# SECURITIES AND EXCHANGE COMMISSION

# FORM 8-K

Current report filing

Filing Date: **2017-07-27** | Period of Report: **2017-07-27**
**SEC Accession No.** 0001193125-17-237279

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## FILER

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|---|---|---|
| **VERIZON COMMUNICATIONS INC**<br>CIK:**732712**\| IRS No.: **232259884** \| State of Incorp.:**DE** \| Fiscal Year End: **1231**<br>Type: **8-K** \| Act: **34** \| File No.: **001-08606** \| Film No.: **17984344**<br>SIC: **4813** Telephone communications (no radiotelephone) | Mailing Address<br>*1095 AVENUE OF THE AMERICAS*<br>*NEW YORK NY 10036* | Business Address<br>*1095 AVENUE OF THE AMERICAS*<br>*NEW YORK NY 10036*<br>*212-395-1000* |

# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
**Washington, D.C. 20549**

# FORM 8-K

## CURRENT REPORT

**Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

**Date of Report: July 27, 2017**
(Date of earliest event reported)

# Verizon Communications Inc.
(Exact name of registrant as specified in its charter)

| | | |
|---|---|---|
| **Delaware** | **1-8606** | **23-2259884** |
| (State or other jurisdiction of incorporation) | (Commission File Number) | (I.R.S. Employer Identification No.) |

| | |
|---|---|
| **1095 Avenue of the Americas**<br>**New York, New York** | **10036** |
| (Address of principal executive offices) | (Zip Code) |

**Registrant' s telephone number, including area code: (212) 395-1000**

**Not Applicable**
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

[ ] Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

[ ] Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

[ ] Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

[ ] Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

[ ] Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period or complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. [ ]

**Item 2.02. Results of Operations and Financial Condition**

Attached as an exhibit hereto are a press release and financial tables dated July 27, 2017 issued by Verizon Communications Inc. (Verizon).

**NON-GAAP MEASURES**

Verizon' s press release and financial tables include financial information prepared in conformity with generally accepted accounting principles (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 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 Divested Businesses and Acquisitions**

Verizon Consolidated Operating Revenues Excluding Divested Businesses and Acquisitions 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 because it excludes operating revenues from the local landline businesses in California, Florida and Texas divested on April 1, 2016 and the operating revenues from the data center businesses divested on May 1, 2017 which are not reflected in our results following the completion of those transactions (Divested Businesses), and it excludes operating revenues from XO Holdings' wireline business (XO) (acquired on February 1, 2017), Fleetmatics Group PLC (acquired on November 7, 2016), Telogis, Inc. (acquired on July 29, 2016) and Yahoo!, Inc.' s operating business (acquired on June 13, 2017), (Acquisitions) which are not reflected in our second quarter 2016 results.

Consolidated Operating Revenues Excluding Divested Businesses and Acquisitions is calculated by subtracting operating revenues from Divested Businesses and Acquisitions from consolidated operating revenues.

**Consolidated Operating Revenues Excluding Divested Businesses**

Verizon Consolidated Operating Revenues Excluding Divested Businesses 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 because it excludes operating revenues from the local landline businesses in California, Florida and Texas divested on April 1, 2016 and operating revenues from the data center businesses divested on May 1, 2017 which are not reflected in our results following the completion of those transactions (Divested Businesses).

Consolidated Operating Revenues Excluding Divested Businesses is calculated by subtracting operating revenues from Divested Businesses from our consolidated operating revenues.

**IoT Revenues Excluding Acquisitions**

IoT Revenues Excluding Acquisitions is a non-GAAP financial measure that we believe is useful to management, investors and other users of our financial information in evaluating our IoT revenue growth and trends on a comparable basis since it excludes operating revenues from Fleetmatics Group PLC (acquired on November 7, 2016) and Telogis, Inc. (acquired on July 29, 2016) which are not reflected in our second quarter 2016 results.

IoT Revenues Excluding Acquisitions is calculated by subtracting operating revenues from Fleetmatics and Telogis from IoT revenues.

**Wireline Operating Revenues Excluding Acquisition**

Wireline Operating Revenues Excluding Acquisition is a non-GAAP financial measure that we believe is useful to management, investors and other users of our financial information in evaluating our Wireline revenue growth and trends on a comparable basis since operating revenues from XO (acquired on February 1, 2017) are not reflected in our second quarter 2016 results.

Wireline Operating Revenues Excluding Acquisition is calculated by subtracting operating revenues from XO from Wireline operating revenues.

## EBITDA and EBITDA Margin

Verizon consolidated earnings before interest, taxes, depreciation and amortization (Consolidated EBITDA), Consolidated EBITDA Margin, 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, depreciation and amortization expense, equity in losses of unconsolidated businesses and other (income) and expense, net to net income. Consolidated EBITDA Margin is calculated by dividing Consolidated EBITDA by consolidated operating revenues.

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.

## Consolidated Adjusted EBITDA and Consolidated Adjusted EBITDA Margin

Verizon 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 Consolidated Adjusted EBITDA and Consolidated Adjusted EBITDA Margin are widely 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 special items enables comparability to prior period performance and trend analysis. Consolidated Adjusted EBITDA and Consolidated Adjusted EBITDA Margin are also used by rating agencies, lenders and other parties to evaluate our creditworthiness.

Consolidated Adjusted EBITDA is calculated by excluding from Consolidated EBITDA the effect of the following special items: actuarial gains or losses arising from the re-measurements of pension and other postretirement benefits, severance costs, net gain on sale of Divested Businesses; gain on spectrum license transactions; acquisition and integration related costs and operating results from Divested Businesses. Actuarial gains or losses as a result of the re-measurements of pension and other postretirement benefits are included in our operating expenses and are measured based on projected discount rates and estimated returns on plan assets. Such estimates are updated at least annually at the end of the fiscal year to reflect actual discount rates and returns on plan assets or more frequently if significant events arise which require an interim re-measurement. Acquisition and integration related costs represent transaction expenses related to business acquisitions and incremental expenses, such as personnel costs, incurred to integrate the acquired businesses into our operations. We believe the exclusion of the above-noted special items enables management, investors and other users of our financial information to assess our sequential and year-over-year performance on a more comparable basis and is consistent with management' s own evaluation of performance.

Consolidated Adjusted EBITDA Margin is calculated by dividing Consolidated Adjusted EBITDA by Consolidated Operating Revenues Excluding Divested Businesses.

## 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. For purposes of Net Debt to Consolidated Adjusted EBITDA Ratio, Consolidated Adjusted EBITDA is calculated for the last twelve months.

## Adjusted Earnings per Common Share

Adjusted Earnings per Common Share (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 special items such as actuarial gains or losses arising from the re-measurement of pension and other postretirement benefits, severance costs, early debt redemption costs, net gain on sale of Divested Businesses and acquisition and integration related costs from the calculation of reported EPS.

See the accompanying schedules for reconciliations of non-GAAP financial measures to GAAP.

**Item 9.01. Financial Statements and Exhibits**

(d) Exhibits.

| Exhibit Number | Description |
|---|---|
| 99 | Press release and financial tables, dated July 27, 2017, issued by Verizon Communications Inc. |

## SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Verizon Communications Inc.
(Registrant)

Date: July 27, 2017

/s/ Anthony T. Skiadas
Anthony T. Skiadas
Senior Vice President and Controller

## EXHIBIT INDEX

| Exhibit Number | Description |
|---|---|
| 99 | Press release and financial tables, dated July 27, 2017, issued by Verizon Communications Inc. |

**Exhibit 99**

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# *News Release*

**FOR IMMEDIATE RELEASE**
**July 27, 2017**

**Media contact:**
**Bob Varettoni**
**908.559.6388**
**robert.a.varettoni@verizon.com**

## Verizon reports wireless customer gains and strong loyalty in 2Q

**2Q 2017 highlights**

$1.07 in earnings per share (EPS), compared with 17 cents in 2Q 2016; adjusted EPS (non-GAAP), excluding special items, of 96 cents in 2Q 2017, compared with 94 cents in 2Q 2016.

Wireless: 614,000 retail postpaid net additions, including 590,000 postpaid smartphone net adds; retail postpaid churn of 0.94 percent, with strong customer loyalty demonstrated by retail postpaid phone churn of 0.70 percent – less than 0.90 percent for the ninth consecutive quarter.

Wireline: Fios total revenue growth of 4.4 percent.

**NEW YORK** – Strong operating results at Verizon Wireless highlighted second-quarter 2017 performance at Verizon Communications Inc. (NYSE, Nasdaq: VZ), which today reported EPS of $1.07 in the quarter.

This compares with 17 cents per share in second-quarter 2016. Second-quarter 2017 EPS was 96 cents on an adjusted basis (non-GAAP), excluding a net gain from the sale of certain data centers and severance charges and acquisition and integration-related charges primarily associated with Verizon's acquisition of Yahoo's operating business.

This compares with 94 cents per share in second-quarter 2016 adjusted earnings (non-GAAP), which included impacts from a work stoppage and excluded special items related to pension and benefit re-measurement, a gain on the sale of local landline businesses, early debt redemption and tender offers.

"Verizon reignited its growth engine in the quarter, both adding and retaining wireless customers while scaling our media business and continuing to invest in our superior networks," said Chairman and CEO Lowell McAdam. "With record customer loyalty and a clean sweep of third-party network quality results, we're leading the way to provide customers with next-generation broadband, smart cities, telematics, media and Internet of Things services."

**Consolidated results**

Total consolidated operating revenues in second-quarter 2017 were $30.5 billion, in line with second-quarter 2016. On a comparable basis excluding divestitures and acquisitions (non-GAAP), consolidated revenues declined 2.0 percent.

Net income was $4.5 billion in second-quarter 2017. EBITDA (non-GAAP, earnings before interest, taxes, depreciation and amortization) totaled $12.4 billion. Consolidated operating income margin was 26.9 percent. Consolidated EBITDA margin (non-GAAP) was 40.6 percent – 37.2 percent, excluding special items (non-GAAP) – in second-quarter 2017, compared with 28.0 percent in second-quarter 2016.

Cash flow from operations totaled $9.9 billion during first-half 2017, including a net after-tax impact of $2.1 billion in discretionary pension contributions.

Capital expenditures totaled $7.0 billion through first-half 2017, in line with first-half 2016.

In Verizon's media business, AOL's revenues net of traffic acquisition costs were consistent with last year's second-quarter results. Verizon's Oath subsidiary, launched at the June 13 close of the company's acquisition of Yahoo's operating business, houses AOL and Yahoo brands serving about 1 billion unique monthly users globally and representing about $7 billion in annual revenues. Oath expects to realize more than $1 billion in cumulative operating expense synergies through 2020.

Total telematics revenues were approximately $220 million in second-quarter 2017. Organically, IoT revenues (non-GAAP), which include telematics, increased approximately 20 percent year over year.

**Wireless results**

Building on momentum since the launch of Verizon Unlimited in mid-February, Verizon reported a net increase of 614,000 retail postpaid connections in second-quarter 2017. Net phone additions of 358,000 included 590,000 smartphones in the quarter, compared with 86,000 net phone additions, including 336,000 smartphones, in second-quarter 2016.

Verizon's retail postpaid connections base grew 1.2 percent year over year to 109.1 million, and retail prepaid connections grew 1.4 percent to 5.4 million.

Total retail postpaid churn was 0.94 percent in second-quarter 2017, consistent year over year despite increased churn in tablets. Retail postpaid phone churn was not only less than 0.90 percent for the ninth consecutive quarter, but it also established a new low in the LTE era at 0.70 percent.

Total revenues were $21.3 billion in second-quarter 2017, a decline of 1.9 percent compared with second-quarter 2016.

Verizon' s unsubsidized service pricing now penetrates roughly 75 percent of its postpaid base. As the company adds new accounts and customers step up to unlimited plans, mitigating lost overage revenues, Verizon believes its service-revenue trend has flattened and expects an improving trend in the second half.

The percentage of phone activations on device payment plans was about 77 percent in second-quarter 2017, compared with about 76 percent in first-quarter 2017. Verizon expects this rate to remain consistent in third-quarter 2017. Approximately 49 percent of postpaid phone customers had a device payment plan at the end of second-quarter 2017.

Verizon swept the lead of third-party network performance surveys for 4G in the quarter. As expected, the introduction of Verizon Unlimited increased LTE network usage year over year.

Segment operating income in second-quarter 2017 was $7.4 billion, and segment operating income margin on total revenues was 34.8 percent. Segment EBITDA (non-GAAP) totaled $9.8 billion in second-quarter 2017, a year-over-year decrease of 5.3 percent. Segment EBITDA margin on total revenues (non-GAAP) was 45.8 percent, compared with 47.5 percent in second-quarter 2016.

**Wireline results**

Total wireline revenues increased 1.2 percent, to $7.8 billion, comparing second-quarter 2017 with second-quarter 2016. On a comparable basis, excluding revenues from newly acquired XO Communications and from newly divested data centers (non-GAAP), total wireline revenues declined 2.8 percent year over year.

Total Fios revenues grew 4.4 percent, to $2.9 billion, comparing second-quarter 2017 with second-quarter 2016. There' s a growing shift in wireline revenues attributed to fiber-based products. Organic revenues from fiber-based products grew more than 3 percent.

In second-quarter 2017, Verizon added a net of 49,000 Fios Internet connections and lost a net of 15,000 Fios Video connections. At the end of the quarter, Verizon had 5.7 million Fios Internet connections and 4.7 million Fios Video connections, year-over-year increases of 4.4 percent and 0.6 percent, respectively.

Verizon' s emphasis on delivering value to all business customers was recognized in a leading third-party study, as the company won the large enterprise business award for the second consecutive year. In the second quarter, Verizon Enterprise Solutions (VES) released its 10th annual Data Breach Investigations Report, which combines analysis of the biggest cybersecurity issues with key industry-specific insights. VES also introduced Visual Interactive Calling and Software Defined Perimeter products. Supporting the public safety community, VES convened 40 technology companies at Operation Convergent Response, demonstrating new tech capabilities for first responders through live crisis simulations.

Wireline operating income was $68 million in second-quarter 2017, compared with a loss of $524 million in second-quarter 2016 (impacted by a work stoppage). Segment operating income margin was 0.9 percent in second-quarter 2017. Segment EBITDA (non-GAAP) was $1.6 billion in second-quarter 2017. Segment EBITDA margin (non-GAAP) was 20.8 percent in second-quarter 2017, compared with 13.3 percent in second-quarter 2016, and down from 22.0 percent in first-quarter 2017 due to the impact of the data center transaction.

During second-quarter 2017, Verizon announced fiber purchase agreements with Corning and Prysmian to extend the company' s network lead and position the company to deliver new multiuse fiber services, including 5G, while complementing small-cell deployment. In June, Verizon and the city of Sacramento, Calif., announced a partnership to develop and deploy smart-city services. Verizon has begun previously announced pre-commercial 5G fixed-wireless broadband trials in 8 of 11 cities.

**Outlook and forward-looking items**

Verizon expects the following:

Full-year 2017 consolidated revenues, on an organic basis, to be fairly consistent with 2016, with improvement in wireless service revenue and equipment revenue trends; also, full-year 2017 consolidated adjusted EPS trends to be similar to consolidated revenue trends;

Consolidated capital spending for 2017 to be in the range of $16.8 billion to $17.5 billion; and

The 2017 effective tax rate to be at the low end of the range of 34 percent to 36 percent, excluding impacts from potential tax reform.

*NOTE: See the accompanying schedules and www.verizon.com/about/investors for reconciliations to generally accepted accounting principles (GAAP) for non-GAAP financial measures cited in this document.*

Verizon Communications Inc. (NYSE, Nasdaq: VZ), headquartered in New York City, has a diverse workforce of 163,400 and generated nearly $126 billion in 2016 revenues. Verizon operates America' s most reliable wireless network and the nation' s premier all-fiber network, and delivers integrated solutions to businesses worldwide. Its Oath subsidiary houses more than 50 media and technology brands that engage about 1 billion people around the world.

####

VERIZON' S ONLINE MEDIA CENTER: News releases, stories, media contacts and other resources are available at www.verizon.com/about/news/. News releases are also available through an RSS feed. To subscribe, visit www.verizon.com/about/rss-feeds/.

**Forward-looking statements**

In this communication we have made forward-looking statements. These statements are based on our estimates and assumptions and are subject to risks and uncertainties. Forward-looking statements include the information concerning our possible or assumed future results of operations. Forward-looking statements also include those preceded or followed by the words "anticipates," "believes," "estimates," "hopes" or similar expressions. For those statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. The following important factors, along with those discussed in our filings with the Securities and Exchange Commission (the "SEC"), could affect future results and could cause those results to differ materially from those expressed in the forward-looking statements: adverse conditions in the U.S. and international economies; the effects of competition in the markets in which we operate; material changes in technology or technology substitution; disruption of our key suppliers' provisioning of products or services; changes in the regulatory environment in which we operate, including any increase in restrictions on our ability to operate our networks; breaches of network or information technology security, natural disasters, terrorist attacks or acts of war or significant litigation and any resulting financial impact not covered by insurance; our high level of indebtedness; an adverse change in the ratings afforded our debt securities by nationally accredited ratings organizations or adverse conditions in the credit markets affecting the cost, including interest rates, and/or availability of further financing; material adverse changes in labor matters, including labor negotiations, and any resulting financial and/or operational impact; significant increases in benefit plan costs or lower investment returns on plan assets; changes in tax laws or treaties, or in their interpretation; changes in accounting assumptions that regulatory agencies, including the SEC, may require or that result from changes in the accounting rules or their application, which could result in an impact on earnings; the inability to implement our business strategies; and the inability to realize the expected benefits of strategic transactions.

**Verizon Communications Inc.**
**Condensed Consolidated Statements of Income**

(dollars in millions, except per share amounts)

| Unaudited | 3 Mos. Ended 6/30/17 | 3 Mos. Ended 6/30/16 | % Change | 6 Mos. Ended 6/30/17 | 6 Mos. Ended 6/30/16 | % Change |
|---|---|---|---|---|---|---|
| **Operating Revenues** | | | | | | |
| Service revenues and other | $ 26,250 | $ 26,828 | (2.2) | $ 52,300 | $ 55,045 | (5.0) |
| Wireless equipment revenues | 4,298 | 3,704 | 16.0 | 8,062 | 7,658 | 5.3 |
| **Total Operating Revenues** | 30,548 | 30,532 | 0.1 | 60,362 | 62,703 | (3.7) |
| **Operating Expenses** | | | | | | |
| Cost of services | 7,075 | 7,577 | (6.6) | 13,933 | 15,191 | (8.3) |
| Wireless cost of equipment | 5,035 | 4,644 | 8.4 | 9,843 | 9,642 | 2.1 |
| Selling, general and administrative expense | 6,039 | 9,775 | (38.2) | 12,947 | 17,375 | (25.5) |
| Depreciation and amortization expense | 4,167 | 3,982 | 4.6 | 8,226 | 7,999 | 2.8 |
| **Total Operating Expenses** | 22,316 | 25,978 | (14.1) | 44,949 | 50,207 | (10.5) |
| **Operating Income** | 8,232 | 4,554 | 80.8 | 15,413 | 12,496 | 23.3 |
| Equity in losses of unconsolidated businesses | (28) | (20) | (40.0) | (49) | (40) | (22.5) |
| Other expense, net | (19) | (1,826) | 99.0 | (865) | (1,794) | 51.8 |
| Interest expense | (1,218) | (1,013) | (20.2) | (2,350) | (2,201) | (6.8) |
| **Income Before Provision for Income Taxes** | 6,967 | 1,695 | * | 12,149 | 8,461 | 43.6 |
| Provision for income taxes | (2,489) | (864) | * | (4,118) | (3,200) | (28.7) |
| **Net Income** | $ 4,478 | $ 831 | * | $ 8,031 | $ 5,261 | 52.7 |
| Net income attributable to noncontrolling interests | $ 116 | $ 129 | (10.1) | $ 219 | $ 249 | (12.0) |
| Net income attributable to Verizon | 4,362 | 702 | * | 7,812 | 5,012 | 55.9 |
| **Net Income** | $ 4,478 | $ 831 | * | $ 8,031 | $ 5,261 | 52.7 |
| **Basic Earnings per Common Share** | | | | | | |
| Net income attributable to Verizon | $ 1.07 | $ .17 | * | $ 1.91 | $ 1.23 | 55.3 |
| *Weighted average number of common shares (in millions)* | *4,082* | *4,079* | | *4,082* | *4,080* | |
| **Diluted Earnings per Common Share** [(1)] | | | | | | |
| Net income attributable to Verizon | $ 1.07 | $ .17 | * | $ 1.91 | $ 1.23 | 55.3 |
| *Weighted average number of common shares-assuming dilution (in millions)* | *4,087* | *4,085* | | *4,088* | *4,085* | |

**Footnotes:**

(1) Diluted Earnings per Common Share includes the dilutive effect of shares issuable under our stock-based compensation plans, which represents the only potential dilution.

* Not meaningful

**Verizon Communications Inc.**
**Condensed Consolidated Balance Sheets**

(dollars in millions)

| Unaudited | 6/30/17 | 12/31/16 | $ Change |
|---|---|---|---|
| **Assets** | | | |
| Current assets | | | |
| Cash and cash equivalents | $ 4,583 | $ 2,880 | $ 1,703 |
| Accounts receivable, net | 19,771 | 17,513 | 2,258 |
| Inventories | 1,116 | 1,202 | (86 ) |
| Assets held for sale | – | 882 | (882 ) |
| Prepaid expenses and other | 3,353 | 3,918 | (565 ) |
| Total current assets | 28,823 | 26,395 | 2,428 |
| Plant, property and equipment | 239,226 | 232,215 | 7,011 |
| Less accumulated depreciation | 152,705 | 147,464 | 5,241 |
| | 86,521 | 84,751 | 1,770 |
| Investments in unconsolidated businesses | 1,075 | 1,110 | (35 ) |
| Wireless licenses | 88,004 | 86,673 | 1,331 |
| Goodwill | 28,527 | 27,205 | 1,322 |
| Other intangible assets, net | 11,143 | 8,897 | 2,246 |
| Non-current assets held for sale | 90 | 613 | (523 ) |
| Other assets | 8,795 | 8,536 | 259 |
| **Total Assets** | $ 252,978 | $ 244,180 | $ 8,798 |
| **Liabilities and Equity** | | | |
| Current liabilities | | | |
| Debt maturing within one year | $ 1,153 | $ 2,645 | $ (1,492 ) |
| Accounts payable and accrued liabilities | 17,825 | 19,593 | (1,768 ) |
| Other | 8,780 | 8,102 | 678 |
| Total current liabilities | 27,758 | 30,340 | (2,582 ) |
| Long-term debt | 116,390 | 105,433 | 10,957 |
| Employee benefit obligations | 21,775 | 26,166 | (4,391 ) |
| Deferred income taxes | 47,506 | 45,964 | 1,542 |
| Other liabilities | 12,788 | 12,245 | 543 |
| Equity | | | |
| Common stock | 424 | 424 | – |
| Contributed capital | 11,099 | 11,182 | (83 ) |
| Reinvested earnings | 18,159 | 15,059 | 3,100 |
| Accumulated other comprehensive income | 2,284 | 2,673 | (389 ) |
| Common stock in treasury, at cost | (7,142 ) | (7,263 ) | 121 |
| Deferred compensation – employee stock ownership plans and other | 365 | 449 | (84 ) |
| Noncontrolling interests | 1,572 | 1,508 | 64 |
| Total equity | 26,761 | 24,032 | 2,729 |
| **Total Liabilities and Equity** | $ 252,978 | $ 244,180 | $ 8,798 |

**Verizon – Selected Financial and Operating Statistics**

| Unaudited | 6/30/17 | 12/31/16 |
|---|---|---|
| Total debt (in millions) | $ 117,543 | $ 108,078 |
| Net debt (in millions) | $ 112,960 | $ 105,198 |
| Net debt / Adjusted EBITDA(1) | 2.6x | 2.4x |
| Common shares outstanding end of period (in millions) | 4,079 | 4,077 |
| Total employees ( ‘000) | 163.4 | 160.9 |
| Quarterly cash dividends declared per common share | $ 0.5775 | $ 0.5775 |

**Footnotes:**

(1) Adjusted EBITDA excludes the effects of special items and operating results of Divested Businesses, as the Company' s chief operating decision maker excludes these items in assessing business unit performance.

**Verizon Communications Inc.**
**Condensed Consolidated Statements of Cash Flows**

(dollars in millions)

| Unaudited | 6 Mos. Ended 6/30/17 | 6 Mos. Ended 6/30/16 | $ Change |
|---|---|---|---|
| **Cash Flows from Operating Activities** | | | |
| Net Income | $ 8,031 | $ 5,261 | $ 2,770 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation and amortization expense | 8,226 | 7,999 | 227 |
| Employee retirement benefits | (223) | 4,021 | (4,244) |
| Deferred income taxes | 1,880 | (3,085) | 4,965 |
| Provision for uncollectible accounts | 632 | 651 | (19) |
| Equity in losses of unconsolidated businesses, net of dividends received | 67 | 58 | 9 |
| Changes in current assets and liabilities, net of effects from acquisition/disposition of businesses | (3,094) | (1,067) | (2,027) |
| Discretionary contribution to qualified pension plans | (3,411) | – | (3,411) |
| Net gain on sale of Divested Businesses | (1,774) | (1,007) | (767) |
| Other, net | (416) | 77 | (493) |
| Net cash provided by operating activities | 9,918 | 12,908 | (2,990) |
| **Cash Flows from Investing Activities** | | | |
| Capital expenditures (including capitalized software) | (7,011) | (7,273) | 262 |
| Acquisitions of businesses, net of cash acquired | (6,280) | (178) | (6,102) |
| Acquisitions of wireless licenses | (315) | (282) | (33) |
| Proceeds from dispositions of businesses | 3,512 | 9,882 | (6,370) |
| Other, net | 211 | 504 | (293) |
| Net cash provided by (used in) investing activities | (9,883) | 2,653 | (12,536) |
| **Cash Flows from Financing Activities** | | | |
| Proceeds from long-term borrowings | 16,009 | – | 16,009 |
| Proceeds from asset-backed long-term borrowings | 2,878 | – | 2,878 |
| Repayments of long-term borrowings and capital lease obligations | (10,294) | (11,300) | 1,006 |
| Increase (decrease) in short-term obligations, excluding current maturities | (152) | 610 | (762) |
| Dividends paid | (4,710) | (4,605) | (105) |
| Other, net | (2,063) | (1,879) | (184) |
| Net cash provided by (used in) financing activities | 1,668 | (17,174) | 18,842 |
| **Increase (decrease) in cash and cash equivalents** | 1,703 | (1,613) | 3,316 |
| **Cash and cash equivalents, beginning of period** | 2,880 | 4,470 | (1,590) |
| **Cash and cash equivalents, end of period** | $ 4,583 | $ 2,857 | $ 1,726 |

**Footnotes:**

Certain reclassifications of prior period amounts have been made, where appropriate, to conform to current period presentation.

**Verizon Communications Inc.**
**Wireless – Selected Financial Results**

(dollars in millions)

| Unaudited | 3 Mos. Ended 6/30/17 | 3 Mos. Ended 6/30/16 | % Change | 6 Mos. Ended 6/30/17 | 6 Mos. Ended 6/30/16 | % Change |
|---|---|---|---|---|---|---|
| **Operating Revenues** | | | | | | |
| Service | $ 15,622 | $ 16,741 | (6.7) | $ 31,400 | $ 33,550 | (6.4) |
| Equipment | 4,298 | 3,704 | 16.0 | 8,062 | 7,658 | 5.3 |
| Other | 1,362 | 1,259 | 8.2 | 2,698 | 2,500 | 7.9 |
| **Total Operating Revenues** | 21,282 | 21,704 | (1.9) | 42,160 | 43,708 | (3.5) |
| **Operating Expenses** | | | | | | |
| Cost of services | 1,997 | 1,984 | 0.7 | 3,955 | 3,926 | 0.7 |
| Cost of equipment | 5,035 | 4,644 | 8.4 | 9,843 | 9,642 | 2.1 |
| Selling, general and administrative expense | 4,493 | 4,777 | (5.9) | 9,191 | 9,668 | (4.9) |
| Depreciation and amortization expense | 2,347 | 2,282 | 2.8 | 4,685 | 4,575 | 2.4 |
| **Total Operating Expenses** | 13,872 | 13,687 | 1.4 | 27,674 | 27,811 | (0.5) |
| **Operating Income** | $ 7,410 | $ 8,017 | (7.6) | $ 14,486 | $ 15,897 | (8.9) |
| **Operating Income Margin** | 34.8 % | 36.9 % | | 34.4 % | 36.4 % | |
| **Segment EBITDA** | $ 9,757 | $ 10,299 | (5.3) | $ 19,171 | $ 20,472 | (6.4) |
| **Segment EBITDA Margin** | 45.8 % | 47.5 % | | 45.5 % | 46.8 % | |

**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.

**Verizon Communications Inc.**
**Wireless – Selected Operating Statistics**

| Unaudited | 6/30/17 | 6/30/16 | % Change |
|---|---|---|---|
| **Connections ( '000)** | | | |
| Retail postpaid | 109,088 | 107,780 | 1.2 |
| Retail prepaid | 5,448 | 5,374 | 1.4 |
| Total retail | 114,536 | 113,154 | 1.2 |

| Unaudited | 3 Mos. Ended 6/30/17 | 3 Mos. Ended 6/30/16 | % Change | 6 Mos. Ended 6/30/17 | 6 Mos. Ended 6/30/16 | % Change |
|---|---|---|---|---|---|---|
| **Net Add Detail ( '000)** (1) | | | | | | |
| Retail postpaid | 614 | 615 | (0.2) | 307 | 1,255 | (75.5) |
| Retail prepaid | 19 | (30) | * | 2 | (207) | * |
| Total retail | 633 | 585 | 8.2 | 309 | 1,048 | (70.5) |
| **Account Statistics** | | | | | | |
| Retail Postpaid Accounts ( '000) (2) | | | | 35,334 | 35,637 | (0.9) |
| Retail postpaid connections per account (2) | | | | 3.09 | 3.02 | 2.3 |
| Retail postpaid ARPA (3) | 134.89 | 145.09 | (7.0) | 135.93 | 145.22 | (6.4) |
| Retail postpaid I-ARPA (4) | 164.94 | 167.18 | (1.3) | 165.47 | 166.11 | (0.4) |
| **Churn Detail** | | | | | | |
| Retail postpaid | 0.94 % | 0.94 % | | 1.04 % | 0.95 % | |
| Retail | 1.18 % | 1.19 % | | 1.28 % | 1.21 % | |
| **Retail Postpaid Connection Statistics** | | | | | | |
| Total Smartphone postpaid % of phones activated | 95.2 % | 92.1 % | | 94.9 % | 92.4 % | |
| Total Smartphone postpaid phone base (2) | | | | 88.8 % | 85.5 % | |
| Total Internet postpaid base (2) | | | | 18.4 % | 17.7 % | |
| 4G LTE devices as % of retail postpaid connections | | | | 86.7 % | 82.5 % | |
| **Other Operating Statistics** | | | | | | |
| Capital expenditures (in millions) | $ 2,444 | $ 2,815 | (13.2) | $ 4,275 | $ 5,005 | (14.6) |

**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.

* Not meaningful

**Verizon Communications Inc.**
**Wireline – Selected Financial Results**

(dollars in millions)

| Unaudited | 3 Mos. Ended 6/30/17 | 3 Mos. Ended 6/30/16 | % Change | 6 Mos. Ended 6/30/17 | 6 Mos. Ended 6/30/16 | % Change |
|---|---|---|---|---|---|---|
| **Operating Revenues** | | | | | | |
| Consumer Markets | $ 3,184 | $ 3,165 | 0.6 | $ 6,385 | $ 6,345 | 0.6 |
| Enterprise Solutions | 2,388 | 2,378 | 0.4 | 4,780 | 4,802 | (0.5) |
| Partner Solutions | 1,236 | 1,241 | (0.4) | 2,467 | 2,509 | (1.7) |
| Business Markets | 921 | 845 | 9.0 | 1,803 | 1,707 | 5.6 |
| Other | 73 | 84 | (13.1) | 135 | 164 | (17.7) |
| **Total Operating Revenues** | 7,802 | 7,713 | 1.2 | 15,570 | 15,527 | 0.3 |
| **Operating Expenses** | | | | | | |
| Cost of services | 4,576 | 5,079 | (9.9) | 9,027 | 9,696 | (6.9) |
| Selling, general and administrative expense | 1,606 | 1,612 | (0.4) | 3,214 | 3,379 | (4.9) |
| Depreciation and amortization expense | 1,552 | 1,546 | 0.4 | 3,042 | 3,105 | (2.0) |
| **Total Operating Expenses** | 7,734 | 8,237 | (6.1) | 15,283 | 16,180 | (5.5) |
| **Operating Income (Loss)** | $ 68 | $ (524) | * | $ 287 | $ (653) | * |
| **Operating Income (Loss) Margin** | 0.9 % | (6.8)% | | 1.8 % | (4.2)% | |
| **Segment EBITDA** | $ 1,620 | $ 1,022 | 58.5 | $ 3,329 | $ 2,452 | 35.8 |
| **Segment EBITDA Margin** | 20.8 % | 13.3 % | | 21.4 % | 15.8 % | |

**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.

Certain reclassifications have been made, where appropriate, to reflect comparable operating results.

* Not meaningful

**Verizon Communications Inc.**
**Wireline – Selected Operating Statistics**

| Unaudited | 6/30/17 | 6/30/16 | % Change |
|---|---|---|---|
| **Connections ( '000)** | | | |
| Fios Video Subscribers | 4,666 | 4,637 | 0.6 |
| Fios Internet Subscribers | 5,737 | 5,495 | 4.4 |
| Fios Digital voice residence connections | 3,909 | 3,879 | 0.8 |
| Fios Digital connections | 14,312 | 14,011 | 2.1 |
| HSI | 1,251 | 1,519 | (17.6 ) |
| Total Broadband connections | 6,988 | 7,014 | (0.4 ) |
| Primary residence switched access connections | 2,962 | 3,501 | (15.4 ) |
| Primary residence connections | 6,871 | 7,380 | (6.9 ) |
| Total retail residence voice connections | 7,079 | 7,634 | (7.3 ) |
| Total voice connections | 13,352 | 14,476 | (7.8 ) |

| Unaudited | 3 Mos. Ended 6/30/17 | 3 Mos. Ended 6/30/16 | % Change | 6 Mos. Ended 6/30/17 | 6 Mos. Ended 6/30/16 | % Change |
|---|---|---|---|---|---|---|
| **Net Add Detail ( '000)** | | | | | | |
| Fios Video Subscribers | (15 ) | (41 ) | 63.4 | (28 ) | 2 | * |
| Fios Internet Subscribers | 49 | (13 ) | * | 84 | 77 | 9.1 |
| Fios Digital voice residence connections | 22 | (38 ) | * | 14 | 7 | 100.0 |
| Fios Digital connections | 56 | (92 ) | * | 70 | 86 | (18.6 ) |
| HSI | (72 ) | (70 ) | (2.9 ) | (134 ) | (148 ) | 9.5 |
| Total Broadband connections | (23 ) | (83 ) | 72.3 | (50 ) | (71 ) | 29.6 |
| Primary residence switched access connections | (133 ) | (142 ) | 6.3 | (268 ) | (298 ) | 10.1 |
| Primary residence connections | (111 ) | (180 ) | 38.3 | (254 ) | (291 ) | 12.7 |
| Total retail residence voice connections | (121 ) | (190 ) | 36.3 | (276 ) | (315 ) | 12.4 |
| Total voice connections | (282 ) | (305 ) | 7.5 | (587 ) | (559 ) | (5.0 ) |
| **Revenue Statistics** | | | | | | |
| Fios revenues (in millions) | $ 2,899 | $ 2,776 | 4.4 | $ 5,790 | $ 5,537 | 4.6 |
| **Other Operating Statistics** | | | | | | |
| Capital expenditures (in millions) | $ 1,190 | $ 814 | 46.2 | $ 2,150 | $ 1,820 | 18.1 |
| Wireline employees ( '000) | | | | 59.7 | 59.0 | |
| Fios Video Open for Sale ( '000) | | | | 13,978 | 13,400 | |
| Fios Video penetration | | | | 33.4 % | 34.6 % | |
| Fios Internet Open for Sale ( '000) | | | | 14,271 | 13,696 | |
| Fios Internet penetration | | | | 40.2 % | 40.1 % | |

**Footnotes:**

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

Intersegment transactions have not been eliminated.

* Not meaningful

**Verizon Communications Inc.**
**Non-GAAP Reconciliations - Consolidated Verizon**

### Consolidated Operating Revenues Excluding Divested Businesses and Acquisitions

(dollars in millions)

| Unaudited | 3 Mos. Ended 6/30/17 | 3 Mos. Ended 6/30/16 |
|---|---|---|
| **Consolidated Operating Revenues** | $ 30,548 | $ 30,532 |
| Less operating revenues from Divested Businesses | 37 | 110 |
| **Consolidated Operating Revenues Excluding Divested Businesses** | 30,511 | 30,422 |
| Less operating revenues from Acquisitions | 693 | – |
| **Consolidated Operating Revenues Excluding Divested Businesses and Acquisitions** | $ 29,818 | $ 30,422 |
| Year over Year Change | (2.0 )% | |

### IoT Revenues Excluding Acquisitions

(dollars in millions)

| Unaudited | 3 Mos. Ended 6/30/17 | 3 Mos. Ended 6/30/16 |
|---|---|---|
| **IoT Revenues** | $ 365 | $ 207 |
| Less IoT revenues from Acquisitions | 117 | – |
| **IoT Revenues Excluding Acquisitions** | $ 248 | $ 207 |
| Year over Year Change | 19.8 % | |

### Consolidated EBITDA, Consolidated EBITDA Margin, Consolidated Adjusted EBITDA and Consolidated Adjusted EBITDA Margin

(dollars in millions)

| Unaudited | 3 Mos. Ended 6/30/17 | 3 Mos. Ended 3/31/17 | 3 Mos. Ended 12/31/16 | 3 Mos. Ended 9/30/16 | 3 Mos. Ended 6/30/16 | 3 Mos. Ended 3/31/16 |
|---|---|---|---|---|---|---|
| **Consolidated Net Income** | $ 4,478 | $ 3,553 | $ 4,600 | $ 3,747 | $ 831 | $ 4,430 |
| Add/(subtract): | | | | | | |
| Provision for income taxes | 2,489 | 1,629 | 2,349 | 1,829 | 864 | 2,336 |
| Interest expense | 1,218 | 1,132 | 1,137 | 1,038 | 1,013 | 1,188 |
| Other (income) and expense, net | 19 | 846 | (98 ) | (97 ) | 1,826 | (32 ) |
| Equity in losses of unconsolidated businesses | 28 | 21 | 35 | 23 | 20 | 20 |
| **Operating Income** | 8,232 | 7,181 | 8,023 | 6,540 | 4,554 | 7,942 |
| Add Depreciation and amortization expense | 4,167 | 4,059 | 3,987 | 3,942 | 3,982 | 4,017 |
| **Consolidated EBITDA** | $ 12,399 | $ 11,240 | $ 12,010 | $ 10,482 | $ 8,536 | $ 11,959 |
| Add/subtract special items (before tax): | | | | | | |
| Severance, pension, and benefit charges/(credits) | 607 | – | (1,589 ) | 797 | 3,550 | 165 |
| Gain on spectrum license transactions | – | (126 ) | – | – | – | (142 ) |
| Net gain on sale of Divested Businesses | (1,774 ) | – | – | – | (1,007 ) | – |
| Operating results from Divested Businesses (1) | (25 ) | (76 ) | (84 ) | (80 ) | (77 ) | (740 ) |
| Acquisition and integration related costs (1) | 147 | | | | | |
| | (1,045 ) | (202 ) | (1,673 ) | 717 | 2,466 | (717 ) |
| **Consolidated Adjusted EBITDA** | $ 11,354 | $ 11,038 | $ 10,337 | $ 11,199 | $ 11,002 | $ 11,242 |
| **Consolidated Operating Revenues** | $ 30,548 | | | | $ 30,532 | |
| **Consolidated Operating Income Margin** | 26.9 % | | | | 14.9 % | |
| **Consolidated EBITDA Margin** | 40.6 % | | | | 28.0 % | |
| **Consolidated Operating Revenues Excluding Divested Businesses** | $ 30,511 | | | | | |
| **Consolidated Adjusted EBITDA Margin** | 37.2 % | | | | | |

(1) Excludes depreciation and amortization expense

**Verizon Communications Inc.**
**Non-GAAP Reconciliations − Consolidated Verizon**

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

(dollars in millions)

| Unaudited | 6/30/17 | 12/31/16 |
|---|---|---|
| **Net Debt** | | |
| Debt maturing within one year | $ 1,153 | $ 2,645 |
| Long-term debt | 116,390 | 105,433 |
| **Total Debt** | 117,543 | 108,078 |
| Less Cash and cash equivalents | 4,583 | 2,880 |
| **Net Debt** | $ 112,960 | $ 105,198 |
| **Net Debt to Consolidated Adjusted EBITDA Ratio** | 2.6x | 2.4x |

**Adjusted Earnings per Common Share (Adjusted EPS)** (1)

| Unaudited | Pre-tax | Tax | After-Tax | 3 Mos. Ended 6/30/17 | Pre-tax | Tax | After-Tax | 3 Mos. Ended 6/30/16 |
|---|---|---|---|---|---|---|---|---|
| **EPS** | | | | $1.07 | | | | $0.17 |
| Net gain on sale of Divested Businesses | $(1,774) | $843 | $ (931 ) | (0.23 ) | $(1,007) | $868 | $ (139 ) | (0.03 ) |
| Severance, pension, and benefit charges | 607 | (230) | 377 | 0.09 | 3,550 | (1,364) | 2,186 | 0.54 |
| Acquisition and integration related costs | 152 | (56 ) | 96 | 0.02 | − | − | − | − |
| Early debt redemption costs(2) | − | − | − | − | 1,822 | (718 ) | 1,104 | 0.27 |
| | $(1,015) | $557 | (458 ) | (0.11 ) | $4,365 | $(1,214) | $3,151 | 0.77 |
| **Adjusted EPS** | | | | $ 0.96 | | | | $ 0.94 |

(1) Adjusted EPS may not add due to rounding

(2) Includes costs related to debt tender offers

**Verizon Communications Inc.**
**Non-GAAP Reconciliations−Segments**

**Segment EBITDA and Segment EBITDA Margin**

**Wireless**

(dollars in millions)

| Unaudited | 3 Mos. Ended 6/30/17 | 3 Mos. Ended 6/30/16 |
|---|---|---|
| **Operating Income** | $ 7,410 | $ 8,017 |
| Add Depreciation and amortization expense | 2,347 | 2,282 |
| **Segment EBITDA** | $ 9,757 | $ 10,299 |
| Year over Year Change | (5.3)% | |
| Total operating revenues | $ 21,282 | $ 21,704 |
| **Operating Income Margin** | 34.8 % | 36.9 % |
| **Segment EBITDA Margin** | 45.8 % | 47.5 % |

**Wireline**

(dollars in millions)

| Unaudited | 3 Mos. Ended 6/30/17 | 3 Mos. Ended 6/30/16 | 3 Mos. Ended 3/31/17 |
|---|---|---|---|
| **Operating Income (Loss)** | $ 68 | $ (524) | $ 219 |
| Add Depreciation and amortization expense | 1,552 | 1,546 | 1,490 |
| **Segment EBITDA** | $ 1,620 | $ 1,022 | $ 1,709 |
| Total operating revenues | $ 7,802 | $ 7,713 | $ 7,768 |
| **Operating Income (Loss) Margin** | 0.9 % | (6.8)% | 2.8 % |
| **Segment EBITDA Margin** | 20.8 % | 13.3 % | 22.0 % |

**Wireline Operating Revenues Excluding Acquisition**

(dollars in millions)

| Unaudited | 3 Mos. Ended 6/30/17 | 3 Mos. Ended 6/30/16 |
|---|---|---|
| **Wireline Operating Revenues** | $ 7,802 | $ 7,713 |
| Less operating revenues from Acquisition | 304 | − |
| **Wireline Operating Revenues Excluding Acquisition** | $ 7,498 | $ 7,713 |
| Year over Year Change | (2.8)% | |