

Financial and Operating Information

As of June 30, 2021

verizon

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Condensed Consolidated Statements of Income

(dollars in millions, except per share amounts)

Unaudited	2019		2020				2021			
	Full Year	1Q	2Q	3Q	4Q	Full Year	1Q	2Q	Year to date	
Operating Revenues										
Service revenues and other	\$ 110,305	\$ 27,481	\$ 26,692	\$ 27,431	\$ 28,268	\$ 109,872	\$ 27,923	\$ 28,221	\$ 56,144	
Wireless equipment revenues	21,563	4,129	3,755	4,112	6,424	18,420	4,944	5,543	10,487	
Total Operating Revenues	131,868	31,610	30,447	31,543	34,692	128,292	32,867	33,764	66,631	
Operating Expenses										
Cost of services	31,772	7,754	7,639	7,955	8,053	31,401	8,020	8,324	16,344	
Cost of wireless equipment	22,954	4,542	4,110	4,379	6,769	19,800	5,502	5,931	11,433	
Selling, general and administrative expense	29,896	8,585	7,156	7,339	8,493	31,573	7,401	7,324	14,725	
Depreciation and amortization expense	16,682	4,150	4,181	4,192	4,197	16,720	4,174	4,020	8,194	
Media goodwill impairment	186	—	—	—	—	—	—	—	—	
Total Operating Expenses	101,490	25,031	23,086	23,865	27,512	99,494	25,097	25,599	50,696	
Operating Income	30,378	6,579	7,361	7,678	7,180	28,798	7,770	8,165	15,935	
Equity in earnings (losses) of unconsolidated businesses	(15)	(12)	(13)	(9)	(11)	(45)	8	1	9	
Other income (expense), net	(2,900)	143	(72)	(774)	164	(539)	401	502	903	
Interest expense	(4,730)	(1,034)	(1,089)	(1,044)	(1,080)	(4,247)	(1,101)	(844)	(1,945)	
Income Before Provision For Income Taxes	22,733	5,676	6,187	5,851	6,253	23,967	7,078	7,824	14,902	
Provision for income taxes	(2,945)	(1,389)	(1,348)	(1,347)	(1,535)	(5,619)	(1,700)	(1,875)	(3,575)	
Net Income	\$ 19,788	\$ 4,287	\$ 4,839	\$ 4,504	\$ 4,718	\$ 18,348	\$ 5,378	\$ 5,949	\$ 11,327	
Net income attributable to noncontrolling interests	\$ 523	\$ 131	\$ 139	\$ 147	\$ 130	\$ 547	\$ 133	\$ 149	\$ 282	
Net income attributable to Verizon	19,265	4,156	4,700	4,357	4,588	17,801	5,245	5,800	11,045	
Net Income	\$ 19,788	\$ 4,287	\$ 4,839	\$ 4,504	\$ 4,718	\$ 18,348	\$ 5,378	\$ 5,949	\$ 11,327	
Basic Earnings Per Common Share										
Net income attributable to Verizon	\$ 4.66	\$ 1.00	\$ 1.14	\$ 1.05	\$ 1.11	\$ 4.30	\$ 1.27	\$ 1.40	\$ 2.67	
Weighted-average shares outstanding (in millions)	4,138	4,139	4,139	4,140	4,140	4,140	4,141	4,141	4,141	
Diluted Earnings Per Common Share ⁽¹⁾										
Net income attributable to Verizon	\$ 4.65	\$ 1.00	\$ 1.13	\$ 1.05	\$ 1.11	\$ 4.30	\$ 1.27	\$ 1.40	\$ 2.67	
Weighted-average shares outstanding (in millions)	4,140	4,141	4,141	4,142	4,143	4,142	4,142	4,143	4,143	

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	12/31/19	3/31/20	6/30/20	9/30/20	12/31/20	3/31/21	6/30/21
Assets							
Current assets							
Cash and cash equivalents	\$ 2,594	\$ 7,047	\$ 7,882	\$ 8,983	\$ 22,171	\$ 10,205	\$ 4,657
Accounts receivable	26,162	24,852	23,742	23,846	25,169	23,611	22,237
Less Allowance for credit losses	—	1,055	1,070	1,229	1,252	1,104	980
Less Allowance for doubtful accounts	733	—	—	—	—	—	—
Accounts receivable, net	25,429	23,797	22,672	22,617	23,917	22,507	21,257
Inventories	1,422	1,633	1,289	1,457	1,796	1,303	1,421
Prepaid expenses and other	8,028	8,228	5,490	5,515	6,710	5,632	8,291
Total current assets	37,473	40,705	37,333	38,572	54,594	39,647	35,626
Property, plant and equipment	265,734	268,993	272,714	276,210	279,737	282,742	283,654
Less Accumulated depreciation	173,819	176,816	179,960	183,028	184,904	187,866	189,452
Property, plant and equipment, net	91,915	92,177	92,754	93,182	94,833	94,876	94,202
Investments in unconsolidated businesses	558	543	529	535	589	555	560
Wireless licenses	95,059	92,471	95,767	95,958	96,097	98,012	98,034
Deposits for wireless licenses	101	325	124	1,894	2,772	45,490	45,910
Goodwill	24,389	24,382	24,667	24,799	24,773	24,837	24,915
Other intangible assets, net	9,498	9,371	9,600	9,599	9,413	9,304	7,002
Operating lease right-of-use assets	22,694	22,472	22,431	22,680	22,531	22,315	28,180
Other assets	10,040	12,054	10,054	9,775	10,879	10,537	14,761
Total assets	\$ 291,727	\$ 294,500	\$ 293,259	\$ 296,994	\$ 316,481	\$ 345,573	\$ 349,190
Liabilities and Equity							
Current liabilities							
Debt maturing within one year	\$ 10,777	\$ 11,175	\$ 6,651	\$ 5,770	\$ 5,889	\$ 8,802	\$ 7,023
Accounts payable and accrued liabilities	21,806	17,419	19,297	17,391	20,658	17,219	17,328
Current operating lease liabilities	3,261	3,331	3,270	3,494	3,485	3,536	3,881
Other current liabilities	9,024	9,132	9,668	9,530	9,628	9,173	11,846
Total current liabilities	44,868	41,057	38,886	36,185	39,660	38,730	40,078
Long-term debt	100,712	106,561	106,190	109,790	123,173	149,700	144,894
Employee benefit obligations	17,952	17,617	17,821	18,756	18,657	18,252	16,713
Deferred income taxes	34,703	33,709	33,798	34,567	35,711	36,747	37,534
Non-current operating lease liabilities	18,393	18,117	18,158	18,155	18,000	17,766	23,360
Other liabilities	12,264	15,786	14,293	13,011	12,008	11,695	11,499
Total long-term liabilities	184,024	191,790	190,260	194,279	207,549	234,160	234,000
Equity							
Common stock	429	429	429	429	429	429	429
Additional paid in capital	13,419	13,302	13,281	13,404	13,404	13,408	13,403
Retained earnings	53,147	54,557	56,746	58,473	60,464	63,107	66,310
Accumulated other comprehensive income (loss)	998	(1,502)	(1,274)	(812)	(71)	640	(234)
Common stock in treasury, at cost	(6,820)	(6,725)	(6,722)	(6,721)	(6,719)	(6,634)	(6,632)
Deferred compensation – employee stock ownership plans and other	222	149	237	296	335	282	408
Noncontrolling interests	1,440	1,443	1,416	1,461	1,430	1,451	1,428
Total equity	62,835	61,653	64,113	66,530	69,272	72,683	75,112
Total liabilities and equity	\$ 291,727	\$ 294,500	\$ 293,259	\$ 296,994	\$ 316,481	\$ 345,573	\$ 349,190

Footnotes:

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

Consolidated - Selected Financial and Operating Statistics

(dollars in millions)

Unaudited	12/31/19	3/31/20	6/30/20	9/30/20	12/31/20	3/31/21	6/30/21
Total debt	\$ 111,489	\$ 117,736	\$ 112,841	\$ 115,560	\$ 129,062	\$ 158,502	\$ 151,917
Net unsecured debt	\$ 96,526	\$ 97,700	\$ 94,352	\$ 96,485	\$ 96,287	\$ 137,421	\$ 136,845
Net unsecured debt / Consolidated Adjusted EBITDA ⁽¹⁾			2.0x	2.1x	2.0x	2.9x	2.9x
Common shares outstanding end of period (in millions)	4,136	4,138	4,138	4,138	4,138	4,140	4,140
Total employees ('000)	135.0	135.5	135.3	133.2	132.2	130.1	129.3
Quarterly cash dividends declared per common share	\$ 0.6150	\$ 0.6150	\$ 0.6150	\$ 0.6275	\$ 0.6275	\$ 0.6275	\$ 0.6275

Footnotes:

(1) Consolidated adjusted EBITDA excludes the effects of non-operational items and special items.

Condensed Consolidated Statements of Cash Flows

(dollars in millions)

Unaudited	12 Mos. Ended 12/31/19	3 Mos. Ended 3/31/20	6 Mos. Ended 6/30/20	9 Mos. Ended 9/30/20	12 Mos. Ended 12/31/20	3 Mos. Ended 3/31/21	6 Mos. Ended 6/30/21
Cash Flows from Operating Activities							
Net Income	\$ 19,788	\$ 4,287	\$ 9,126	\$ 13,630	\$ 18,348	\$ 5,378	\$ 11,327
Adjustments to reconcile net income to net cash provided by operating activities:							
Depreciation and amortization expense	16,682	4,150	8,331	12,523	16,720	4,174	8,194
Employee retirement benefits	(284)	(1)	(32)	867	840	(253)	(1,819)
Deferred income taxes	1,232	(87)	(120)	530	1,553	762	1,978
Provision for expected credit losses	1,588	553	831	1,100	1,380	224	409
Equity in losses of unconsolidated businesses, net of dividends received	74	26	46	67	91	19	25
Media goodwill impairment	186	—	—	—	—	—	—
Changes in current assets and liabilities, net of effects from acquisition/ disposition of businesses	(6,713)	(1,208)	3,297	1,345	56	(41)	82
Discretionary employee benefits contributions	(300)	—	—	—	—	—	—
Other, net	3,493	1,104	2,073	2,410	2,780	(569)	242
Net cash provided by operating activities	35,746	8,824	23,552	32,472	41,768	9,694	20,438
Cash Flows from Investing Activities							
Capital expenditures (including capitalized software)	(17,939)	(5,274)	(9,850)	(14,168)	(18,192)	(4,494)	(8,716)
Acquisitions of businesses, net of cash acquired	(29)	—	(399)	(507)	(520)	(408)	(458)
Acquisitions of wireless licenses	(898)	(434)	(1,801)	(3,757)	(3,896)	(44,783)	(45,278)
Proceeds from dispositions of businesses	28	—	—	—	—	—	—
Other, net	1,257	(1,272)	(74)	(37)	(904)	32	51
Net cash used in investing activities	(17,581)	(6,980)	(12,124)	(18,469)	(23,512)	(49,653)	(54,401)
Cash Flows from Financing Activities							
Proceeds from long-term borrowings	10,079	5,848	9,305	12,387	25,822	31,383	31,444
Proceeds from asset-backed long-term borrowings	8,576	2,844	2,844	4,439	5,635	1,000	2,695
Repayments of long-term borrowings and finance lease obligations	(17,584)	(1,700)	(8,533)	(8,853)	(9,775)	(302)	(7,559)
Repayments of asset-backed long-term borrowings	(6,302)	(2,229)	(4,612)	(6,726)	(7,413)	(732)	(2,993)
Dividends paid	(10,016)	(2,547)	(5,090)	(7,636)	(10,232)	(2,601)	(5,198)
Other, net	(2,917)	347	(146)	(1,348)	(2,712)	(792)	(1,839)
Net cash provided by (used in) financing activities	(18,164)	2,563	(6,232)	(7,737)	1,325	27,956	16,550
Increase (decrease) in cash, cash equivalents and restricted cash	1	4,407	5,196	6,266	19,581	(12,003)	(17,413)
Cash, cash equivalents and restricted cash, beginning of period	3,916	3,917	3,917	3,917	3,917	23,498	23,498
Cash, cash equivalents and restricted cash, end of period	\$ 3,917	\$ 8,324	\$ 9,113	\$ 10,183	\$ 23,498	\$ 11,495	\$ 6,085

Footnotes:

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

Consumer - Selected Financial Results

(dollars in millions)

Unaudited	2020				2021	
	1Q	2Q	3Q	4Q	1Q	2Q
Operating Revenues						
Service	\$ 16,341	\$ 15,900	\$ 16,255	\$ 16,388	\$ 16,569	\$ 16,709
Wireless equipment	3,377	3,209	3,403	5,503	4,192	4,739
Other	2,047	2,004	2,078	2,028	2,037	2,029
Total Operating Revenues	21,765	21,113	21,736	23,919	22,798	23,477
Operating Expenses						
Cost of services	3,930	3,885	3,971	3,824	4,000	4,181
Cost of wireless equipment	3,451	3,299	3,411	5,575	4,392	4,854
Selling, general and administrative expense	4,282	4,016	4,055	4,583	4,026	4,045
Depreciation and amortization expense	2,820	2,849	2,862	2,864	2,861	2,900
Total Operating Expenses	14,483	14,049	14,299	16,846	15,279	15,980
Operating Income	\$ 7,282	\$ 7,064	\$ 7,437	\$ 7,073	\$ 7,519	\$ 7,497
Operating Income Margin	33.5 %	33.5 %	34.2 %	29.6 %	33.0 %	31.9 %
Segment EBITDA	\$ 10,102	\$ 9,913	\$ 10,299	\$ 9,937	\$ 10,380	\$ 10,397
Segment EBITDA Margin	46.4 %	47.0 %	47.4 %	41.5 %	45.5 %	44.3 %

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 segment performance.

Certain intersegment transactions with corporate entities have not been eliminated.

Consumer - Selected Operating Statistics

Unaudited	2020				2021	
	1Q	2Q	3Q	4Q	1Q	2Q
Connections ('000):						
Wireless retail postpaid connections	89,914	89,977	90,026	90,346	90,172	90,514
Wireless retail prepaid connections	3,980	3,998	4,075	4,027	4,058	4,075
Total wireless retail connections	93,894	93,975	94,101	94,373	94,230	94,589
Fios video connections	4,068	3,987	3,926	3,854	3,772	3,710
Fios internet connections	5,961	5,971	6,110	6,202	6,300	6,392
Fios digital voice residence connections	3,526	3,456	3,384	3,306	3,227	3,165
Fios digital connections	13,555	13,414	13,420	13,362	13,299	13,267
Broadband connections	6,481	6,468	6,581	6,647	6,713	6,783
Gross Additions ('000):						
Wireless retail postpaid	2,220	1,927	2,304	2,945	2,307	2,592
Net Additions Detail ('000) :						
Wireless retail postpaid ⁽¹⁾	(525)	72	136	357	(326)	350
Wireless retail prepaid ⁽¹⁾	(84)	12	77	(50)	19	18
Total wireless retail ⁽¹⁾	(609)	84	213	307	(307)	368
Wireless retail postpaid phones ⁽¹⁾	(307)	97	142	163	(225)	197
Fios video	(84)	(81)	(61)	(72)	(82)	(62)
Fios internet	59	10	139	92	98	92
Fios digital voice residence	(94)	(70)	(72)	(78)	(79)	(62)
Fios digital	(119)	(141)	6	(58)	(63)	(32)
Broadband ⁽¹⁾	31	(13)	113	66	66	70
Churn Rate:						
Wireless retail postpaid	1.01 %	0.69 %	0.80 %	0.96 %	0.97 %	0.83 %
Wireless retail postpaid phones	0.77 %	0.51 %	0.63 %	0.76 %	0.77 %	0.65 %
Wireless retail	1.20 %	0.86 %	0.95 %	1.12 %	1.11 %	0.97 %
Revenue Statistics (in millions):						
Wireless service revenue	\$ 13,476	\$ 13,087	\$ 13,442	\$ 13,600	\$ 13,684	\$ 13,794
Fios revenues	\$ 2,799	\$ 2,754	\$ 2,773	\$ 2,756	\$ 2,860	\$ 2,895
Other Wireless Statistics:						
Wireless retail postpaid ARPA ⁽²⁾	\$ 118.86	\$ 116.02	\$ 118.52	\$ 120.20	\$ 120.86	\$ 121.24
Wireless retail postpaid upgrade rate	3.7 %	3.9 %	4.2 %	6.0 %	4.5 %	4.9 %
Wireless retail postpaid accounts ('000) ⁽³⁾	33,669	33,695	33,712	33,659	33,588	33,606
Wireless retail postpaid connections per account ⁽³⁾	2.67	2.67	2.67	2.68	2.68	2.69
Total wireless internet postpaid base ⁽³⁾	16.1 %	16.0 %	15.9 %	16.0 %	16.0 %	16.1 %

Footnotes:

(1) Connection net additions include certain adjustments.

(2) Wireless retail postpaid ARPA - average service revenue per account from retail postpaid accounts.

(3) Statistics presented as of end of period.

Certain intersegment transactions with corporate entities have not been eliminated.

Business - Selected Financial Results

(dollars in millions)

Unaudited	2020				2021	
	1Q	2Q	3Q	4Q	1Q	2Q
Operating Revenues						
Small and Medium Business	\$ 2,804	\$ 2,601	\$ 2,742	\$ 2,985	\$ 2,830	\$ 2,895
Global Enterprise	2,631	2,589	2,595	2,595	2,559	2,583
Public Sector and Other	1,474	1,523	1,639	1,726	1,646	1,614
Wholesale	772	769	773	744	746	670
Total Operating Revenues	7,681	7,482	7,749	8,050	7,781	7,762
Operating Expenses						
Cost of services	2,589	2,641	2,739	2,690	2,690	2,729
Cost of wireless equipment	1,090	812	968	1,194	1,111	1,076
Selling, general and administrative expense	2,034	2,069	2,092	2,185	2,068	2,086
Depreciation and amortization expense	1,014	1,014	1,027	1,031	1,013	1,015
Total Operating Expenses	6,727	6,536	6,826	7,100	6,882	6,906
Operating Income	\$ 954	\$ 946	\$ 923	\$ 950	\$ 899	\$ 856
Operating Income Margin	12.4 %	12.6 %	11.9 %	11.8 %	11.6 %	11.0 %
Segment EBITDA	\$ 1,968	\$ 1,960	\$ 1,950	\$ 1,981	\$ 1,912	\$ 1,871
Segment EBITDA Margin	25.6 %	26.2 %	25.2 %	24.6 %	24.6 %	24.1 %

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 segment performance.

Certain intersegment transactions with corporate entities have not been eliminated.

Business - Selected Operating Statistics

Unaudited	2020				2021	
	1Q	2Q	3Q	4Q	1Q	2Q
Connections ('000):						
Wireless retail postpaid connections	25,658	25,897	26,223	26,507	26,621	26,740
Fios video connections	77	75	74	73	73	72
Fios internet connections	330	327	332	335	339	346
Fios digital connections	407	402	406	408	412	418
Broadband connections	501	491	488	482	480	480
Gross Additions ('000):						
Wireless retail postpaid	1,464	1,148	1,345	1,285	1,141	1,220
Net Additions Detail ('000):						
Wireless retail postpaid ⁽¹⁾	475	280	417	346	156	178
Wireless retail postpaid phones ⁽¹⁾	239	76	141	116	47	78
Fios video	—	(2)	(1)	(1)	—	(1)
Fios internet	4	(3)	5	3	4	7
Fios digital	4	(5)	4	2	4	6
Broadband ⁽¹⁾	(5)	(10)	(3)	(6)	(2)	—
Churn Rate:						
Wireless retail postpaid	1.30 %	1.12 %	1.19 %	1.19 %	1.24 %	1.30 %
Wireless retail postpaid phones	1.02 %	0.90 %	0.96 %	0.98 %	1.01 %	1.07 %
Revenue Statistics (in millions):						
Wireless service revenue	\$ 2,881	\$ 2,861	\$ 2,990	\$ 3,073	\$ 3,060	\$ 3,090
Fios revenues	\$ 262	\$ 260	\$ 263	\$ 272	\$ 276	\$ 281
Other Operating Statistics:						
Wireless retail postpaid upgrade rate	3.6 %	2.7 %	3.3 %	4.0 %	3.3 %	3.4 %
Total wireless internet postpaid base ⁽²⁾	33.7 %	33.9 %	34.3 %	34.5 %	34.6 %	34.8 %

Footnotes:

(1) Connection net additions include certain adjustments.

(2) Statistics presented as of end of period.

Certain intersegment transactions with corporate entities have not been eliminated.

Supplemental Information - Total Wireless Operating and Financial Statistics

The following supplemental schedule contains certain financial and operating metrics which reflect an aggregation of our Consumer and Business segments' wireless results.

Unaudited	2020				2021	
	1Q	2Q	3Q	4Q	1Q	2Q
Connections ('000)						
Retail postpaid	115,572	115,874	116,249	116,853	116,793	117,254
Retail prepaid	3,980	3,998	4,075	4,027	4,058	4,075
Total retail	119,552	119,872	120,324	120,880	120,851	121,329
Net Additions Detail ('000) ⁽¹⁾						
Retail postpaid phone	(68)	173	283	279	(178)	275
Retail postpaid	(50)	352	553	703	(170)	528
Retail prepaid	(84)	12	77	(50)	19	18
Total retail	(134)	364	630	653	(151)	546
Account Statistics						
Retail postpaid accounts ('000) ⁽²⁾	35,209	35,242	35,279	35,244	35,184	35,223
Retail postpaid connections per account ⁽²⁾	3.28	3.29	3.30	3.32	3.32	3.33
Retail postpaid ARPA ⁽³⁾	\$ 138.80	\$ 135.97	\$ 139.24	\$ 141.17	\$ 141.74	\$ 142.23
Churn Detail						
Retail postpaid phone	0.82 %	0.58 %	0.69 %	0.80 %	0.81 %	0.72 %
Retail postpaid	1.08 %	0.78 %	0.89 %	1.01 %	1.03 %	0.94 %
Retail	1.22 %	0.92 %	1.01 %	1.14 %	1.14 %	1.04 %
Retail Postpaid Connection Statistics						
Total internet postpaid base ⁽²⁾	20.0 %	20.0 %	20.0 %	20.2 %	20.2 %	20.4 %
Upgrade rate	3.7 %	3.7 %	4.0 %	5.6 %	4.3 %	4.6 %
Revenue Statistics (in millions) ⁽⁴⁾						
Wireless service	\$ 16,357	\$ 15,948	\$ 16,432	\$ 16,673	\$ 16,744	\$ 16,884
Wireless equipment	4,129	3,755	4,112	6,424	4,944	5,543
Wireless other	2,079	2,039	2,096	2,029	2,043	2,043
Total Wireless	\$ 22,565	\$ 21,742	\$ 22,640	\$ 25,126	\$ 23,731	\$ 24,470

Footnotes:

(1) Connection net additions include certain adjustments.

(2) Statistics presented as of end of period.

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

(4) Intersegment transactions between Consumer or Business segment with corporate entities have not been eliminated.

Definitions - Non-GAAP Measures

Non-GAAP Measures

Verizon's Financial and Operating Information includes financial information prepared in conformity with generally accepted accounting principles in the United States (GAAP) as well as non-GAAP financial information. 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 providing these non-GAAP measures in addition to the GAAP measures allows management, investors and other users of our financial information to more fully and accurately assess 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 (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 as they are a widely accepted financial measures used in evaluating the profitability of a company and with its 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 segment depreciation and amortization expense to segment operating income. Segment EBITDA Margin is calculated by dividing Segment EBITDA by segment total operating revenues.

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

Consolidated Adjusted EBITDA and 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 and 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 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: impairment charges, severance charges, loss on spectrum licenses, and net gain/loss from dispositions of assets and businesses. The impairment charges relate to goodwill impairment charges recognized as a result of the Company's annual goodwill impairment testing of its media business, Verizon Media, and the impairment charge of an investment in a media joint venture. Severance charges recorded during 2020 and 2019 relate to voluntary separations under our existing plans and headcount reduction initiatives respectively. Loss on spectrum licenses relates to the reclassification of certain spectrum licenses to assets held for sale at fair value in connection with spectrum sale transactions in 2021 and Auction 103 in 2020. Net gain/loss from dispositions of assets and businesses relates to the sale of Huffington Post in 2020 and the sale of various real estate properties and businesses in 2019.

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

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, including cash and cash equivalents held for sale, 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. For purposes of Net Unsecured Debt to Consolidated Adjusted EBITDA Ratio, Consolidated Adjusted EBITDA is calculated for the last twelve months.

Adjusted Earnings per Common Share (Adjusted EPS) and Adjusted EPS Forecast

Adjusted EPS and Adjusted EPS Forecast 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 which could vary from period to period. We believe excluding special items provides more comparable assessment of our financial results from period to period.

Adjusted EPS is calculated by excluding from the calculation of reported EPS the effect of the following special items: net pension remeasurement charge (credit), and net early debt redemption costs.

We have not provided a reconciliation for our Adjusted EPS Forecast because we cannot, without unreasonable effort, predict the special items that could arise during 2021.

Definitions - Non-GAAP Measures

Adjusted Effective Income Tax Rate Attributable to Verizon Forecast (Adjusted ETR Forecast)

Adjusted ETR Forecast is a non-GAAP financial measure that we believe is useful to management, investors and other users of our financial information in assessing our effective income tax rate without the effect of special items which could vary from period to period. Adjusted ETR Forecast is calculated by dividing the Provision for income taxes by Net Income attributable to Verizon before tax after adjusting for the impact of special items.

We have not provided a reconciliation for our Adjusted ETR Forecast because we cannot, without unreasonable effort, predict the special items that could arise during 2021.

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 acquisitions of businesses or wireless licenses. 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 (including capitalized software) from net cash provided by operating activities.

Non-GAAP Reconciliations - Consolidated

Consolidated EBITDA, Consolidated Adjusted EBITDA and Consolidated Adjusted EBITDA Margin

(dollars in millions)

Unaudited	2019		2020				2021	
	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
Consolidated Net Income	\$ 5,337	\$ 5,217	\$ 4,287	\$ 4,839	\$ 4,504	\$ 4,718	\$ 5,378	\$ 5,949
Add/(subtract):								
Provision (benefit) for income taxes	1,586	(1,505)	1,389	1,348	1,347	1,535	1,700	1,875
Interest expense ⁽¹⁾	1,146	1,159	1,034	1,089	1,044	1,080	1,101	844
Depreciation and amortization expense	4,114	4,105	4,150	4,181	4,192	4,197	4,174	4,020
Consolidated EBITDA	\$ 12,183	\$ 8,976	\$ 10,860	\$ 11,457	\$ 11,087	\$ 11,530	\$ 12,353	\$ 12,688
Add/(subtract):								
Other (income) expense, net ⁽²⁾	\$ 110	\$ 1,773	\$ (143)	\$ 72	\$ 774	\$ (164)	\$ (401)	\$ (502)
Equity in losses (earnings) of unconsolidated businesses ⁽³⁾	1	(5)	12	13	9	11	(8)	(1)
Impairment charges	—	186	—	—	—	—	—	—
Severance charges	—	204	—	—	—	221	—	—
Loss on spectrum licenses	—	—	1,195	—	—	—	223	—
Net (gain) loss from dispositions of assets and businesses	(261)	—	—	—	—	126	—	—
Consolidated Adjusted EBITDA	\$ 12,033	\$ 11,134	\$ 11,924	\$ 11,542	\$ 11,870	\$ 11,724	\$ 12,167	\$ 12,185
Consolidated Operating Revenues				\$ 30,447	\$ 31,543	\$ 34,692	\$ 32,867	\$ 33,764
Consolidated Adjusted EBITDA Margin				37.9 %	37.6 %	33.8 %	37.0 %	36.1 %
Consolidated Adjusted EBITDA - Year Over Year Change %								5.6 %

(1) Includes Early debt redemption costs, where applicable.

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

(3) Includes impairment charges, where applicable.

Adjusted Earnings per Common Share (Adjusted EPS)

(dollars in millions except per share amounts)

Unaudited				3 Mos.				3 Mos.
	Pre-tax	Tax	After-Tax	Ended 6/30/20	Pre-tax	Tax	After-Tax	Ended 6/30/21
EPS				\$ 1.13				\$ 1.40
Net pension remeasurement charge (credit)	\$ 153	\$ (38)	\$ 115	0.03	\$ (1,314)	\$ 334	\$ (980)	(0.24)
Net early debt redemption costs	102	(26)	76	0.02	1,132	(288)	844	0.20
	\$ 255	\$ (64)	\$ 191	\$ 0.05	\$ (182)	\$ 46	\$ (136)	\$ (0.03)
Adjusted EPS				\$ 1.18				\$ 1.37
Year over year change %								16.1 %

Note:

Adjusted EPS may not add due to rounding.

Non-GAAP Reconciliations - Consolidated

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

(dollars in millions)

Unaudited	12/31/19	3/31/20	6/30/20	9/30/20	12/31/20	3/31/21	6/30/21
Debt maturing within one year	\$ 10,777	\$ 11,175	\$ 6,651	\$ 5,770	\$ 5,889	\$ 8,802	\$ 7,023
Long-term debt	100,712	106,561	106,190	109,790	123,173	149,700	144,894
Total Debt	111,489	117,736	112,841	115,560	129,062	158,502	151,917
Less Secured debt	12,369	12,989	10,607	10,092	10,604	10,876	10,315
Unsecured Debt	99,120	104,747	102,234	105,468	118,458	147,626	141,602
Less Cash and cash equivalents ⁽¹⁾	2,594	7,047	7,882	8,983	22,171	10,205	4,757
Net Unsecured Debt	\$ 96,526	\$ 97,700	\$ 94,352	\$ 96,485	\$ 96,287	\$ 137,421	\$ 136,845
Net Unsecured Debt to Consolidated Adjusted EBITDA Ratio			2.0x	2.1x	2.0x	2.9x	2.9x

(1) Includes Cash and cash equivalents held for sale, where applicable.

Free Cash Flow

(dollars in millions)

Unaudited	6 Mos. Ended 6/30/20	6 Mos. Ended 6/30/21
Net Cash Provided by Operating Activities	\$ 23,552	\$ 20,438
Capital expenditures (including capitalized software)	(9,850)	(8,716)
Free Cash Flow	\$ 13,702	\$ 11,722
Year over year change %		(14.5)%

Non-GAAP Reconciliations - Segments

Segment EBITDA and Segment EBITDA Margin

Consumer

	(dollars in millions)					
	3 Months	3 Months	3 Months	3 Months	3 Months	3 Months
	Ended	Ended	Ended	Ended	Ended	Ended
Unaudited	3/31/20	6/30/20	9/30/20	12/31/20	3/31/21	6/30/21
Operating Income	\$ 7,282	\$ 7,064	\$ 7,437	\$ 7,073	\$ 7,519	\$ 7,497
Add Depreciation and amortization expense	2,820	2,849	2,862	2,864	2,861	2,900
Segment EBITDA	\$ 10,102	\$ 9,913	\$ 10,299	\$ 9,937	\$ 10,380	\$ 10,397
Total operating revenues	\$ 21,765	\$ 21,113	\$ 21,736	\$ 23,919	\$ 22,798	\$ 23,477
Operating Income Margin	33.5 %	33.5 %	34.2 %	29.6 %	33.0 %	31.9 %
Segment EBITDA Margin	46.4 %	47.0 %	47.4 %	41.5 %	45.5 %	44.3 %
Segment EBITDA - Year over year change						4.9 %

Business

	(dollars in millions)					
	3 Months	3 Months	3 Months	3 Months	3 Months	3 Months
	Ended	Ended	Ended	Ended	Ended	Ended
Unaudited	3/31/20	6/30/20	9/30/20	12/31/20	3/31/21	6/30/21
Operating Income	\$ 954	\$ 946	\$ 923	\$ 950	\$ 899	\$ 856
Add Depreciation and amortization expense	1,014	1,014	1,027	1,031	1,013	1,015
Segment EBITDA	\$ 1,968	\$ 1,960	\$ 1,950	\$ 1,981	\$ 1,912	\$ 1,871
Total operating revenues	\$ 7,681	\$ 7,482	\$ 7,749	\$ 8,050	\$ 7,781	\$ 7,762
Operating Income Margin	12.4 %	12.6 %	11.9 %	11.8 %	11.6 %	11.0 %
Segment EBITDA Margin	25.6 %	26.2 %	25.2 %	24.6 %	24.6 %	24.1 %
Segment EBITDA - Year over year change						(4.5)%
Segment EBITDA Margin - Year over year change						(210) bps