Debt to Consolidated Adjusted EBITDA Ratio

(dollars in millions)

Unaudited	12/31/17	3/31/18	6/30/18	9/30/18	12/31/18	3/31/19
Total Debt	\$ 117,095	\$ 119,057	\$ 114,640	\$ 112,942	\$ 113,063	\$ 113,659
Less Secured debt	8,887	10,068	8,610	9,199	10,076	10,386
Unsecured debt	108,208	108,989	106,030	103,743	102,987	103,273
Less Cash and cash equivalents	2,079	1,923	1,750	2,538	2,745	2,322
Net Unsecured Debt	\$ 106,129	\$ 107,066	\$ 104,280	\$ 101,205	\$ 100,242	\$ 100,951
Net Unsecured Debt to Consolidated Adjusted EBITDA Ratio	2.4x	2.4x	2.3x	2.2x	2.1x	2.1x

Free Cash Flow

(dollars in millions)

Unaudited	3 Months Ended 3/31/18	3 Months Ended 3/31/19
Net Cash Provided by Operating Activities	\$ 6,648	\$ 7,081
Capital expenditures (including capitalized software)	(4,552)	(4,268)
Free Cash Flow	\$ 2,096	\$ 2,813
Year over year free cash flow change		\$ 717

Non-GAAP Reconciliations - Segment

Segment EBITDA and Segment EBITDA Margin

Wireless

(dollars in millions)

Unaudited	3 Months	3 Months	3 Months	3 Months	3 Months
	Ended	Ended	Ended	Ended	Ended
	3/31/18	6/30/18	9/30/18	12/31/18	3/31/19
Operating Income	\$ 8,049	\$ 8,274	\$ 8,511	\$ 7,986	\$ 8,466
Add Depreciation and amortization expense	2,428	2,459	2,454	2,395	2,299
Segment EBITDA	\$ 10,477	\$ 10,733	\$ 10,965	\$ 10,381	\$ 10,765
Total operating revenues	\$ 21,900	\$ 22,449	\$ 22,973	\$ 24,412	\$ 22,700
Operating Income Margin	36.8%	36.9%	37.0%	32.7%	37.3%
Segment EBITDA Margin	47.8%	47.8%	47.7%	42.5%	47.4%
Year over year Segment EBITDA change					2.7%

Segment Adjusted EBITDA Margin

(dollars in millions)

Unaudited	3 Months				
	Ended				
	3/31/19				
Operating Income	\$ 8,466				
Add: Depreciation and amortization expense	2,299				
Segment EBITDA	\$ 10,765				
Add:					
Current period impact from adoption of revenue recognition standard	\$ 150				
Current period impact from adoption of leasing standard	55				
Segment Adjusted EBITDA	\$ 10,970				
Total operating revenues	\$ 22,700				
Operating Income Margin	37.3%				
Segment Adjusted EBITDA Margin	48.3%				

Wireline

(dollars in millions)

Unaudited	3 Months	3 Months	3 Months	3 Months	3 Months
	Ended	Ended	Ended	Ended	Ended
	3/31/18	6/30/18	9/30/18	12/31/18	3/31/19
Operating Income (Loss)	\$ 69	\$ (19)	\$ (50)	\$ (273)	\$ (88)
Add Depreciation and amortization expense	1,534	1,524	1,552	1,571	1,560
Segment EBITDA	\$ 1,603	\$ 1,505	\$ 1,502	\$ 1,298	\$ 1,472
Total operating revenues	\$ 7,557	\$ 7,459	\$ 7,371	\$ 7,373	\$ 7,264
Operating Income (Loss) Margin	0.9%	(0.3)%	(0.7)%	(3.7)%	(1.2)%
Segment EBITDA Margin	21.2%	20.2 %	20.4 %	17.6 %	20.3 %
Year over year Segment EBITDA Margin change					(90) bps