

Condensed Consolidated Statements of Income

(dollars in millions, except per share amounts)

Unaudited	3 Mos. Ended 9/30/16	3 Mos. Ended 9/30/15	% Change	9 Mos. Ended 9/30/16	9 Mos. Ended 9/30/15	% Change
Operating Revenues						
Service revenues and other	\$ 26,813	\$ 28,866	(7.1)	\$ 81,858	\$ 85,840	(4.6)
Wireless equipment revenues	4,124	4,292	(3.9)	11,782	11,526	2.2
Total Operating Revenues	<u>30,937</u>	<u>33,158</u>	(6.7)	<u>93,640</u>	<u>97,366</u>	(3.8)
Operating Expenses						
Cost of services	6,989	7,589	(7.9)	22,180	21,571	2.8
Wireless cost of equipment	5,240	5,716	(8.3)	14,882	16,279	(8.6)
Selling, general and administrative expense	8,226	8,309	(1.0)	25,601	24,222	5.7
Depreciation and amortization expense	3,942	4,009	(1.7)	11,941	11,978	(0.3)
Total Operating Expenses	<u>24,397</u>	<u>25,623</u>	(4.8)	<u>74,604</u>	<u>74,050</u>	0.7
Operating Income	6,540	7,535	(13.2)	19,036	23,316	(18.4)
Equity in losses of unconsolidated businesses	(23)	(18)	27.8	(63)	(70)	(10.0)
Other income and (expense), net	97	51	90.2	(1,697)	158	*
Interest expense	(1,038)	(1,202)	(13.6)	(3,239)	(3,742)	(13.4)
Income Before Provision for Income Taxes	5,576	6,366	(12.4)	14,037	19,662	(28.6)
Provision for income taxes	(1,829)	(2,195)	(16.7)	(5,029)	(6,800)	(26.0)
Net Income	<u>\$ 3,747</u>	<u>\$ 4,171</u>	(10.2)	<u>\$ 9,008</u>	<u>\$ 12,862</u>	(30.0)
Net income attributable to noncontrolling interests	\$ 127	\$ 133	(4.5)	\$ 376	\$ 374	0.5
Net income attributable to Verizon	3,620	4,038	(10.4)	8,632	12,488	(30.9)
Net Income	<u>\$ 3,747</u>	<u>\$ 4,171</u>	(10.2)	<u>\$ 9,008</u>	<u>\$ 12,862</u>	(30.0)
Basic Earnings per Common Share						
Net income attributable to Verizon	\$.89	\$.99	(10.1)	\$ 2.12	\$ 3.05	(30.5)
<i>Weighted average number of common shares (in millions)</i>	4,079	4,072		4,080	4,089	
Diluted Earnings per Common Share ⁽¹⁾						
Net income attributable to Verizon	\$.89	\$.99	(10.1)	\$ 2.11	\$ 3.05	(30.8)
<i>Weighted average number of common shares-assuming dilution (in millions)</i>	4,086	4,078		4,086	4,095	

Footnotes:

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

* Not meaningful

Condensed Consolidated Balance Sheets

(dollars in millions)

Unaudited	9/30/16	12/31/15	\$ Change
Assets			
Current assets			
Cash and cash equivalents	\$ 6,441	\$ 4,470	\$ 1,971
Short-term investments	-	350	(350)
Accounts receivable, net	14,832	13,457	1,375
Inventories	1,318	1,252	66
Assets held for sale	-	792	(792)
Prepaid expenses and other	3,030	2,034	996
Total current assets	25,621	22,355	3,266
Plant, property and equipment	228,909	220,163	8,746
Less accumulated depreciation	145,495	136,622	8,873
	83,414	83,541	(127)
Investments in unconsolidated businesses	1,119	796	323
Wireless licenses	87,407	86,575	832
Goodwill	25,970	25,331	639
Other intangible assets, net	7,692	7,592	100
Non-current assets held for sale	-	10,267	(10,267)
Other assets	8,275	7,718	557
Total Assets	\$ 239,498	\$ 244,175	\$ (4,677)
Liabilities and Equity			
Current liabilities			
Debt maturing within one year	\$ 3,852	\$ 6,489	\$ (2,637)
Accounts payable and accrued liabilities	18,002	19,362	(1,360)
Liabilities related to assets held for sale	-	463	(463)
Other	8,444	8,738	(294)
Total current liabilities	30,298	35,052	(4,754)
Long-term debt	102,739	103,240	(501)
Employee benefit obligations	28,285	29,957	(1,672)
Deferred income taxes	44,617	45,484	(867)
Non-current liabilities related to assets held for sale	-	959	(959)
Other liabilities	11,576	11,641	(65)
Equity			
Common stock	424	424	-
Contributed capital	11,179	11,196	(17)
Reinvested earnings	12,918	11,246	1,672
Accumulated other comprehensive income	2,758	550	2,208
Common stock in treasury, at cost	(7,264)	(7,416)	152
Deferred compensation – employee stock ownership plans and other	445	428	17
Noncontrolling interests	1,523	1,414	109
Total equity	21,983	17,842	4,141
Total Liabilities and Equity	\$ 239,498	\$ 244,175	\$ (4,677)

Verizon - Selected Financial and Operating Statistics

Unaudited	9/30/16	12/31/15
Total debt (in millions)	\$ 106,591	\$ 109,729
Net debt (in millions)	\$ 100,150	\$ 105,259
Net debt / Adjusted EBITDA ⁽¹⁾	2.3x	2.4x
Common shares outstanding end of period (in millions)	4,077	4,073
Total employees ('000)	162.0	177.7
Quarterly cash dividends declared per common share	\$ 0.5775	\$ 0.565

Footnotes:

(1) Adjusted EBITDA excludes the effects of non-operational items and Divested Businesses.

Condensed Consolidated Statements of Cash Flows

(dollars in millions)

Unaudited	9 Mos. Ended 9/30/16	9 Mos. Ended 9/30/15	\$ Change
Cash Flows from Operating Activities			
Net Income	\$ 9,008	\$ 12,862	\$ (3,854)
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization expense	11,941	11,978	(37)
Employee retirement benefits	4,531	1,184	3,347
Deferred income taxes	(2,331)	890	(3,221)
Provision for uncollectible accounts	963	1,136	(173)
Equity in losses of unconsolidated businesses, net of dividends received	94	98	(4)
Changes in current assets and liabilities, net of effects from acquisition/disposition of businesses	(4,010)	1,443	(5,453)
Other, net	(2,567)	(1,165)	(1,402)
Net cash provided by operating activities	<u>17,629</u>	<u>28,426</u>	<u>(10,797)</u>
Cash Flows from Investing Activities			
Capital expenditures (including capitalized software)	(11,398)	(12,540)	1,142
Acquisitions of businesses, net of cash acquired	(963)	(3,205)	2,242
Acquisitions of wireless licenses	(410)	(9,811)	9,401
Proceeds from dispositions of businesses	9,882	-	9,882
Other, net	350	960	(610)
Net cash used in investing activities	<u>(2,539)</u>	<u>(24,596)</u>	<u>22,057</u>
Cash Flows from Financing Activities			
Proceeds from long-term borrowings	8,152	6,497	1,655
Proceeds from asset-backed long-term borrowings	2,594	-	2,594
Repayments of long-term borrowings and capital lease obligations	(14,510)	(7,168)	(7,342)
Decrease in short-term obligations, excluding current maturities	(120)	(305)	185
Dividends paid	(6,908)	(6,373)	(535)
Proceeds from sale of common stock	3	31	(28)
Purchase of common stock for treasury	-	(5,134)	5,134
Other, net	(2,330)	1,899	(4,229)
Net cash used in financing activities	<u>(13,119)</u>	<u>(10,553)</u>	<u>(2,566)</u>
Increase (decrease) in cash and cash equivalents	1,971	(6,723)	8,694
Cash and cash equivalents, beginning of period	4,470	10,598	(6,128)
Cash and cash equivalents, end of period	<u>\$ 6,441</u>	<u>\$ 3,875</u>	<u>\$ 2,566</u>

Wireless - Selected Financial Results

(dollars in millions)

Unaudited	3 Mos. Ended 9/30/16	3 Mos. Ended 9/30/15	% Change	9 Mos. Ended 9/30/16	9 Mos. Ended 9/30/15	% Change
Operating Revenues						
Service	\$ 16,684	\$ 17,598	(5.2)	\$ 50,234	\$ 53,201	(5.6)
Equipment	4,124	4,292	(3.9)	11,782	11,526	2.2
Other	1,293	1,115	16.0	3,793	3,219	17.8
Total Operating Revenues	<u>22,101</u>	<u>23,005</u>	(3.9)	<u>65,809</u>	<u>67,946</u>	(3.1)
Operating Expenses						
Cost of services	2,006	2,010	(0.2)	5,932	5,809	2.1
Cost of equipment	5,240	5,716	(8.3)	14,882	16,279	(8.6)
Selling, general and administrative expense	4,921	5,351	(8.0)	14,589	16,009	(8.9)
Depreciation and amortization expense	2,287	2,260	1.2	6,862	6,675	2.8
Total Operating Expenses	<u>14,454</u>	<u>15,337</u>	(5.8)	<u>42,265</u>	<u>44,772</u>	(5.6)
Operating Income	\$ 7,647	\$ 7,668	(0.3)	\$ 23,544	\$ 23,174	1.6
Operating Income Margin	34.6%	33.3%		35.8%	34.1%	
Segment EBITDA	\$ 9,934	\$ 9,928	0.1	\$ 30,406	\$ 29,849	1.9
Segment EBITDA Margin	44.9%	43.2%		46.2%	43.9%	

Footnotes:

The segment financial results and metrics above are adjusted to exclude the effects of non-operational 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				9/30/16	9/30/15	% Change	
Connections ('000)							
	Retail postpaid			108,220	105,023	3.0	
	Retail prepaid			5,456	5,737	(4.9)	
	Total retail			113,676	110,760	2.6	
Unaudited		3 Mos. Ended	3 Mos. Ended		9 Mos. Ended	9 Mos. Ended	% Change
		9/30/16	9/30/15	% Change	9/30/16	9/30/15	% Change
Net Add Detail ('000) ⁽¹⁾							
	Retail postpaid	442	1,289	(65.7)	1,697	2,988	(43.2)
	Retail prepaid	83	(80)	*	(124)	(394)	(68.5)
	Total retail	525	1,209	(56.6)	1,573	2,594	(39.4)
Account Statistics							
	Retail Postpaid Accounts ('000) ⁽²⁾				35,530	35,677	(0.4)
	Retail postpaid connections per account ⁽²⁾				3.05	2.94	3.7
	Retail Postpaid ARPA ⁽³⁾	144.94	152.38	(4.9)	145.12	154.08	(5.8)
	Retail Postpaid I-ARPA ⁽⁴⁾	169.49	164.31	3.2	167.23	163.37	2.4
Churn Detail							
	Retail postpaid	1.04%	0.93%		0.98%	0.95%	
	Retail	1.28%	1.21%		1.23%	1.24%	
Retail Postpaid Connection Statistics							
	Total Smartphone postpaid % of phones activated	93.1%	91.3%		92.6%	91.5%	
	Total Smartphone postpaid phone base ⁽²⁾				86.3%	82.4%	
	Total Internet postpaid base ⁽²⁾				18.1%	16.0%	
	4G LTE devices as % of retails postpaid connections				83.7%	76.2%	
Other Operating Statistics							
	Capital expenditures (in millions)	\$ 2,771	\$ 2,921	(5.1)	\$ 7,776	\$ 8,466	(8.2)

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 non-operational items, as the Company's chief operating decision maker excludes these items in assessing business unit performance.

Intersegment transactions have not been eliminated.

* Not meaningful

Wireline - Selected Financial Results

(dollars in millions)

Unaudited	3 Mos. Ended 9/30/16	3 Mos. Ended 9/30/15	% Change	9 Mos. Ended 9/30/16	9 Mos. Ended 9/30/15	% Change
Operating Revenues						
Consumer retail	\$ 3,174	\$ 3,168	0.2	\$ 9,519	\$ 9,470	0.5
Small business	411	434	(5.3)	1,241	1,320	(6.0)
Mass Markets	3,585	3,602	(0.5)	10,760	10,790	(0.3)
Global Enterprise	2,886	2,988	(3.4)	8,749	9,042	(3.2)
Global Wholesale	1,239	1,289	(3.9)	3,778	3,938	(4.1)
Other	77	88	(12.5)	246	260	(5.4)
Total Operating Revenues	7,787	7,967	(2.3)	23,533	24,030	(2.1)
Operating Expenses						
Cost of services	4,440	4,695	(5.4)	14,191	14,184	-
Selling, general and administrative expense	1,693	1,770	(4.4)	5,080	5,421	(6.3)
Depreciation and amortization expense	1,498	1,611	(7.0)	4,636	4,953	(6.4)
Total Operating Expenses	7,631	8,076	(5.5)	23,907	24,558	(2.7)
Operating Income (Loss)	\$ 156	\$ (109)	*	\$ (374)	\$ (528)	(29.2)
Operating Income (Loss) Margin	2.0%	(1.4)%		(1.6)%	(2.2)%	
Segment EBITDA	\$ 1,654	\$ 1,502	10.1	\$ 4,262	\$ 4,425	(3.7)
Segment EBITDA Margin	21.2%	18.9%		18.1%	18.4%	

Footnotes:

The segment financial results and metrics above are adjusted to exclude the effects of non-operational 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 to prior period to reflect comparable operating results in the current period.

* Not meaningful

Wireline - Selected Operating Statistics

Unaudited	9/30/16	9/30/15	% Change
Connections ('000)			
Fios Video Subscribers	4,673	4,610	1.4
Fios Internet Subscribers	5,585	5,336	4.7
Fios Digital voice residence connections	3,882	3,829	1.4
Fios Digital connections	14,140	13,775	2.6
HSI	1,453	1,738	(16.4)
Total Broadband connections	7,038	7,074	(0.5)
Primary residence switched access connections	3,359	3,951	(15.0)
Primary residence connections	7,241	7,780	(6.9)
Total retail residence voice connections	7,482	8,072	(7.3)
Total voice connections	14,194	15,324	(7.4)

Unaudited	3 Mos. Ended 9/30/16	3 Mos. Ended 9/30/15	% Change	9 Mos. Ended 9/30/16	9 Mos. Ended 9/30/15	% Change
Net Add Detail ('000)						
Fios Video Subscribers	36	45	(20.0)	38	157	(75.8)
Fios Internet Subscribers	90	96	(6.3)	167	268	(37.7)
Fios Digital voice residence connections	3	41	(92.7)	10	102	(90.2)
Fios Digital connections	129	182	(29.1)	215	527	(59.2)
HSI	(66)	(82)	(19.5)	(214)	(218)	(1.8)
Total Broadband connections	24	14	71.4	(47)	50	*
Primary residence switched access connections	(142)	(162)	(12.3)	(440)	(464)	(5.2)
Primary residence connections	(139)	(121)	14.9	(430)	(362)	18.8
Total retail residence voice connections	(152)	(137)	10.9	(467)	(403)	15.9
Total voice connections	(282)	(262)	7.6	(841)	(816)	3.1

Revenue Statistics

Fios revenues (in millions)	\$ 2,807	\$ 2,689	4.4	\$ 8,344	\$ 7,969	4.7
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Other Operating Statistics

Capital expenditures (in millions)	\$ 1,036	\$ 1,202	(13.8)	\$ 2,856	\$ 3,413	(16.3)
Wireline employees ('000)				59.2	61.8	
Fios Video Open for Sale ('000)				13,529	13,024	
Fios Video penetration				34.5%	35.4%	
Fios Internet Open for Sale ('000)				13,825	13,317	
Fios Internet penetration				40.4%	40.1%	

Footnotes:

The segment financial results and metrics above are adjusted to exclude the effects of non-operational 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