4th Quarter 2017 Earnings Results

January 23, 2018
“Safe Harbor” statement

NOTE: In this presentation 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. We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements, except as required by law. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. 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.

As required by SEC rules, we have provided a reconciliation of the non-GAAP financial measures included in this presentation to the most directly comparable GAAP measures in materials on our website at www.verizon.com/about/investors.
Key areas of discussion

- 2017 results
- Tax reform
- Strategic priorities
**Consolidated**
**Consistent earnings performance**

<table>
<thead>
<tr>
<th></th>
<th>4Q ’17</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Reported EPS</strong></td>
<td>$4.56</td>
<td>$7.36</td>
</tr>
<tr>
<td><strong>Special items:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Severance, pension and benefit charges</td>
<td>$0.18</td>
<td>$0.21</td>
</tr>
<tr>
<td>Product realignment costs</td>
<td>$0.11</td>
<td>$0.11</td>
</tr>
<tr>
<td>Early debt redemption costs</td>
<td>$0.10</td>
<td>$0.29</td>
</tr>
<tr>
<td>Acquisition and integration-related charges</td>
<td>$0.02</td>
<td>$0.13</td>
</tr>
<tr>
<td>Gain on spectrum license transactions</td>
<td>($0.02)</td>
<td>($0.04)</td>
</tr>
<tr>
<td>Net gain on sale of divested businesses</td>
<td>—</td>
<td>($0.23)</td>
</tr>
<tr>
<td>Tax reform impact</td>
<td>($4.10)</td>
<td>($4.10)</td>
</tr>
<tr>
<td><strong>Adjusted EPS</strong></td>
<td>$0.86</td>
<td>$3.74</td>
</tr>
</tbody>
</table>

*Non-GAAP measure. Adjusted for special items.*

*Note: Amounts may not add due to rounding.*
Consolidated
Delivering solid financial performance

Total revenue of $34.0B, up 5.0% Y/Y in 4Q ’17

• Excluding divestitures and acquisitions, total revenue up 0.6% Y/Y in 4Q ’17*

2017 Adjusted EBITDA of $45.1B**
2017 Adjusted EBITDA margin of 35.7%**

* Non-GAAP measure.
** Non-GAAP measure. Adjusted for special items.
Wireless
Improving service revenue trends

Service revenue of $15.9B, down 2.9% Y/Y in 4Q ’17

4Q ’17 segment EBITDA margin on total revenue of 39.8%*

80% of postpaid phone base on unsubsidized pricing

4Q ’17 phone activations on device payment plans were 80%; ~49% of postpaid phone base on device payment plans

* Non-GAAP measure.
Wireless
Growing, high-quality retail base

647K postpaid smartphone net adds in 4Q ’17
431K phone net adds in 4Q ’17
1,174K retail postpaid net adds in 4Q ’17*

4Q ’17 retail postpaid phone churn of 0.77%

* Excludes acquisitions and adjustments.
Wireline
Fios driving consumer growth

Total Wireline revenue of $7.6B, up 0.1% Y/Y in 4Q ’17; down 3.6% excluding XO Communications*

• Consumer Markets revenue of $3.2B, down 1.4% Y/Y in 4Q ’17
• Total Fios revenue grew 2.3% Y/Y in 4Q ’17
• 47K Fios Internet net adds in 4Q ’17
• (29K) Fios Video net adds in 4Q ’17

* Non-GAAP measure.
Media and Telematics
Strategic positioning for future growth

**Media**

~1B monthly unique users
4Q ’17 revenue of $2.2B
NFL & NBA content distribution partnerships

**Telematics & IoT**

Organic revenue up about 8% Y/Y* in 4Q ’17
World’s largest fleet management platform
Telematics market share leader

*Non-GAAP measure.*
## Consolidated

### Generating strong free cash flow

<table>
<thead>
<tr>
<th>($ in billions)</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flow from operations</td>
<td>$22.8</td>
<td>$25.3</td>
</tr>
<tr>
<td>* Discretionary pension contribution*</td>
<td>$0.1</td>
<td>$2.1</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>$17.1</td>
<td>$17.2</td>
</tr>
<tr>
<td>Free cash flow**</td>
<td>$5.8</td>
<td>$8.1</td>
</tr>
<tr>
<td>Asset-backed long-term borrowings</td>
<td>$5.0</td>
<td>$4.3</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>$9.3</td>
<td>$9.5</td>
</tr>
<tr>
<td>Total debt</td>
<td>$108.1</td>
<td>$117.1</td>
</tr>
<tr>
<td>* Total asset-backed long-term borrowings</td>
<td>$5.0</td>
<td>$8.9</td>
</tr>
<tr>
<td>Net debt to adjusted EBITDA***</td>
<td>2.4x</td>
<td>2.6x</td>
</tr>
</tbody>
</table>

* Net of tax benefit.
** Non-GAAP measure.
*** Non-GAAP measure. Adjusted for special items.
2018 Strategic positioning

Network Leadership
- Award-winning 4G LTE
- Intelligent Edge network
- 5G commercial deployment

Customer relationships
- High-quality base
- Brand loyalty
- Scale

New ecosystems
- Media
- Telematics
- IoT

Long-term value creation
- Profitable growth
- Business excellence
- Strong cash generation
4Q ’17 Supplemental Information
## Selected metrics

### Wireless

<table>
<thead>
<tr>
<th>Metric</th>
<th>4Q ’17</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail postpaid upgrade rate (%)</td>
<td>7.2%</td>
<td>5.9%</td>
</tr>
<tr>
<td>Postpaid gross adds (M)</td>
<td>4.5</td>
<td>15.3</td>
</tr>
<tr>
<td>Postpaid smartphone net adds (000)</td>
<td>647</td>
<td>1,772</td>
</tr>
<tr>
<td>Postpaid phone net adds (000)</td>
<td>431</td>
<td>774</td>
</tr>
<tr>
<td>Postpaid tablet net adds (000)</td>
<td>193</td>
<td>31</td>
</tr>
<tr>
<td>Retail postpaid 4G LTE connections (M)</td>
<td>97.9</td>
<td>97.9</td>
</tr>
</tbody>
</table>

### Wireline

<table>
<thead>
<tr>
<th>Metric</th>
<th>4Q ’17</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fios consumer revenue growth rate Y/Y (%)</td>
<td>1.7%</td>
<td>3.7%</td>
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